



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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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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[Be Careful What You Wish For](#)

by Brad Glosserman, Pacific Forum CSIS

In a show of political derring-do, Japanese Prime Minister Koizumi Junichiro called a snap election in August after facing resistance to economic reform from his own party. The prime minister read the public mood well: the ballot produced a landslide victory that permitted him to steamroll the opposition both within the Diet and within his party. In theory, Koizumi’s new strength should help the alliance; his new mandate should cover security policies, too. In reality, voters were thinking less expansively. And in practical terms, the political landscape has been so transformed that adjusting to it will take time. The delay hits two important U.S. concerns: redeploying U.S. forces in Japan and lifting the ban on U.S. beef imports. Failure to resolve these issues is ratcheting up pressure in Washington and may even prompt a public falling out. Congressional hearings that evoke the Japan bashing of old may be a harbinger of things to come in the next quarter.

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The quarter opened with a 20-hour stopover in Beijing by Secretary of State Condoleezza Rice. In early August, her deputy Robert Zoellick visited China to launch a senior-level dialogue on strategic issues. Chinese President Hu Jintao’s long-planned visit to the U.S. was postponed due to Hurricane Katrina. Instead, Presidents Hu and Bush met on the sidelines of the UN General Assembly meeting. China played an instrumental role in forging a joint statement at the Six-Party Talks. U.S.-China military exchanges picked up this quarter with an exchange of visits by Gen. Liu Zhenwu, the commander of China’s Guangzhou military region, and Adm. William Fallon, the commander of U.S Pacific Command. The economic and trade picture was mixed. Progress was made on strengthening intellectual property rights protection in China. Three rounds of textile negotiations failed to produce an agreement. In July, China abandoned the decade-old yuan-dollar peg, and revalued its currency 2.1 percent.

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by Donald G. Gross, Atlantic Council of the United States

Diplomats at the Six-Party Talks made progress this quarter on the nuclear issue with North Korea. In a joint statement of principles, Pyongyang committed itself to “abandoning all nuclear weapons and existing nuclear programs and returning at an early date to the treaty on the nonproliferation of nuclear weapons and to International Atomic Energy Agency safeguards.” In return, North Korea received security assurances, a U.S. and Japanese promise to take steps toward normalization of relations, a South Korean offer of 2 million kilowatts of electricity, and a commitment to implement the agreement sequentially on a reciprocal basis. In the China-brokered joint statement, the U.S. and North Korea further agreed to discuss Pyongyang’s right to develop peaceful nuclear energy and its demand for light-water reactors at a future meeting. Trade issues over Hollywood movie quota, U.S. beef, and U.S.-Korea FTA remained unresolved.

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

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by Sheldon W. Simon, Arizona State University

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by Ronald Montaperto, Consultant on Asian Affairs

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

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by Aidan Foster-Carter, Leeds University, UK

As if to compensate for the lost years from mid-2004 to mid-2005, when Pyongyang eschewed official contacts with Seoul, the past quarter has indeed seen a packed calendar of meetings: hardly a day went by without one. Moreover, this intense intercourse looks set to continue. As ever, some of these encounters were more formalistic than substantive. Nor has North Korea yet delivered all that it has promised – much less than South Korea would like. Nonetheless, economic progress in particular seems to be moving at last toward sustained cooperation. Security issues are more problematic: while Six-Party Talks on the nuclear issue finally agreed on principles in September, both the interpretation and realization of this accord promise to be thorny. Seoul’s mediating role also raised questions about how far inter-Korean progress was being made at the expense of the ROK’s strained alliance with the U.S. or its rocky relations with Japan.

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Six-Party Success and China’s Peninsular Diplomacy

by Scott Snyder, The Asia Foundation/Pacific Forum CSIS

The Six-Party Talks finally reconvened and even made progress this quarter, concluding with a joint statement of principles that will serve as guidelines for a more specific agreement on how to resolve the North Korean nuclear crisis. China was the linchpin and host of the diplomatic effort to achieve an agreement. Although the Bush administration’s willingness to initiate bilateral negotiations with the DPRK inside the six-party framework was a prerequisite for progress and South Korea’s enhanced efforts through a revived inter-Korean dialogue facilitated the process, Chinese diplomacy with North and South Korea was possibly the critical factor in shaping – and limiting – the parameters of a deal. The impact of China’s yuan revaluation reverberated in South Korea this quarter with mixed effect. South Korean companies nervously watched the effect of the revaluation on exchange rate margins on their operations in China.

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

During this quarter, China observed a number of anniversaries in Sino-Japanese relations related to the Japanese military action in Asia. China’s leadership took care that the anniversaries, aimed at strengthening Chinese patriotism and the legitimacy of the Chinese Communist Party (CCP), would not replicate the anti-Japanese sentiment loosed in April. And they were successful. In Japan, domestic politics took center stage. Prime Minister Koizumi Junichiro pushed postal reform legislation. Failure to secure its passage led Koizumi to dissolve the Diet in early August and to go to the polls Sept. 11. Koizumi focused his campaign on the reform issue and avoided discussion of Aug. 15 and Yasukuni Shrine visits. Meanwhile, Japanese diplomacy is absorbed by the Six-Party Talks. One issue did disturb the political and diplomatic calm – the East China Sea territorial dispute. Talks were scheduled to begin in Tokyo at the end of September to address this issue.

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No Major Changes

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

Japan-Korea relations in the past quarter showed no major surprises, and no major changes. Although there was real progress within the larger context of the Six-Party Talks, the agreement in principle by Japan and North Korea to “normalize their relations in accordance with the Pyongyang Declaration, on the basis of the settlement of the unfortunate past and the outstanding issues of concern,” was both a step forward and yet also the mere reiteration of agreements already made. The real issues – and the real work – will begin in the future, as the two sides begin discussing details of just exactly how to settle the abductee issue and move toward normalized ties. It is significant, however, that Japan was willing to forego greater pressure on North Korea on the abductee issue in favor of a broader agreement with the six parties. With the focus on Six-Party Talks, much of the heat between South Korea and Japan over disputed islands and textbooks faded.

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by Yu Bin, Wittenberg University

In three “strikes” during the third quarter, Moscow and Beijing pushed their bilateral relations, qualitatively and quantitatively, toward a more proactive and outward-looking posture. It began with the signing of the Sino-Russian *Joint Declaration on the International Order in the 21st Century* in the Moscow summit July 1. A few days later in the annual Shanghai Cooperative Organization (SCO) summit July 5, a significantly enlarged regional security forum – adding India, Iran, and Pakistan as “observers” – called on the U.S. and its coalition members in Afghanistan to set a deadline for U.S. withdrawal from military bases in the territories of the SCO member states (Kyrgyzstan and Uzbekistan). In late August, the first-ever Sino-Russian joint exercise, code-named *Peace Mission 2005*, further elevated the strategic partnership between the two continental powers. In the wake of the exercise, Russian military sales to China, too, apparently entered a new phase with new categories of weaponry being offered as well as technological transfers.

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Regional Overview:

Six-Party Progress Helps Give Peace a Chance

Ralph A. Cossa
Pacific Forum CSIS

The quarter was highlighted by the beginning and, after a five-week recess, successful conclusion of the long-delayed fourth round of Six-Party Talks. While the Joint Statement issued Sept. 19 was far from a breakthrough, leaving many questions unanswered and most contentious issues unsettled, it did provide a framework for future cooperation (and, one hopes, eventual progress) by listing mutually agreed upon objectives, to include “the verifiable denuclearization of the Korean Peninsula in a peaceful manner.”

In Southeast Asia, the Indonesia government and the Free Aceh Movement (GAM) also decided to give peace a chance in the long-troubled and more recently tsunami-devastated Aceh province. Also in Southeast Asia, the annual round of ASEAN ministerial meetings took place in late July with the focus largely centered on which ministers did not attend the ASEAN Regional Forum (ARF) security dialogue and who would assume the ASEAN chair in mid-2006. Meanwhile, the Shanghai Cooperation Organization (SCO) got Washington’s attention when it called for the United States to set a date for the withdrawal of its forces from Central Asia’s “temporary infrastructure,” raising questions about Beijing’s (and Moscow’s) support for the war on terrorism and desire for cooperative, constructive relations with Washington.

Finally, World Health Organization officials continued to warn of a potential pandemic if a new variant of the avian flu virus, which has now killed at least 65 people in Vietnam, Thailand, Cambodia, and most recently Indonesia, begins spreading from human to human.

Six-Party Talks: neither breakthrough nor breakdown

The prospects for a peaceful settlement of the Korean Peninsula nuclear crisis rose dramatically this quarter when, after a year of delay and months of on-again, off-again, deliberations, China, North and South Korea, Japan, Russia, and the U.S. all signed a Joint Statement laying out points of general agreement and mutually agreed upon objectives to achieve the stated goal of “verifiable denuclearization of the Korean Peninsula in a peaceful manner.”

The talks had been in limbo since June 2004 due to North Korea’s persistent refusal to return to the negotiating table. Repeated demands by the other five (and who knows what kind of other incentives, promises, and/or pressures) finally persuaded Pyongyang to return for the fourth

round of talks on July 26, in no small part due to the effective and energetic diplomacy of Assistant Secretary of State for East Asian and Pacific Affairs Christopher Hill, who doubles as the administration's point man for the six-party process. With Secretary of State Condoleezza Rice's vocal support and President Bush's obvious backing – as noted last quarter, Bush had begun toning down his own personal rhetoric regarding Mr. Kim Jong-il – Hill appeared to have a much freer hand than his predecessor in dealing directly with Pyongyang and demonstrating U.S. flexibility, as much to maintain solidarity among the other five as to cajole Pyongyang back to the table.

Hopes for an early breakthrough during the fourth round of talks were quickly dashed, however. After 13 days of deliberation, a “recess” was declared by the Chinese hosts “so that the delegations can go back to report to their respective governments, further study each other's position and resolve differences which still exist.” The main sticking point was reportedly an insistence by Pyongyang that it be provided light-water reactors (LWRs) as called for in the original 1994 U.S.-DPRK Agreed Framework and Washington's equally adamant insistence that no “peaceful” nuclear energy program be permitted in the North, given its track record of cheating. Assistant Secretary Hill, in a comment that proved to be much less unyielding than it appeared, asserted that the North Koreans needed to “go back and think about what they have been told, which is, they are not going to get a light-water reactor.”

Joint Statement. After five weeks of behind-the-scenes negotiations (including PRC senior officials' visits to Pyongyang and the use of the U.S.-DPRK “New York channel”), the six parties reassembled in Beijing on Sept. 13. Three days into the talks, diplomats were talking about “irreconcilable deadlock” with “no prospect for delivery” of a joint statement. A breakdown appeared likely, if not imminent. However, a Chinese full court diplomatic press and some (quite frankly surprising) additional U.S. flexibility resulted in a Sept. 19 Joint Statement that finessed or skirted the most contentious issues but managed to avoid the feared complete breakdown. While it would be premature to call the statement a true breakthrough, it makes one possible by providing a set of agreed upon principles and mutually shared objectives to work toward. Most significantly, if Pyongyang is indeed sincere, it represents the “strategic decision” long insisted upon by Washington as the first step in the process: the agreement by North Korea to abandon “all nuclear weapons and existing nuclear programs” and return to the Nuclear Non-Proliferation Treaty (NPT) and International Atomic Energy Agency (IAEA) safeguards.

The statement defers or leaves many critical questions unanswered. One of the most critical is the fate of Washington's earlier promise (under the now defunct Agreed Framework) to provide Pyongyang with LWRs. This problem was not solved; it was merely deferred, with the parties agreeing “to discuss at an appropriate time the subject of the provision of light-water reactors to the DPRK.” Washington (and reportedly the other four) apparently agreed that the “appropriate” time was after Pyongyang had returned to the NPT and came into full compliance with IAEA safeguards and immediately made this clear. North Korea obviously disagrees, wanting – as it always has – its rewards up front, clearly inappropriate timing from Washington's perspective.

The disagreement over the “appropriate time” was underscored by a North Korea announcement, within 24 hours of the issuing of the Joint Statement, that “the U.S. should not even dream of the issue of (North Korea's) dismantlement of its nuclear deterrent before providing LWRs, a

physical guarantee for confidence-building.” This statement did not, as many in the press indicated, negate or undermine the Joint Statement. It merely began the debate over timing. It was as much a reaction to Washington’s definition as it was a typical North Korean negotiating tactic, not to mention an attention-getting measure.

Pyongyang’s decision to immediately reintroduce its LWR demand was likely also intended to deflate the credit being heaped upon Chinese diplomacy and U.S. flexibility, to remind the world (and especially Beijing and Washington) that Pyongyang remains in the driver’s seat. As it has in the past, the LWR issue also serves to distract attention from the real issue, which is Pyongyang’s plutonium- and uranium-based nuclear weapons programs and how to both account for and then verifiably dismantle them.

One detail that remains critical to the ultimate success of the agreement is the definition of “all nuclear weapons and existing nuclear programs.” The Sept. 19 Joint Statement successfully finessed the disagreement over whether a uranium enrichment program exists in the North – Washington says it does; Pyongyang still denies it. Agreeing that “all” programs will be included is only significant, however, if there is agreement on what constitutes “all.” The other parties cannot allow the LWR smokescreen to overshadow this yet-to-be resolved issue, as Secretary Hill reminded Pyongyang at quarter’s end, when he noted that there could be “trouble ahead” if Pyongyang did not admit to a uranium enrichment program at the next round of talks.

During the recess (Aug. 14), DPRK Vice Foreign Minister Kim Gye-gwan once again asserted that “we don’t have any uranium-based weapons program, but in the future if there is any kind of evidence that needs to be clarified we will be fully prepared to do so.” This comment leaves open the possibility that Pyongyang at some point might acknowledge the purchase of Pakistani centrifuges for an energy – as opposed to weapons – related uranium enrichment program, allowing both sides a face-saving way out of this current standoff.

Also unresolved is the broader issue of energy assistance to Pyongyang. The Joint Statement “reaffirmed” the ROK offer to provide 2 million kilowatts of electric power to the DPRK. It did not indicate if the North was prepared to settle for this offer, much less accept it as a substitute for the LWRs (which, by no mere coincidence, were to have provided the same amount of power). Seoul, which trumpeted this “breakthrough” when it was first announced, has now been strangely quiet on the connection between its energy offer and the need for Pyongyang to drop the LWR demand.

Another major unresolved issue is sequencing. While all concurred that the denuclearization agreement will be accomplished in “a phased manner in line with the principle of ‘commitment for commitment, action for action,’” the “commitments” and “actions” have yet to be defined, much less put in an agreed upon order – Washington apparently wanted some sequencing outlined in the statement but Beijing saw this as too hard.

The Joint Statement also noted that “the directly related parties will negotiate a permanent peace regime on the Korean Peninsula at an appropriate separate forum.” Unfortunately, it did not reveal who the “directly related parties” might be. It may represent a simple desire to keep the Japanese (and perhaps the Russians) out of the treaty talks. But, recall that North and South

Korea, China, and the U.S. were all engaged in Four-Party Talks several years ago to accomplish just that. These talks, at an “appropriate separate forum,” broke down over Pyongyang’s refusal to acknowledge that Seoul should be a signatory – it wanted a bilateral peace treaty with Washington. Has this position changed? Only time will tell. North Korea’s most recent peace treaty demand, issued at the time of the August recess, once again called for a U.S.-DPRK treaty.

Finally, another important missing element is discussion of security assurances or guarantees. The Joint Statement includes a promise by Washington not to attack or invade the North, but does not address the behavior of the other parties. If North Korea employs military force against South Korea or Japan – two U.S. treaty allies – is Washington prohibited from responding? Is stopping a North Korea ship suspected of smuggling nuclear weapons (or drugs or counterfeit currency) an “attack”? Is Pyongyang prepared to refrain from hostile acts of this nature? These questions will also have to be sorted out during subsequent rounds of dialogue.

All this is not to demean the agreement – it represents a vital first step. A real breakthrough still remains possible, if the other five parties can avoid being distracted by the LWR issue and speak with one voice with Pyongyang in insisting that it start charting a clear path toward the accomplishment of now agreed upon objectives when they reconvene in Beijing in early November 2005 for the next round of talks.

Aceh: giving peace a chance

One of the most promising developments of this or any other quarter in Southeast Asia was the signing, after three decades of conflict that saw 15,000 people killed, of a peace accord between the government of Indonesia and the separatist Free Aceh Movement (GAM). The agreement, brokered by former Finnish President Martti Ahtisaari was reached July 17 and officially signed Aug 15. The agreement calls for the rapid disarmament of rebels, the scaling back of Indonesia’s military and police presence to roughly half its current size, and greater self-government for the province. The rebels gave up their claim for independence from Indonesia, and the government yielded ground on the question of allowing Aceh some political autonomy. The Acehnese won the right to form local political parties, which are banned under Indonesian law, giving them a measure of self-rule they never had. Those parties will be able to compete in provincial elections within 18 months, according to the agreement. The agreement also reiterated a commitment made in 1999 to allow Aceh to retain 70 percent of all revenues from oil, gas, and other resources.

Some 25,000 Indonesian military (TNI) soldiers and 5,000 police personnel are to leave the province in the next six months; roughly 3,000 rebels would be disarmed over the same time. According to the timetable, the rebels will lay down at least 20 percent of their weapons, and the military will move out 20 percent of their troops every two months. A 300-member Aceh Monitoring Mission (AMM) from the European Union and ASEAN will oversee disarmament at 12 centers, where rebels are supposed to turn in their arms and receive help for reintegrating into society. Each combatant who turns in weapons will receive about five acres of land and supplies to become a farmer or fisherman in the province. Under the terms of the accord, rebels and political prisoners will be granted amnesty. At quarter’s end, both sides appeared to be keeping to their end of the bargain. The Free Aceh Movement (GAM) had already surrendered almost

300 of their estimated 800 weapons to the AMM and about 6,000 TNI troops from 11 battalions had been withdrawn.

While there are a number of explanations for the breakthrough, almost all commentators agreed that the Dec. 26 tsunami, which devastated Aceh (killing at least 131,000 Acehnese), had changed the political landscape and put tremendous pressure on both sides to make compromises in Helsinki, since neither side wants to be accused of obstructing the rebuilding of the war- and tsunami-ravaged province.

ARF ministers (or designated representatives) meet in Laos

The annual Association of Southeast Asian Nations (ASEAN) ministerial gatherings took place in Vientiane, Laos between July 24-29, including an ASEAN-only ministerial, a Post Ministerial Conference (PMC) between ASEAN and its dialogue partners, various “10+1” meetings between ASEAN and individual partners, the ASEAN+3 (A+3) meeting involving ASEAN ministers and their counterparts from China, Japan, and the ROK, and the 12th annual ASEAN Regional Forum security dialogue. The big news coming out of the ASEAN ministerial was the expected announcement that Myanmar (Burma) had elected to skip its turn as ASEAN (and thus ARF) chair next year so it could “focus its full attention on the ongoing national reconciliation and democratization process.” Malaysia assumed the chair at the end of the Vientiane meeting and will host the summer 2006 ministerial. Going alphabetically, it would have then been Myanmar’s turn to accept the mantle of leadership (which will now go to the Philippines).

ASEAN had been facing intense pressure from Washington and others to bypass Myanmar unless there was some significant movement toward political reform. By “postponing” its turn – the Lao foreign minister noted that “once Myanmar is ready to assume the chairmanship, it can do so” – the immediate problem is resolved. Of course, it also takes a lot of the pressure off Myanmar, which may now assume that it is free to continue to pursue its repressive domestic policies regardless of growing international (to include ASEAN) condemnation. In short, by “doing the right thing” – i.e., giving up its 2006 chairmanship – Yangon can more easily avoid doing the *really* right thing: releasing Nobel Laureate Aung San Suu Kyi from house arrest and seriously moving forward on democratization.

Diminishing the ARF? Chinese Foreign Minister Li Zhaoxing, who was present in Vientiane for the A+3 and other dialogues, elected to skip the ARF meeting in order to make his first visit to Myanmar. Beijing had long been arguing against any “interference in Myanmar’s internal affairs.” Going to Myanmar instead of the ARF demonstrated Beijing’s solidarity with Yangon and its displeasure over Washington’s (and ASEAN’s) strong-arm tactics. It also underscored one of ASEAN’s greatest concerns: that putting pressure on Myanmar drives it deeper into Beijing’s camp. More broadly speaking, Li’s actions also signaled China’s preference for “Asia-for-Asians” forums, ones that specifically exclude the United States, over “Asia-Pacific” gatherings like the ARF.

Foreign Minister Li was not the only high-profile “no-show” at the ARF. The foreign ministers of Japan and India also sent representatives due to “pressing duties” elsewhere (including pursuing their futile attempt to gain permanent seats on the United Nations Security Council), as

did U.S. Secretary of State Condoleezza Rice, who was represented by her deputy, Robert Zoellick. While Zoellick is highly regarded in Asia, Rice's decision to skip her first opportunity to meet face-to-face with all her ASEAN and other East Asian counterparts was widely reported as "an unnecessary snub."

The international press magnified her absence by repeatedly, but inaccurately, reporting that Rice was "the first secretary of state in 20 years to miss an ARF meeting." In fact, the ARF was not even established until 1994 and neither Warren Christopher nor Madeleine Albright had a perfect attendance record during the Clinton years. Rice's immediate predecessor, Colin Powell, did attend all four ARF meetings during his tenure in office, however. Secretary Rice did make a quick 18-hour visit to Thailand "to show how much the United States cares about Southeast Asia" during her early July swing through Northeast Asia. In Phuket, in response to repeated questions, she explained, to virtually no one's satisfaction, that "other essential travel ... in roughly the same time frame" precluded her participation at the ARF.

As one Singaporean security analyst noted, "Dr. Rice's absence should not come as a surprise because President George W. Bush's unilateral-focused administration had downgraded the importance of multilateral forums like the ARF." In truth, during its first four years, the Bush administration was a strong proponent of East Asia multilateralism. Secretary Powell's perfect attendance at the ARF was matched by President Bush's at the Asia Pacific Economic Cooperation (APEC) Leaders Meeting, something his predecessor (who established the forum) failed to do. But in Asia, perception frequently trumps reality, and Rice's ill-conceived decision to skip her first ARF meeting regrettably will reinforce all the wrong perceptions at a time when Southeast Asians are seeking reassurance of Washington's continuing commitment in the face of a rising China.

Meanwhile, with Assistant Secretary Hill preoccupied with North Korea and Secretary Rice focused on the rest of the world, Deputy Secretary of State Zoellick has become "Mr. Asia" for the second Bush administration, not only filling in for Secretary Rice at the ARF, but (as will be discussed shortly) delivering the administration's most definitive statement on China policy in late September.

ARF Accomplishments. Despite the absence of several high-profile players, the July 29 ARF meeting was not without its (minor) accomplishments. The ministers praised and supported ongoing and future planned efforts to better coordinate and conduct disaster relief operations in the region. They also "expressed their concern at the pace of the democratization process" in Myanmar and called for "effective dialogue with all parties concerned," an obvious but not specific reference to Aung San Suu Kyi's National League for Democracy. They also reinforced their mutual commitment to promoting more effective counterterrorism and other law enforcement efforts and their commitment to halting the proliferation of weapons of mass destruction. To this end, they accepted a proposal by Brunei and China to host another Inter-Sessional Meeting on Counter-Terrorism and Transnational Crime (ISM on CTTC) in China in 2006, along with two Inter-Sessional Support Group meetings, co-hosted by the U.S. and Philippines, on Confidence-Building Measures (ISG on CBMs). The CBM ISG was also to evolve into an ISG on CBMs and Preventive Diplomacy. An ARF Experts and Eminent Persons (EEP) meeting is also planned for the coming year.

Of note, Timor-Leste was admitted as the ARF's 25th participant. The ministers also welcomed the accession of the Republic of Korea, Russia, New Zealand, and Mongolia to the Treaty of Amity and Cooperation (TAC) and Australia's declaration of intent to accede. While this makes all theoretically eligible to participate in this December's East Asia Summit (EAS) in Kuala Lumpur, the inaugural meeting is expected to be limited to the ASEAN 10+3+2+1 grouping (the two plus one being Australia and New Zealand, plus India, which like China had previously acceded to the TAC – the U.S. has not).

During Zoellick's 10+1 meeting with the ASEAN ministers, agreement was reached to begin negotiations for a U.S.-ASEAN Enhanced Partnership, building upon the 2002 ASEAN Cooperation Plan, along with an extension of U.S. technical assistance and training programs, counterterrorism assistance, and financing for clean energy programs and other environmental and wildlife conservation projects. Zoellick also applauded the ARF's willingness (finally) to move toward preventive diplomacy. For their part, his interlocutors urged Washington to consider a U.S.-ASEAN free trade agreement.

Multilateral Military Developments. In other ASEAN-related developments, on Sept. 7, Thailand joined an agreement with Indonesia, Malaysia, and Singapore to begin conducting joint "eye-in-the-sky" patrols over the piracy-prone Malacca Strait. Each will contribute two aircraft to the daily surveillance effort, which supplements ongoing naval patrols by the littoral states. Foreign countries were welcome to provide assistance to this effort "as long as they did not breach the principles of national sovereignty and territorial integrity." The U.S. is reportedly providing intelligence, training, and equipment in support of this effort.

This quarter also saw Southeast Asia's first Proliferation Security Initiative (PSI) exercise in mid-August, when navy, coast guard, and customs units from 12 countries participated in the Singapore-hosted *Exercise Deep Sabre 2005* in the South China Sea. This was the 18th PSI exercise, aimed at advancing the operational capabilities of PSI participating nations by integrating an at-sea boarding (conducted by a combination of military and law enforcement forces) with a port search operation (conducted primarily by law enforcement). Asia-Pacific participants included Australia, New Zealand, Japan, and Singapore. While Japanese navy and coast guard ships have participated in PSI exercises in the past – Japan even hosted one such exercise – this was the first time that armed self-defense force personnel participated, an event made even more significant by the fact that there were no protests, either at home or in Southeast Asia, to this unprecedented step. U.S. forces included a navy destroyer with a Coast Guard law enforcement detachment, plus P-3 maritime patrol aircraft.

SCO: Yankee go home!

The Bush administration remains generally supportive of East Asia multilateralism, even to include forums like A+3 and the upcoming EAS that do not directly involve Washington. [For details, see [Issues & Insights Vol. 5 No. 9, "The Emerging East Asian Community: Should Washington be Concerned?"](#)] However, it has begun to cast a wary eye on the Beijing and Moscow-dominated Shanghai Cooperation Organization, which also involves four Central Asian states (Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan). In early July, the SCO, during a summit meeting in the Kazakhstan capital of Astana, called on the U.S. and its coalition partners

to “decide on the deadline for the use of the temporary infrastructure and for their military contingents’ presence” in Kyrgyzstan and Uzbekistan – the U.S. keeps roughly 1,000 troops each at airfields in Karshi-Khanabad in Uzbekistan and Manas in Kyrgyzstan – “as the active military phase in the anti-terror operation in Afghanistan is nearing completion.”

By the end of the month, it became obvious that one of the hosts – Uzbekistan, which had come under increasing criticism from the U.S. and the international community in general for its harsh repression of protestors in Andijan in May – was not going to wait for the U.S. to set its own deadline; on July 29, Uzbekistan gave Washington 180 days to vacate Karshi-Khanabad, an order unanimously approved by the Uzbek Senate a month later. While this no doubt reflects Uzbek President Islam Karimov’s displeasure over Washington’s criticism of his dismal human rights record, it is doubtful it could have occurred without Moscow and Beijing’s consent, if not active encouragement and support. (In contrast to Washington’s demand for an international investigation into the Andijan incident, China invited Karimov to Beijing for a 21-gun salute in May, within two weeks of the massacre, with Chinese President Hu Jintao paying a reciprocal visit a month later, where he once again heaped praise on the Uzbek leader.)

Meanwhile, Washington’s foothold in neighboring Kyrgyzstan seems secure for the time being. Secretary Rumsfeld made his second visit to Bishkek in five months in late July to shore up the continued U.S. presence at Manas. Newly elected President Kurmanbek Bakiyev, during his Aug. 14 inauguration (following the landslide July 10 election of the former opposition leader), pledged to follow an independent foreign policy, pledging that his country would not be “a place for the fulfillment of someone else’s geopolitical interests” – apparently referring as much to Beijing and Moscow as to Washington. While initially saying that the necessity of the U.S. presence at Manas should be discussed, he gave assurances to Rumsfeld that U.S. forces could stay as long as they are needed to bring stability to Afghanistan. Rumsfeld also visited neighboring Tajikistan. The U.S. does not have forces based there but does have an arrangement that allows overflight and also permits refueling stops under certain circumstances.

Whither U.S.-China relations?

China’s intense courting of Myanmar and Uzbekistan fit a broader, potentially disturbing pattern. In late July, Beijing also feted Zimbabwe dictator Robert Mugabe with full honors during his state visit to China. Mugabe’s gross violations of human rights have resulted in travel bans preventing him from traveling to Europe or the U.S. and condemnation from UN Secretary General Kofi Annan, who called Mugabe’s controversial slum demolition campaign a “catastrophic injustice” to the poor people of Zimbabwe. Beijing, on the other hand, expressed confidence in Mugabe’s ability to handle this “internal affair.” From North Korea to Myanmar and Uzbekistan in Asia, to Sudan and Iran in the Middle East, to Venezuela and Cuba in Latin America, it seems that one thing that most countries currently in conflict or disagreement with Washington have in common is the same best friend: China.

This phenomenon no doubt contributed to Deputy Secretary Zoellick’s admonition – during a Sept. 21 speech on “Whither China: from Membership to Responsibility?” – that Beijing recognize how its actions are perceived by others: “China’s involvement with troublesome states indicates at best a blindness to consequences and at worst something more ominous.” In what

was identified as a major address on China policy, Zoellick cautioned Beijing that uncertainties about how Beijing will use its power may cause Washington, among others, to hedge their relations, urging China instead to become a “responsible stakeholder” in the international system. Even as Washington applauds growing cooperation with Beijing on issues such as Korean Peninsula denuclearization, currency revaluation, and a modest reduction in cross-Strait tensions with Taiwan, it cannot help but notice an increasingly active Chinese diplomatic campaign aimed at protecting, if not emboldening, some of the globe’s most repressive regimes; efforts that frequently run contrary to U.S. interests and the preservation and promotion of global norms. [For more on this subject, see [PacNet No. 31 “China: the company one keeps!”](#)]

Avian flu: no epidemic (yet)!

Concerns about the spread of avian or bird flu to humans grew this quarter after Indonesia experienced its first human fatalities. At least four deaths have been confirmed (with several other cases being reported), causing Indonesian Health Minister Siti Fadilah Supari at one point to say that “this can be classified as an epidemic and most definitely there will be other [deaths] as long as we are unable to positively identify the sources,” She later said that she had misspoken, saying that she merely believed that the disease could become epidemic. Nonetheless, with at least 65 deaths now being recorded in four Southeast Asian countries and millions of inflected birds being reported in 12 countries throughout East Asia (and reports of the virus now being found in birds in Turkey and Romania), concerns about a pandemic are rising.

The good news is there have still been no confirmed cases of human-to-human transmission of the deadly H5N1 virus and the international community has been provided with considerable advance warning to get immunization, quarantine, and evacuation plans in order. The bad news is all the affected countries (and the rest of the world, which could become affected countries overnight) are far behind on accomplishing the time-consuming, expensive preparations required to make themselves better prepared in the event a pandemic develops. In the U.S., President Bush has attached the highest priority to the stockpiling of necessary vaccines and the development of emergency preparedness measures in anticipation of a global human outbreak.

Mahalo!

Finally, we would be remiss not to acknowledge the many individuals and nations in the Asia Pacific region that opened up their hearts (and wallets) to the people of the U.S. after first Hurricane Katrina and then Hurricane Rita caused havoc on New Orleans and much of the U.S. Gulf Coast. Countries throughout the region sent aid and assistance, including teams of disaster relief specialists, to help in the immediate aftermath of the storms. Even the DPRK Red Cross sent a message of condolence. To all those who lent a helping hand, we extend a warm, heartfelt mahalo nui loa or thank you!

Regional Chronology July-September 2005

June 29-July 2, 2005: Korean Minister of Unification Chung Dong-young briefs Vice President Dick Cheney, Secretary of State Condoleezza Rice, and National Security Advisor Stephen Hadley in Washington on his recent visit with Kim Jong-il.

July 1, 2005: Tariff liberalization program under ASEAN-China Free Trade Area agreement takes effect.

July 1-3, 2005: Chinese President Hu Jintao continues official visit to Russia with formal talks at the Kremlin on July 1.

July 5, 2005: SCO calls on U.S. to set deadline for withdrawing forces from Central Asia.

July 6, 2005: Group of Four – Germany, Japan, Brazil, and India – submits to the General Assembly a resolution to enlarge the 15-seat UN Security Council (UNSC) to 25 seats.

July 6, 2005: Yangon releases 240 prisoners, including political detainees and opposition politicians, but not Aung San Sui Ky.

July 6-8, 2005: G-8 leaders meet in Gleneagles, Scotland.

July 6-13, 2005: Taiwan opposition New Party officials visit Guangzhou, Dalian, Beijing, and Nanjing under the theme of “journey of Chinese nation.”

July 7, 2005: Presidents George Bush and Vladimir Putin meet on sidelines of G-8 Summit.

July 7, 2005: ROK, PRC, and Japan conduct 90-minute joint maritime exercise off Shanghai. U.S., Russia, and ASEAN present as observers.

July 7, 2005: Philippine Pres. Gloria Macapagal-Arroyo asks for all her Cabinet ministers’ resignations and receives them.

July 7, 2005: London’s mass transit system is bombed; 50 die and 700 are injured.

July 8-13, 2005: Secretary Rice visits South Korea, China, Japan, and Thailand.

July 9, 2005: North Korea agrees to return to Six-Party Talks.

July 9, 2005: Chinese Communist Party (CCP) delegation visits Laos, DPRK, and ROK.

July 12, 2005: Singaporean PM Lee Hsien-loong meets with Pres. Bush.

July 12, 2005: ROK reveals it has offered the DPRK 2 million kW of electric power, which effectively replaces loss from cancellation of KEDO light-water reactor project.

July 12-14, 2005: PRC State Councilor Tang Jiaxuan visits Pyongyang as special envoy of President Hu Jintao and meets with Kim Jong-il.

July 14, 2005: Japan approves grant of East China Sea exploration rights to Teikoku Oil Company; Beijing lodges protest.

July 15, 2005: PRC Gen. Zhu Chenghu says China may use nuclear weapons against U.S. in a Taiwan conflict.

July 17, 2005: Indonesian and Free Aceh Movement (GAM) agree to Finland-brokered peace treaty ending 3 decades of civil war.

July 18, 2005: Indian Prime Minister Manmohan Singh meets with Pres. Bush in Washington; Bush agrees to share civilian nuclear technology, pending Congressional approval.

July 18-23, 2005: Vietnam President Tran Duc Long makes state visit to China.

July 19, 2005: PRC and Sudanese militaries agree to increase exchanges and cooperation.

July 19, 2005: Australian PM John Howard meets President Bush in Washington.

July 19, 2005: After a several month delay, the Pentagon releases its 2005 report on “The Military Power of the People’s Republic of China” as mandated by Congress.

July 21, 2005: Chinese central bank revalues yuan by 2.1 percent.

July 24, 2005: CCP delegation visits Vietnam and Laos.

July 24-29, 2005: ASEAN Ministerial Meetings held in Vientiane, Laos; Myanmar announces it will not assume ASEAN chair in mid-2006.

July 25, 2005: Defense Secretary Rumsfeld visits Kyrgyzstan to shore up U.S. base agreement in wake of SCO declaration.

July 26, 2005: Zimbabwe President Robert Mugabe receives “red carpet” welcome from Chinese leader Hu during state visit to Beijing.

July 26-Aug. 3, 2005: Deputy Secretary of State Robert Zoellick travels to Laos, Hong Kong, and China for the ASEAN meetings, for a meeting with Hong Kong Chief Executive Donald Tsang, and for the Senior Dialogue in China.

July 26-Aug. 7, 2005: Beijing hosts first phase of fourth round of Six-Party Talks.

July 27, 2005: ASEAN+3 ministers meet in Vientiane, Laos.

July 27, 2005: China's State Councilor Tang Jiaxuan meets Pres. Bush, Secretary Rice, National Security Advisor Stephen Hadley, and Treasury Secretary John Snow in Washington.

July 27-30, 2005: Indonesian President Susilo Bambang Yudhoyono visits President Hu and Premier Wen Jiabao in Beijing.

July 28, 2005: ROK and DPRK Foreign Ministers Ban Ki-moon and Paek Nam-sun meet in Vientiane.

July 28, 2005: Tokyo metropolitan board of education approves disputed junior high school Japanese history textbook for use beginning April 2006. Less than 1 percent of Japan's public and private middle schools (48 out of 11,035) have adopted the controversial textbook.

July 29, 2005: ASEAN Regional Forum (ARF) meets. Deputy Secretary Zoellick attends in place of Secretary Rice.

July 29, 2005: Chinese FM Li skips ARF; visits Myanmar.

July 29, 2005: Uzbekistan gives U.S. 180 days to vacate base at Karshi-Khanabad.

July 30-Aug. 8, 2005: Twelve-member U.S. House delegation visits China to build relations and promote congressional and national awareness of U.S.-China relations.

July 31, 2005: North Korean FM Paek says Pyongyang will rejoin the Nuclear Nonproliferation Treaty (NPT) after the nuclear issue is resolved.

Aug. 2, 2005: CNOOC withdraws its \$18.5 billion bid for Unocal Corp.

Aug. 6, 2005: DPRK calls for a peace treaty with the U.S. to replace the 1953 armistice.

Aug. 9, 2005: Japanese Foreign Ministry protests Chinese pipe-laying operations in the disputed area of the East China Sea.

Aug. 10-14, 2005: Cambodia's King Norodom Shimamoni makes state visit to China and meets President Hu and Premier Wen.

Aug. 11-13, 2005: ROK FM Ban confers with counterpart Li in Beijing on Six-Party Talks prior to visiting Washington.

Aug 14, 2005: DPRK delegates arrive in the ROK to mark the four-day joint celebration of the 60th liberation anniversary.

Aug. 14, 2005: Former opposition leader Kurmanbek Bakiyev vows at his presidential inauguration that Kyrgyzstan will maintain its political independence.

Aug. 15, 2005: Aceh peace treaty formally signed.

Aug. 15, 2005: Koizumi apologizes for Japanese WWII atrocities on 60th anniversary of war's end.

Aug. 15, 2005: ROK grants amnesty to 4.22 million law-breakers including businessmen and politicians.

Aug. 15-19, 2005: U.S., Singapore, Australia, France, Japan, Britain, among others, conduct Proliferation Security Initiative exercise, *Exercise Deep Sabre 2005* to interdict seaborne WMD in Southeast Asian waters.

Aug. 16-17, 2005: U.S. and Chinese textile negotiators hold talks in San Francisco.

Aug. 18-25, 2005: Russia and PRC hold joint military exercise *Peace Mission 2005* in Vladivostok and eastern China.

Aug. 19, 2005: ROK agrees to provide farming technology, including fertilizer and pesticides, and to set-up joint projects with the DPRK to reduce chronic food shortages.

Aug. 19, 2005: Jay Lefkowitz named U.S. special envoy on human rights in North Korea.

Aug. 21, 2005: William Burns replaces Alexander Vershbow as U.S. ambassador to Russia.

Aug. 22, 2005: U.S. and DPRK hold meetings through the New York channel.

Aug. 22, 2005: FM Ban voices support for Iran's peaceful use of nuclear technology in a meeting with Hossein Hashemi, head of the Iran-South Korea Parliamentary Friendship Group.

Aug. 22, 2005: Jakarta pulls out first group of over 1,250 Indonesian troops from Aceh province as part of ceasefire agreement with GAM.

Aug. 22-Sept. 2, 2005: ROK-U.S. stage joint military exercise *Ulchi Focus Lens*, a computer-driven war simulation exercise.

Aug. 24-Sept. 2, 2005: 12th APEC senior ministerial level meeting in Daegu, Korea.

Aug 25-31, 2005: 11th round of North-South separated families reunions at Mt. Kumgang.

Aug. 27, 2005: Hurricane Katrina makes landfall on Louisiana.

Aug. 27, 2005: China begins cooperation with the Philippines and Vietnam in a joint marine seismic study in the South China Sea.

Aug. 27-29, 2005: PRC Vice Minister Wu meets with DPRK FM Paek in Pyongyang to clarify North Korea's position prior to start of next phase of six-party dialogue.

Aug. 29, 2005: Aircraft of U.S. Senators Richard Lugar and Barack Obama is detained in Russian city of Perm. Moscow blames overeager local officials.

Aug. 30-Sept. 1, 2005: Second round of textile trade talks between U.S. and China is held in Beijing; results in no agreement.

Aug. 30-Sept. 3, 2005: U.S. Congressmen Jim Leach (R-IA) and Tom Lantos (D-CA) travel to Pyongyang.

Aug. 31, 2005: Alexander Vershbow nominated U.S. ambassador to South Korea.

Aug. 31, 2005: Taiwan's Executive Yuan submits pared down arms procurement package.

Sept. 1-4, 2005: 20 DPRK athletes travel south for 16th Asian athletics championships held at Incheon.

Sept. 2, 2005: Civil Aviation of China approves regular overflights by Taiwan airlines.

Sept. 3, 2005: President Hu's scheduled Sept. 5-8 visit to Washington is postponed in the aftermath of Hurricane Katrina.

Sept 3, 2005: DPRK Red Cross sends a message of sympathy to hurricane-ravaged U.S.

Sept. 4, 2005: China and Malaysia sign MOU on defense cooperation.

Sept. 5-11, 2005: Pacific Command chief Adm. William Fallon travels to China to promote more military-to-military contact.

Sept. 6, 2005: Philippines Congress dismisses impeachment charges against Pres. Arroyo.

Sept. 6-8, 2005: APEC finance ministers' meeting in Busan, Korea.

Sept. 7, 2005: Indonesia, Malaysia, Singapore, and Thailand agree to conduct joint "eye-in-the-sky" air patrols over the Malacca Strait.

Sept. 11, 2005: PM Koizumi's Liberal Democratic Party wins majority of seats (296 out of 480) in the Lower House and coalition partner New Komeito wins 31 seats.

Sept. 11, 2005: FBI analyst and former top Philippine law official are arrested in New Jersey for passing classified FBI information.

Sept. 11-17, 2005: Russia, U.S., and Canada hold *Arctic Sarex 2005* search and rescue exercise in Alaska.

Sept. 13-19, 2005: The fourth round of Six-Party Talks resumes in Beijing.

Sept. 13-28, 2005: Opening of 60th session of the UN General Assembly (UNGA).

Sept. 13, 2005: Presidents Bush and Hu meet in New York on sidelines of UNGA meetings to discuss Six-Party Talks and trade.

Sept. 14, 2005: The International Convention on Suppressing Acts of Nuclear Terrorism is signed by U.S.

Sept. 14-16, 2005: World Summit held at UN in New York.

Sept. 16, 2005: Presidents Putin and Bush meet in Washington.

Sept. 17, 2005: U.S. and Japan announces Strategic Development Alliance to coordinate efforts between the two nations on international aid and development.

Sept. 17, 2005: Labor Party wins narrow victory in New Zealand with 40.74 (vs. 39.63) percent of the vote.

Sept. 19, 2005: Thai PM Thaksin Shinawatra visits Pres. Bush in Washington.

Sept. 19, 2005: Six-Party Talks participants release joint statement that commits DPRK to abandon its nuclear program and to rejoin the Nuclear Non-proliferation Treaty.

Sept. 20, 2005: DPRK states it would not dismantle its nuclear facilities until it receives a light-water reactor.

Sept. 21, 2005: Vietnam is removed from U.S. watch list of major drug producing and transit countries.

Sept. 21, 2005: Deputy Secretary Zoellick delivers major speech on U.S.-China relations.

Sept. 24, 2005: Hurricane Rita makes landfall between Louisiana-Texas border.

Sept. 24-25, 2005: Annual meetings of World Bank Group and International Monetary Fund in Washington D.C.

Sept. 24-30, 2005: Former KMT Chairman Lien Chan conducts six-day private visit to Russia.

Sept. 26, 2005: Koizumi government institutes 90-day visa waiver for Taiwan tourists.

Sept 26, 2005: IAEA Director General Mohamed ElBaradei confirmed in office for another four years.

Sept. 26-28, 2005: Third round of textile trade talks ended in Washington between U.S. and China without an agreement. The next round is planned for October.

Sept. 27, 2005: ROK Navy sets up hotline with China to avoid accidental armed clashes in the West Sea.

Sept 27, 2005: PRC launches major annual *North Sword 2005* war games in Inner Mongolia, pitting 16,000 troops against each other in a mock battle observed by military officers from a record 24 nations.

Sept. 27, 2005: Tokyo announces it seeks a cut from 2007 in Japan's payout to the UN budget and a hike in the contributions of the PRC and Russia.

Sept 28, 2005: Asst. Sec. Hill says the next thing DPRK needs to do is tell where its nuclear arms facilities are, noting there could be trouble if DPRK refuses to admit to a uranium enrichment program in the next round of talks.

Sept. 30, 2005: Japan's agriculture minister states Japan will not lift ban on U.S. beef based on political pressure, but on science.

Sept. 30-Oct. 1, 2005: Japan and China hold third round of talks over disputed areas of the East China Sea.



**U.S.-Japan Relations:
Be careful what you wish for**

**Brad Glosserman
Pacific Forum CSIS**

In a show of political derring-do, Japanese Prime Minister Koizumi Junichiro called a snap election in August after facing resistance to economic reform from his own party. The prime minister read the public mood well: the ballot produced a landslide victory that permitted him to steamroll the opposition both within the Diet and within his party. In theory, Koizumi's new strength should help the alliance; his new mandate should cover security policies, too. In reality, voters were thinking less expansively, however. And in practical terms, the political landscape has been so transformed that adjusting to it will take time. Important decisions will not be made and patience will be at a premium.

Delays hit two important U.S. concerns: redeploying U.S. forces in Japan and lifting the ban on U.S. beef imports. Failure to resolve these issues is ratcheting up pressure in Washington and may even prompt a public falling out. Congressional hearings that evoke the Japan bashing of old may be a harbinger of things to come in the next quarter.

Landslides and quicksand

Prime Minister Koizumi took office four years ago promising to transform his Liberal Democratic Party (LDP) or destroy it. This quarter he finally made good on that pledge. After his cherished postal reform legislation was defeated in the Upper House on Aug. 8 – by rebels from his own party – Koizumi dissolved the Lower House and called a special election to get a mandate for reform. He got it – and then some. On Sept. 11, the LDP won 296 seats, an absolute majority in the 480-seat legislature, up from 212, and the second-highest figure in the party's 50-year history. With the 31 seats of coalition partner New Komeito, the government now has more than the two-thirds majority needed to overturn any veto by the Upper House.

A mandate is not a blank check. The election was fought over labels – specifically who deserved to be considered a reformer in Japan – and the prime minister has no peer when it comes to manipulating images and backing his opponents into a corner. Koizumi stayed on message and avoided any action that might detract from his theme. In particular, he stayed far from Yasukuni Shrine, even though many expected a visit on the Aug. 15 anniversary of the end of World War II to shore up support from his base. It should come as no surprise, then, that in polls after the ballot, most voters said they were endorsing postal reform only.

Even though foreign policy wasn't an election issue, the results will have an impact on Japan's relations with its neighbors. The governments in Beijing and Seoul should now be disabused of the notion that their protests against visits to Yasukuni are enough to sway the electorate. Neither can count on regime change in Tokyo and must reconcile themselves to this new domestic political reality in Japan.

The prime minister's mandate means that Japan is likely to stay the course on many policies important to the U.S.: Tokyo will continue the SDF presence in Iraq (at least until the U.S. draws down its own forces) and will stay on station in the Indian Ocean supporting operations in Afghanistan. The bad news is that the election kept politicians from making any progress building domestic political consensus on restructuring the U.S.-Japan alliance. The interim report on realignment due in September has been delayed until October at the earliest, and that deadline may only be reached by putting off the most contentious issue, moving Futenma Air Station.

The delay reflects another tendency: tough decisions will not be made as politicians throughout the country try to figure out how to assert their interests in the new political environment. Ironically, then, Koizumi's "mandate" – which should facilitate bilateral relations – means that Washington is going to have to cool its heels for a while. The U.S. must be patient as it tries to restructure its alliance with Japan.

Maehara to the rescue?

The biggest impact Koizumi's landslide win is likely to be felt by the opposition Democratic Party of Japan (DPJ). The party lost about a third of its seats in the ballot, plunging from 175 to 113. President Okada Katsuya resigned immediately after the results were in; in the ensuing party election, Maehara Seiji pipped two-time president Kan Naoto for the top slot.

Maehara is a young (43) conservative who served as DPJ shadow Cabinet minister for defense. He is a hawk: he advocates constitutional revision to permit Japan to exercise the right of collective self defense and join international efforts to enforce peace. In one TV appearance, Maehara said, "Japan will be protected by the United States in some cases, while Japan will protect the United States in others. It should depend on Japan's initiative how to exercise the right of collective self-defense." While his election is a clear attempt to match the prime minister's vigor, his views don't represent the entire party. He beat Kan by only two votes and many in the DPJ, a mix of former LDP members and former Socialists, are uncomfortable with Maehara's readiness to revise the constitution. In this, too, his predicament mirrors that of Koizumi, who is popular with voters but is viewed suspiciously (still) by many in his own party. As a result, Koizumi may both transform the LDP and destroy it as political dynamics sharpen divisions within all parties and produce new fault lines for political reorganization.

'A model alliance'

For the time being, however, the results look good for the bilateral alliance. In testimony before the Senate Foreign Relations Subcommittee on East Asia and Pacific Affairs at the end of September, Christopher Hill, assistant secretary of state for East Asian and Pacific affairs, called Japan "in many ways, a model for what we hope many countries around the world can and will

achieve.” Calling Japan “a vital partner” in the Six-Party Talks, he noted that “Japan is helping us to do the hard work that will create the necessary environment for the expansion of markets, the development of democracy, and the protection of human rights.” “Today, Japan stands with us from East Asia to Afghanistan.”

In his testimony, Hill highlighted the launch of the U.S.-Japan Strategic Development Alliance (SDA), which was announced at the Sept. 17 meeting of Secretary of State Condoleezza Rice and Foreign Minister Machimura Nobutaka at the UN in New York City. The first sub-Cabinet level meeting of the Japan-U.S. Strategic Development Cooperation Conference was held in Washington Sept. 30.

The Sept. 17 meeting was the most substantive encounter between leaders of the two countries; President Bush called Prime Minister Koizumi to congratulate him on his election win, but they had no time for face-to-face meetings with elections and hurricanes distracting both men. The Rice-Machimura agenda reflected the usual concerns. Both sides agreed to accelerate talks on the realignment of U.S. forces in Japan, Machimura reported Tokyo’s intention to extend the anti-terrorism special measures law, which is set to expire Nov. 1, and permit continuing activities of the Maritime Self Defense Forces in the Indian Ocean. He noted Japan “would like to continue to support Iraq’s nation building in the future ...” Rice responded by noting that the U.S. “highly appreciates” all those actions.

The two governments continued to work closely together on the Six-Party Talks. Washington and Tokyo appear to have the most intertwined approach to the negotiations, and consulted regularly throughout the quarter. The U.S., alone among the other parties to the talks, has backed Tokyo’s demand for an accounting of the Japanese abducted by North Korea. The Joint Statement released on Sept. 19 begins with the unanimous reaffirmation “that the goal of the Six-Party Talks is the verifiable denuclearization of the Korean Peninsula in a peaceful manner,” a position that the U.S. and Japan have advocated since the crisis began. Both countries also joined China and Russia in agreeing to provide energy assistance to the North. The Joint Declaration later acknowledges the “outstanding issues of concern” between Japan and North Korea, a bland reference to the abductions, among other things, and calls for the normalization of relations between Tokyo and Pyongyang.

The two governments even made progress on thorny military issues. They agreed on Sept. 15 to transfer artillery live-fire exercises at a training facility at Camp Hansen, Okinawa, to a new facility to be constructed at Japan’s expense farther from residents. And there were hints that even the Futenma issue might be nearing a resolution when it was reported that the mayor of Nago, where the air station has been proposed to be moved, had said that he could accept a reef-based facility in the shallows of waters off the Henoko area of his city instead of a sea-based facility. But, he added, “There has been no proposal from the government.” Nor is there likely to be one: the U.S. is opposed to the shallow-water option in its current form as the runway included in that facility is too short for many military needs. By the end of the quarter, however, talks on force realignment broke down over the Futenma issue after two days of intense discussion in Washington, prompting reports that Defense Secretary Rumsfeld would cancel a planned visit to Tokyo to reflect his displeasure at the lack of progress on the issue. In his testimony before the Senate Foreign Relations Committee (made after the talks had broken

down), Richard Lawless, deputy assistant secretary of defense for Asian and Pacific Affairs, echoed the standard line that Japan has made remarkable strides in its security policy in recent years, but also revealed U.S. frustrations by noting that “measured against Japan’s capabilities to contribute to international security, and measured against Japan’s global interests and the benefits Japan derives from peace and stability around the world, these changes remain quite modest.” He then alluded to the obstacles both governments face in modernizing the alliance – and in getting Japan ready to make the contributions that are more in line with its capabilities, interests, and those benefits.

Even that disappointment was balanced to some degree by Japanese participation in a Proliferation Security Initiative (PSI) drill in the South China Sea, the first held in Southeast Asia and the first time the SDF sent armed personnel to take part in PSI exercises overseas; Japan has joined other exercises, but never deployed a combat unit. Exercise Deep Saber, held in mid-August, was hosted by Singapore, and involved 12 other nations, with 2,000 naval, coast guard and other service members, 10 vessels and six aircraft. The MSDF contingent included 340 armed personnel, the 5,200-ton destroyer *Shirane*, two P-3C antisubmarine patrol aircraft and two helicopters. The Japan Coast Guard dispatched about 90 personnel and the patrol vessel *Shikishima*. It is an indication of how far Japan has come in recent years in the evolution of its security policy that there was virtually no coverage of – and no protest against – this historic step.

Back to bashing

It is quite odd, then, that the quarter closed with a bout of Japan bashing that echoed long gone days. The House Ways and Means Committee on Sept. 28 held a hearing on Japan that practically oozed malevolence. Chairman Bill Thomas (R. Calif.) opened the proceedings decrying the Japanese “wall of complex protectionist practices and regulatory systems.” The list of complaining witnesses included members of the automobile, beef, medical devices, and insurance sectors, and their message was familiar: Japan denies them “full, fair and equal access to Japanese markets.”

Topping the list of grievances was the continuing closure of the Japanese market to U.S. beef imports. The discovery of bovine spongiform encephalopathy (BSE or mad cow disease) in the U.S. forced Japan to close its doors to U.S. beef, depriving producers of a \$1.4 billion market in 2003. Tough negotiations between the two governments produced what U.S. officials and industry executives thought was a deal, and for a while it looked like new regulations and inspection procedures would be put in place to permit the resumption of imports earlier this year. A second case of mad cow disease in the U.S. forced Japan to reconsider. At a Sept. 26 meeting of the Food Safety Commission, the Cabinet Office entity that is responsible for handling the matter, members couldn’t agree on the reliability of U.S. testing procedures. As a result, they couldn’t agree on recommendations that would allow Japan to lift the ban; it is anticipated that the report will now be filed in the next quarter and the ban lifted before the year is out.

That is not soon enough for many in the U.S. In her testimony, A. Ellen Terpstra, administrator of the USDA’s Foreign Agricultural Service, said “The Japanese assure us they are working through the process to reopen their market to safe U.S. beef. As time quickly passes, those

assurances ring hollow ...” U.S. Trade Representative for Japan Wendy Cutler echoed that sentiment, noting “frustration over the glacial speed with which Japan has been moving to reopen its market to U.S. beef. We have repeatedly and consistently engaged Japan at all levels on this issue.”

House Ways and Means Committee members called for sanctions. While some would dismiss that as business as usual for Congress, there are reports that top levels of the administration are increasingly irritated with Japan. President Bush and Secretary Rice have raised the issue in their meetings and conversations and expressed their own frustrations. One long-time Japan hand calls the beef ban “a cancer on the U.S.-Japan trade relationship,” and expects a public display of presidential pique – by Bush – if the problem isn’t cleared up by the November APEC summit. For his part, Prime Minister Koizumi has maintained that “it is important to give priority to the safety of food. We should not make a political decision.”

That is a little hard to swallow. The prime minister is a political creature: every move he makes has political nuances and implications. It is hard to believe that a man who has made his relationship with President Bush, and Japan’s alliance with the U.S., the cornerstone of his foreign policy can afford to take such a laissez faire attitude – especially when he knows the importance the U.S. administration attaches to the issue.

There was one other trade-related oddity this quarter that could, in this context, sow the seeds of future discord. In September, Japan imposed retaliatory tariffs on U.S. steel products. The 15 percent tariffs, the first such action against a Japanese trade partner, was taken after the World Trade Organization ruled that the Byrd Amendment violated world trade rules. The Bush administration has called for the repeal of the U.S. law – which is designed to aid domestic producers against foreign competition – but the Japanese move is only likely to further anger Congress. (Tokyo is not alone in taking this step; both Canada and the European Union have also announced retaliatory measures.)

Turning up the heat

The next quarter promises to be a critical period for the U.S.-Japan relationship. Resolution of key security and economic issues was put off during the third quarter as the country prepared to go to the polls. Prime Minister Koizumi now has his mandate, and the U.S. will expect him to use it. The prime minister’s primary concern is likely to be domestic politics, however. Officially, his term in office only lasts until next September. (Only a party rule restricts his tenure, but Koizumi has repeated at every opportunity his intention to step down.) He has clearly indicated that he is concerned with his legacy and two issues he has emphasized are postal reform and normalizing relations with North Korea. Pushing through military realignment – a U.S. priority – is a distraction, in terms of both time and political capital. The next quarter will test the resilience and durability of “the best relations ever.”

Chronology of U.S.-Japan Relations July – September 2005¹

July 1, 2005: Ministry of Agriculture, Forestry and Fisheries says it will ease apple quarantine rules as early as August to comply with recent WTO ruling.

July 1, 2005: Health, Labor and Welfare Ministry revises a bylaw to ease Japan's blanket testing of cows for mad cow disease starting Aug. 1.

July 1, 2005: Ambassador Thomas Schieffer tells Defense Agency head Ohno Yoshinori that it is possible to reduce U.S. forces in Japan while maintaining deterrent capabilities.

July 5, 2005: Okinawa Gov. Inamine Keiichi meets with head of U.S. forces to protest alleged molestation of a 10-year-old girl by a U.S. airman.

July 10, 2005: Secretary of State Condoleezza Rice emphasizes the planned resumption of six-way talks on North Korea's nuclear programs was a result of diplomatic efforts by all involved, but fails to mention Japan by name.

July 12, 2005: Secretary Rice meets PM Koizumi Junichiro; they agree to achieve specific results on North Korea's nuclear programs during Six-Party Talks. They also discuss terrorism, UN reform, and realignment of U.S. forces in Japan.

July 12, 2005: FM Machimua Nobutaka meets Secretary Rice; they agree to compile interim report on realignment of U.S. forces in Japan around Sept., to ensure that there is concrete progress in upcoming Six-Party Talks, and they discuss U.S. beef imports and Japanese abduction issues.

July 13, 2005: Farm Minister Shimamura Yoshinobu and Agriculture Secretary Mike Johanns meet to discuss lifting Japan's import ban on U.S. beef.

July 19, 2005: Japan and U.S. agree on licensed production of ground-based *Patriot Advanced Capability 3 (PAC-3)* interceptor missiles in Japan as part of the missile defense system.

July 19, 2005: 10,000 people protest U.S. Army exercises using live ammunition in the town of Kin, Okinawa Prefecture.

July 26-Aug. 7, 2005: First phase of the fourth round of Six-Party Talks are held in Beijing; six countries reiterate the goal of the talks is denuclearization of the Korean Peninsula through peaceful means and agree to produce a common document. The talks then enter a three-week recess.

July 26, 2005: Space shuttle Discovery lifts off from Kennedy Space Center in Florida, carrying seven astronauts, including Japan's Noguchi Soichi.

¹ Compiled by Claire Bai, 2005 Vasey Fellow, Pacific Forum CSIS.

July 28, 2005: FM Machimura visits Washington to hold talks with Secretary Rice, but fails to get Rice's support for G-4 UN reform proposal.

July 30, 2005: U.S. military helicopter based at Atsugi makes emergency landing near a crowded beach in Fujisawa, Kanagawa Prefecture, due to engine troubles shortly before noon; crewmembers were safe and no injuries were reported among people at the beach.

Aug. 1, 2005: Japan's Ministry of Economy, Trade and Industry says Japan will slap 15 percent levies on U.S. steel imports starting Sept. 1 in retaliation for protection measures.

Aug. 3, 2005: The U.S. and China agree to work together to oppose a plan to expand the UN Security Council put forward by Japan, India, Germany and Brazil.

Aug. 8, 2005: PM Koizumi dissolves House of Representatives and calls general election for Sept. 11 after House of Councilors voted down government-sponsored postal privatization bills.

Aug. 9, 2005: Japan Defense Agency chief Ohno says Sept. 11 general election will force delay in compiling interim report with the U.S. on realigning U.S. forces in Japan.

Aug. 10, 2005: Okinawa International University launches balloon to protest U.S. Marine Corps helicopter crash in August 2004, which damaged the walls of its main building.

Aug. 12, 2005: Cabinet approves Japanese government's plan to impose a 15 percent tariff on 15 U.S. ball bearing and steel products from Sept. 1, in response to a U.S. antidumping law. It is Japan's first such measure against any trading partner.

Aug. 12, 2005: The *USS Kitty Hawk* carrier battle group, along with marines and air assets, begin *JASEX* exercise in Japanese waters, the highest-level joint exercise held outside the U.S. to improve cooperation and interoperability and simulate operations that include the entire spectrum of warfare.

Aug. 15-19, 2005: Japan participates in *Exercise Deep Saber 2005*, a PSI exercise hosted by Singapore that involved 12 other nations, with 2,000 naval, coast guard and other service members, 10 vessels and six aircraft.

Aug. 19, 2005: U.S. livestock industry group opposes the government's plan to ease a four-year import ban on Japanese beef because of mad cow disease and urges Japan to lift its ban on U.S. beef simultaneously with the proposed step.

Aug. 24, 2005: Head of research panel under Japan's Food Safety Commission says he will present in September a draft report on terms for removing Japan's ban on beef imports from Canada and the U.S.

Aug. 24, 2005: Kadena Mayor Miyagi Tokujitsu files protest with U.S. Kadena Air Base in Okinawa Prefecture after clouds of smoke and sulfuric gas drift over neighborhoods following explosions that were part of a military drill.

Aug. 25, 2005: The ratio of Americans who see Japan as a dependable partner rises to record high, report Foreign Ministry polls conducted in 2004 and 2005.

Aug. 25, 2005: Japan and U.S. chief delegates to the six-nation nuclear talks confirm that it is important that North Korea abandon all nuclear programs.

Aug. 29, 2005: A governmental nuclear research and development institute begins work to ship soil containing uranium ore from Yurihama, Tottori Prefecture, to the U.S. for disposal, but the work was suspended almost immediately due to an accident.

Aug. 29, 2005: U.S. *Aegis* guided-missile destroyer *Curtis Wilbur*, deployed in the Sea of Japan to guard against North Korean ballistic missiles, arrives at Niigata port.

Sept. 1, 2005: As a countermeasure against the Byrd Amendment, which violates WTO rules, Japan levies a uniform 15 percent additional tariff on 15 products, including ball bearings and steel products, the first time Japan invokes retaliatory tariffs.

Sept. 1, 2005: PM Koizumi offers condolences to U.S. after Hurricane Katrina.

Sept. 2, 2005: FM Machimura places phone call to Secretary Rice and conveys sympathies over the loss of life and damage inflicted by Katrina; he says Japan is prepared to contribute funding and emergency material support.

Sept. 2, 2005: U.S. Embassy in Japan expresses appreciation for the donation of \$200,000 through the American Red Cross and Japanese offer of tents, blankets and power generators amounting to \$300,000 in the aftermath of Katrina.

Sept. 6, 2005: Japan agrees to release 7.3 million barrels from oil reserves in a concerted action by the International Energy Agency to help stabilize the world oil market in the wake of Katrina.

Sept. 11, 2005: PM Koizumi's Liberal Democratic Party wins majority of seats (296 of 480) in the Lower House and coalition partner New Komeito wins 31 seats.

Sept. 13, 2005: In phone call, President Bush congratulates Koizumi on his election victory and Koizumi expresses condolences for the victims of Hurricane Katrina and says Japan is ready to extend support.

Sept. 15, 2005: Chief Cabinet Secretary Hiroyuki Hosoda says the government will submit a bill in the upcoming Diet session to extend offshore refueling assistance to the U.S.-led antiterrorism campaign in Afghanistan.

Sept. 15, 2005: Japan-U.S. Joint Committee agrees to transfer artillery live-fire exercises at a training facility in Range 4 at Camp Hansen in Okinawa to a new facility to be constructed at Japan's expense further from local residents. The government aims to relocate the exercises to the new facility at an early date.

Sept. 17, 2005: Secretary Rice and FM Machimura meet in NYC at UN and announce creation of U.S.-Japan Strategic Development Alliance and a set of common development principles governing its operations.

Sept. 22, 2005: Fukuoka High Court upholds ruling rejecting a demand by Okinawa residents that a former U.S. Marine Futenma Air Station commander stop nighttime and early morning flights and compensate them for damage from noise.

Sept. 26, 2005: U.S. and Japanese defense officials begin senior working-level talks on realignment of U.S. forces in Japan. They break up after two days without agreement.

Sept. 28, 2005: House Ways and Means Committee holds hearings on Japan.

Sept. 29, 2005: Senate Foreign Relations Committee holds hearings on U.S. relations with Japan. In testimony, Assistant Secretary of State Christopher Hill calls the U.S.-Japan alliance “a model” for other countries. Richard Lawless, deputy assistant secretary of defense for Asian and Pacific Affairs, applauds Japan’s progress in security policy but calls the changes “quite modest” in relation to its ability to contribute to international security and its global interests.



U.S.-China Relations:

Katrina Wreaks Diplomatic Havoc, Too

Bonnie Glaser
CSIS/Pacific Forum CSIS

The quarter opened with a 20-hour stopover in Beijing by Secretary of State Condoleezza Rice. In early August, her deputy Robert Zoellick visited China to launch a senior-level dialogue on strategic issues. The devastation wrought by Hurricane Katrina resulted in the postponement of Chinese President Hu Jintao's long-planned visit to the United States. Instead, Presidents Hu and Bush met on the sidelines of the UN General Assembly (UNGA) meeting. China played an instrumental and assertive role in forging consensus on a joint statement at the fourth round of the Six-Party Talks. U.S.-China military exchanges picked up this quarter with an exchange of visits by Gen. Liu Zhenwu, the commander of China's Guangzhou military region, and Adm. Fallon, the commander of U.S. military forces in the Pacific. The economic and trade picture was mixed. Some progress was made on strengthening the protection of intellectual property rights in China. Three rounds of textile negotiations failed to produce an agreement. In July, China abandoned the decade-old peg of the yuan against the dollar, and revalued its currency 2.1 percent.

Hu's visit is diplomatic casualty of Katrina

President Hu's long-anticipated visit to Washington, planned to take place on Sept. 7, became a diplomatic casualty of Hurricane Katrina. Just two days prior to his scheduled departure from Beijing, President Bush won the Chinese leader's understanding for a decision to devote his undivided attention to the devastation wrought by the natural disaster. After speaking by phone early Saturday morning, Sept. 3, the White House issued a statement announcing that the two presidents had agreed to postpone their meeting in Washington, meet in New York on the sidelines of the UNGA later that month, and reschedule President Hu's visit for another mutually convenient time.

Hu offered the sympathies of the Chinese people on the hardships suffered by Americans in the aftermath of the hurricane, and Beijing immediately gave \$5 million in aid and sent rescue workers to assist with medical treatment and epidemic prevention in the disaster-stricken areas.

The postponement was regrettable, but was undoubtedly the right decision. Given the fiercely anti-China mood in Congress and much of the rest of the country, Bush would have been severely criticized had he proceeded to host China's president on the South Lawn and in the Oval

Office instead of attending to the needs of the victims of Katrina. Moreover, Bush would have been both ill-prepared and distracted for their substantive talks, which could have been a diplomatic calamity.

For different reasons, Chinese and U.S. officials may welcome the decision to put off the trip, despite the painstaking preparations. Haggling over venue and protocol for the meeting consumed an inordinate amount of time for the past half year, leaving many in Washington with the impression that Beijing cared more about symbols than substance. The Chinese turned down offers of an informal and intimate summit at President Bush's Crawford ranch or Camp David, which would have allowed a more relaxed atmosphere and more time for a comprehensive and candid discussion. Instead, they insisted on a 21-gun salute and a South Lawn reception that left precious little time for serious conversation.

China was miffed by the U.S. refusal to bestow the title of "state visit" to Hu Jintao's first trip to Washington as head of state. Adding to Chinese irritation, an agreement to permit each side to use their respectively preferred monikers for the summit was breached when a White House spokesman declared that the Chinese president would not be hosted for an official state visit. Beijing unquestionably hopes to avoid another such gaffe when new dates for Hu's trip are set.

The U.S. likely hopes for quicker agreement on the arrangements for a rescheduled summit, which due to hectic presidential calendars for the remainder of this year and the intense planning required for a head-of-state visit, is likely to take place in 2006. An early settlement on the locale and protocol matters would allow for increased attention to the myriad issues in the bilateral relationship that require presidential discussion and an opportunity for the two leaders to establish greater rapport and trust.

The Bush-Hu New York meeting, albeit relatively short, was fruitful nonetheless. In a rather lengthy statement to the press prior to the closed-door discussion, President Hu highlighted the "effective coordination and cooperation" between the two countries on a wide range of important issues, including counterterrorism, nonproliferation, UN reform, Asia-Pacific affairs, as well as boosting global and regional economic growth. He characterized the mainstream of the relationship as "win-win cooperation," but conceded that rapidly expanding bilateral trade had brought "inevitable" frictions and promised to work hard to address the widening trade imbalance through the purchase of more American-made products.

In an unprecedented public statement, Hu pledged to step up China's efforts to combat piracy and "protect the legitimate rights and interests of all international intellectual property rights owners, including those in the United States." He also proposed that Washington and Beijing work together to safeguard peace and stability in the Taiwan Strait and reaffirmed China's commitment to a denuclearized Korean Peninsula.

According to Michael Green, special assistant to the president for national security affairs and senior director for Asian affairs at the National Security Council who provided a press briefing on the summit, President Bush used the hourlong session to elaborate on the issues that he raised briefly in the photo op: North Korea, Iran, economics and trade, and avian flu. The two leaders reaffirmed the consensus reached by Hu's predecessor, Jiang Zemin, and President Bush at Crawford in 2002 that nuclear weapons and related programs should be banned from the Korean

Peninsula. Hu also detailed some of the diplomatic missions and personal messages that China has sent to Pyongyang to achieve that goal and indicated a willingness to step up those efforts. On Iran, Bush enlisted China's help to pressure Tehran to cooperate with the International Atomic Energy Agency (IAEA). Hu asserted that Beijing wants to see Iran live up to its international obligations, but didn't offer explicit support for moves to refer the question of the compliance of its nuclear program with IAEA rules to the UN Security Council.

President Bush also raised the currency issue, welcoming Beijing's decision in July to slightly revalue the yuan while urging China to move toward a flexible and market-determined exchange rate. The two leaders agreed to cooperate to bring the Doha round of world trade talks to a successful conclusion and to jointly strengthen enforcement of intellectual property rights in China. On avian flu, Bush secured Hu's commitment to work with U.S. health and agriculture experts as well as the international community to enhance early warning, detection, and containment capabilities.

Green also revealed that the U.S. passed a list of concerns on human rights and religious freedom to China's foreign minister that includes cases, specific names, as well as issues. U.S. officials plan to follow up and hope to quietly resolve these matters through discussions with the Chinese.

President Hu devoted a significant portion of the meeting to explaining the numerous challenges that China faces domestically, which, he argued, makes the preservation of a peaceful international environment essential for China's development. Although China ranks seventh in the world in terms of GDP, it ranks 100th in GDP per capita. He also maintained that fewer than half of the 24 million workers that enter the work force each year are able to find jobs; 60 million disabled people require care; and 26 million people live below the poverty line in the rural areas.

For a discussion that barely exceeded 60 minutes, including translation, the talks were extremely comprehensive, and as Green noted, "very frank" and "very strategic."

Rice's whirlwind four-nation Asia tour

On July 10, Secretary of State Condoleezza Rice arrived in Beijing for a 20-hour visit as part of an Asian tour that also included Japan, South Korea, and Thailand. It was her second trip this year since assuming the post of top diplomat in the second term of George W. Bush. Rice met with President Hu, Foreign Minister Li Zhaoxing, Premier Wen Jiabao, and State Councilor Tang Jiaxuan.

The precipitating event of the trip was agreement by North Korea to join a fourth round of the Six-Party Talks at the end of July and thus a good deal of the secretary's discussions with Chinese leaders focused on how to achieve progress toward the shared U.S.-Chinese goal of persuading North Korea to relinquish its nuclear ambitions. Economics and trade were also on the agenda. While admitting that the Chinese economy is transitioning in ways that create problems for the U.S. economy, Rice described the bilateral economic relationship as "very healthy, robust, and active."

In a press conference following her meetings, Rice indicated that she prodded Chinese leaders to “reach out” to the Dalai Lama, who she publicly described as a man of considerable moral authority and “no threat to China.” The secretary also appealed to Beijing to have contacts with the government of Taiwanese President Chen Shui-bian following visits to China by Chen’s political opponents. “We do think that cross-Strait contacts are a good thing,” Rice said, alluding to the recent visits to the mainland by former KMT Chairman Lien Chan and PFP Chairman James Soong. “We would hope that that would extend to contacts with the elected government of Taiwan.” The secretary also raised questions of human rights and religious freedom, inquired about a few individual cases, and encouraged China’s leaders to work with the U.S. “toward a resolution of some of the structural issues in human rights and religious freedom.”

Another topic raised in the private meetings was China-U.S. cooperation on counterterrorism, which, Rice told the press, comprises an important part of the active multilateral counterterrorism coalition. It was unclear, however, whether the secretary reproved Chinese leaders for their country’s role in supporting the inclusion in a joint statement by the six-nation Shanghai Cooperation Organization (SCO) a call for U.S.-led coalition forces to set a deadline to withdraw from bases in Central Asia. In response to a query at the press conference in Beijing, Rice insisted that Afghanistan still needs help to fight terror groups. “It is our understanding that the people of Afghanistan want and need the help of U.S. armed forces,” she said, without commenting on whether she had conveyed U.S. dissatisfaction to the Chinese leadership for Beijing’s backing of the SCO statement.

The goal of the U.S., Rice maintained, is “to see the rise of a China that is a positive force in international politics.” Concerns about the size and pace of the Chinese military buildup – which Rice insisted are held throughout the U.S. government, not just in the Pentagon – does not mean that the Bush administration views China as a threat, the secretary told the press. Rather, the U.S. “just take[s] note of the fact that there is a significant military buildup going on, that is concerning,” she explained, and continues to modernize its own forces so that it can remain a force for stability and peace in the region.

Zoellick-Dai dialogue: senior-level AND strategic

A new bilateral dialogue mechanism was launched in early August that holds promise as a forum for in-depth, frank discussion of U.S.-Chinese relations in a global context. Deputy Secretary of State Robert Zoellick traveled to Beijing to inaugurate the dialogue, which was first proposed by Hu Jintao to President Bush at the APEC meeting in Santiago, Chile last November. Although the U.S. declined to label the talks a “strategic dialogue” as requested by Beijing – insisting that the term “strategic” is reserved for talks with U.S. allies – Zoellick nevertheless portrayed the discussions as an exchange on “the strategic and conceptual framework” for China-U.S. relations that goes “beyond the operational day-to-day work” and seeks to “integrate across issues” in an effort to “better understand one another’s respective interests” as well as domestic considerations.

In the initial round of the talks, which Washington dubbed the “Senior Dialogue,” Zoellick engaged his Chinese counterpart, Executive Vice Foreign Minister Dai Bingguo, in a wide-ranging and unscripted discussion that weaved together various regions, including the Middle

East, East Asia, Africa, and Latin America, with functional issues such as energy security, terrorism, economic development and trade, and democracy and human rights. He challenged Beijing to use its diplomatic interactions, aid, and investments to advance rule of law, good governance, and other purposes that bolster regional and global security, rather than pursue parochial interests and short-term needs. Citing energy as an example, Zoellick urged the Chinese to work with the U.S. to oppose genocidal policies of the Sudanese government instead of engaging in a mercantilist effort to negotiate uncertain future oil supplies. Having accomplished the goal of integrating China into the world's security, economic, and political systems, Zoellick proclaimed a new objective of promoting cooperation between the U.S. and China, as "common stakeholders" in these systems and pressed for joint efforts to preserve and strengthen them.

Dai Bingguo, for his part, emphasized the daunting challenges of development that China faces. Providing details on unemployment, health, and environmental problems that plague the country, Dai attempted to reassure his interlocutor that China's leadership will be inwardly focused for decades to come and has no intention to confront U.S. interests around the globe.

In addition to his daylong meeting with Dai, Zoellick discussed economic issues, again in a broad strategic context, with officials at the National Development and Reform Commission and had a separate meeting with Chinese Foreign Minister Li Zhaoxing. Both the U.S. and Chinese sides positively appraised the first round of the new dialogue mechanism – which Beijing continues to refer to as "strategic talks" – and Zoellick agreed to host Dai in Washington D.C. for another round before the end of the year.

On Sept. 21, Zoellick delivered a speech on China-U.S. relations to the National Committee on U.S.-China relations entitled "Whither China: from Membership to Responsibility?" in which he echoed the same themes that he addressed in his talks with Dai. He urged the Chinese to recognize how their actions are perceived by others and cautioned that uncertainties about how Beijing will use its power may cause the U.S. and other nations to hedge relations with China. Zoellick elaborated the new policy of encouraging China to become a "responsible stakeholder" in the international system. Cooperation as stakeholders will enable management of differences between the U.S. and China within a larger framework where both parties understand that common benefits flow from sustaining existing political, economic, and security systems, he explained.

Chinese officials and analysts alike quietly praised the speech, but the government nevertheless felt compelled to object to the portion of Zoellick's remarks emphasized the need for greater democracy in China, despite the avowal that the U.S. does not promote the cause of freedom to weaken China. It was likely the deputy secretary of state's explicit call for a "political transition" that would make the government responsible and accountable to its people that irked the Chinese and provoked the rejoinder. Chinese Foreign Ministry spokesman chastised the U.S. for dictating political morality to China and insisted that any country's internal affairs should be handled by its government and people. The spokesman also noted that communism had brought substantial benefits to China's 1.3 billion people.

Military ties progress

U.S.-China military exchanges picked up this quarter with an exchange of visits by Gen. Liu Zhenwu, the commander of China's Guangzhou military region, and Adm. William J. Fallon, the commander of U.S. military forces in the Pacific. In mid-July, Gen. Liu led a six-member delegation to the Pacific Command in Hawaii, the U.S. Military Academy at West Point, and Washington D.C., where they met acting Deputy Defense Secretary Gordon England. Adm. Fallon traveled to China in early September, his first visit since assuming his position as commander. In Beijing, Fallon met with Vice Chairman of the Central Military Commission Guo Boxiong, Chief of the PLA's General Staff Liang Guanglie, Deputy Chief of the PLA General Staff Xiong Guangkai, and Foreign Minister Li Zhaoxing. He also toured military facilities in Shanghai, Guangzhou, and Hong Kong.

At a news conference held at the end of his visit, Fallon acknowledged that military contacts between the U.S. and China have lagged behind the development of political and economic contacts, adding "I think it's time to change that." He specifically proposed closer cooperation between the U.S. and Chinese militaries on avian influenza. Meeting with journalists in Shanghai, Fallon underscored the importance of increasing transparency and mutual exchanges. He also indicated that the U.S. hoped to someday invite Chinese military experts to observe a U.S.-ROK military exercise and noted that Defense Secretary Donald Rumsfeld is looking forward to visiting China in October.

Echoing a theme raised by Rumsfeld at the Fourth Annual IISS Asia Security Conference, "The Shangri-La Dialogue," in Singapore in early June, Fallon told a news conference in Beijing that China does not face any particular threats and therefore its development of military capabilities "ought to be commensurate with the growth and development of a country." Secretary Rice voiced similar concerns in an interview with *CBS News* in mid-September. She commented that China's military buildup appears "outsized" for its regional concerns and is an "issue" for the U.S., which shares a concern for the defense of the Pacific with its allies in South Korea and Japan.

As Adm. Fallon wrapped up his tour in China, the *USS Curtis Wilbur*, an *Arleigh Burke*-class *Aegis* guided missile destroyer docked at Qingdao, kicking off a four-day goodwill visit. *Xinhua* reported that the crew of 311 would visit vessels from China's North China Fleet as well as play basketball and hold tug-of-war contests with Chinese naval officers.

After a several month delay, the Pentagon released its long-awaited 2005 report on "The Military Power of the People's Republic of China" on July 19, providing a comprehensive assessment of China's military policies, emergent capabilities, and national strategies. The report characterized China as a country facing a "strategic crossroads." Its future course, which the report claimed is yet to be decided, will be either "peaceful integration and benign competition"; "dominant influence in an expanding sphere"; or a "less confident and ... inward policy [focused] on challenges to national unity and the Chinese Communist Party's claim to legitimacy."

In a notable departure from previous DoD assessments, the 2005 report charged that in addition to generating military capabilities for a Taiwan contingency that is resulting in a shift in the cross-Strait balance of power toward Beijing, the PLA's expanding arsenal of ballistic and cruise missiles, submarines, and advanced aircraft might pose a "credible threat" to other modern military operating in the region, including China's neighbors, "over the long term, if current trends persist." At present, however, the 2005 assessment concluded that China's ability to project conventional military power beyond its periphery remains limited. Foreign Minister Li dismissed the report's contention that Beijing's military poses a threat. "China not only poses no threat to anyone, we also are willing to establish friendship and all kinds of win-win cooperation with other countries to push forward cooperative development," he stated.

China's active diplomacy aids in producing six-party accord

Accounts of the Six-Party Talks, which resumed their fourth round Sept. 13 and announced an agreement on a joint statement of principles six days later, suggest that Beijing played an instrumental and assertive role in forging a consensus. In a fifth draft proposal, the Chinese crafted a delicately worded compromise that left open the possibility that North Korea could acquire a light-water reactor at some point in the future, which the U.S. had adamantly opposed. Rather than seek U.S. comments on the draft, the Chinese chief negotiator, Wu Dawei, told his counterpart Christopher Hill that it was a "take it or leave it" proposition.

China resisted Hill's efforts to incorporate a clear sequence of events in the proposal – denuclearization first, then discussion about a reactor. In the end, the U.S. signed onto what it judged to be a less than optimal joint statement to make possible the next phase of the talks that will focus on declaration of North Korea's nuclear weapons, reprocessed nuclear material, and existing nuclear programs, and to avoid being blamed for the collapse of the six-party process. To prevent Pyongyang from making an end run around the U.S., Secretary of State Rice solicited and received pledges from the foreign ministers of South Korea, Russia, Japan, and China that dismantlement would precede delivery of a light-water reactor. With secure commitments from all the other players, President Bush signed off on the deal.

The agreement is an important, but only preliminary, step toward the elimination of nuclear weapons from the Korean Peninsula. Details such as the scope of inspections of North Korean nuclear facilities, verification, the sequence of implementation of the commitments outlined in the agreement, and decisions on how the cost of energy aid will be shared have yet to be worked out. Negotiations are likely to be prolonged and arduous, and the U.S.-China relationship will continue to be tested in the process. Possible areas of sharp divergence between Washington and Beijing include the scale of North Korea's uranium enrichment program and the verification measures required to ensure full compliance.

Economic tensions simmer

Although disputes in economic relations persisted this quarter, a few positive developments – combined with a series of high-level dialogues – served to ease bilateral friction and temper congressional furor, if only temporarily. Senior U.S. and Chinese officials communicated frequently on currency, trade, and intellectual property rights (IPR) issues on occasions such as

Secretary Rice's visit to Beijing and State Councilor Tang Jiaxuan's visit to Washington. At the 16th annual meeting of the U.S.-China Joint Commission on Commerce and Trade attended by Secretary of Commerce Carlos Gutierrez, U.S. Trade Representative (USTR) Rob Portman, and Secretary of Agriculture Mike Johanns, progress was made on IPR enforcement, facilitating increased U.S. exports to China, opening markets for U.S. agriculture, and removing barriers to U.S. services exports. Deputy Secretary Zoellick addressed the linkages between economics, trade, and national security in his talks with the Chinese Foreign Ministry and the National Development and Reform Commission. Elevating discussion on economics and trade to the highest level, the U.S. and Chinese presidents addressed IPR protection, currency, and WTO issues when they met on the sidelines of UNGA on Sept. 13.

Congressional concern about trade frictions with China was high at the opening of the quarter as the trade deficit swelled to \$107.7 billion year-to-date in July, well above the \$83.3 billion reached in July 2004. Before the Congress went into its August recess, numerous congressional hearings were held to investigate Chinese policies and protectionist legislation was introduced. For example, the House of Representatives passed the U.S. Trade Rights Enforcement Act on July 27 by a vote of 255 to 168 that would allow the government to impose duties on Chinese products in retaliation for trade restrictions and require that USTR closely monitor China's compliance with its WTO obligations defined by the JCCT agreement. Congressional attention was diverted from China after lawmakers reconvened in September, both by the devastating hurricane Katrina and the confirmation hearings for Chief Justice John Roberts.

In a 2005 member survey conducted by the U.S.-China Business Council that was released at the end of August, U.S. companies operating in China overwhelmingly rated China's implementation of its WTO obligations as "fair" or "good," and expressed optimism about their China business in the next five years. Echoing concerns from U.S. policymakers and congress, however, they cited IPR enforcement, regulatory transparency, and market access as key areas where improvement is needed.

In the face of mounting U.S. pressure, China severed the decade-long peg of the yuan to the dollar on July 21 and allowed it to move in a restricted float. Several weeks later Zhou Xiaochuan, China's Central Bank governor, disclosed the composition of a basket of 11 currencies used to set the yuan's value, without revealing the weightings of each currency, although he specified the dollar, euro, yen, and won as most important. At the same time that China abandoned the peg of the yuan to the dollar, it revalued its currency 2.1 percent, a far smaller percentage than called for by Bush administration officials and congresspersons, inviting criticism from some quarters.

U.S. officials nevertheless welcomed Beijing's decision. Treasury Secretary Snow contended that the new mechanism put in place by Beijing provides room for significant movement in the currency over time, calling China's decision "extremely positive." Federal Reserve Chairman Alan Greenspan told the Senate Banking Committee that China's move was "a good first step." Two months later, China widened the yuan's trading band against non-dollar currencies to 3 percent from 1.5 percent, but kept the 0.3 percent band against the dollar. In the absence of

further adjustments, pressure is likely to increase to formally cite China as a currency manipulator. In his meeting with Hu in New York, President Bush urged the Chinese leader to make further moves toward a flexible and market-oriented exchange rate.

On Chinese textile imports, another focal point of trade disputes this year, no deal has been struck despite three rounds of intense bilateral negotiations in August and September to stem the flood of imports from China. The two sides made progress on product coverage and quota levels, according to chief U.S. negotiator David Spooner, but remained divided at the end of the third round on the duration of the accord and the number of products covered. In the meantime, the U.S. textile industry kept petitioning the administration to impose quotas on additional textile products from China. Some observers are hopeful that another round in Beijing will close the deal between the two sides.

On Aug. 2, China National Offshore Oil Corp. Ltd. (CNOOC) withdrew its \$18.5 billion bid to acquire Unocal Corp., ending a whirlwind of intense congressional scrutiny. At a heated House Armed Services Committee hearing in mid-July, many lawmakers had charged that CNOOC's bid was part of a Chinese effort to gain economic and military advantages over the U.S. Subsequently, a bill was introduced in the Senate to block the merger, acquisition, or takeover of Unocal by the Chinese company. CNOOC representatives blamed this "unprecedented political opposition" for forcing the withdrawal, which was announced just days before Unocal shareholders were scheduled to vote on the takeover. The repercussions from the attempt to acquire a U.S. company will be long felt. In the aftermath, the U.S.-China Economic and Security Commission recommended to Congress mandating additional disclosures by state-owned Chinese companies seeking to tap U.S. capital markets. The Chinese maker of household appliances, Haier, also dropped out of the race for Maytag in July when rival Whirlpool topped its bid.

A full plate for the final quarter

The fourth quarter of 2005 is chock-full of planned China-U.S. interactions that will provide numerous opportunities to strengthen the bilateral relationship through frank discussion between high-level U.S. and Chinese officials. In mid-October, Secretary Rumsfeld is scheduled to make his first trip to China since assuming his position at the head of the Department of Defense almost five years ago. President Bush will visit China following the Asia Pacific Economic Cooperation forum meeting in Pusan, South Korea in the third week of November. A visit to the U.S. by Guo Boxiong, vice chairman of the Central Military Commission, which was supposed to have taken place in August but was postponed, may be rescheduled for the end of the year or will take place in early 2006. In December, a second round of strategic talks between Zoellick and Dai Bingguo is planned to take place in Washington, D.C.

Chronology of U.S.-China Relations July-September 2005¹

July 7, 2005: Adm. William J. Fallon, commander of U.S. forces in the Pacific, says the U.S. faces “significant challenges” in dealing with China because of issues like the Taiwan Strait, but he hopes to deepen bilateral understanding by boosting defense ties.

July 10, 2005: U.S. Secretary of State Condoleezza Rice arrives in Beijing on a four-nation visit to Asia and meets with President Hu Jintao, Premier Wen Jiabao, and Foreign Minister Li Zhaoxing.

July 11, 2005: U.S. manufacturers petition the Bush administration to impose quotas on additional imports of Chinese textiles and clothing, saying they will keep filing cases until the two countries negotiate a comprehensive agreement on Chinese imports.

July 11, 2005: Luo Gan, member of the Standing Committee of the Politburo in China, meets U.S. Supreme Court Justice Ruth Bader Ginsburg, who is visiting China at the invitation of the Supreme People’s Court of China.

July 11, 2005: The 16th annual Joint Commission on Commerce and Trade (JCCT) meeting opens in Beijing to discuss disagreements over trade and investment policies. The U.S. delegation is represented by JCCT co-chairs Secretary of Commerce Carlos Gutierrez and USTR Rob Portman, and Secretary of Agriculture Mike Johanns.

July 12, 2005: Tim Hauser, U.S. acting under secretary of commerce for international trade, and Wan Jifei, chairman of the China Council for the Promotion of International Trade, sign a Memorandum of Understanding during the JCCT meeting to launch a new U.S.-China International Partner Network in 14 major business centers across China.

July 13, 2005: Senate Finance Committee Chairman Charles Grassley and Sen. Max Baucus of Montana say in a letter to President George Bush that they are pleased he would order a review by the Committee on Foreign Investments in the U.S. if Unocal were to accept CNOOC’s offer.

July 13, 2005: Witnesses tell the House Armed Services Committee that CNOOC’s bid for Unocal is part of a Chinese effort to gain economic and military advantages over the United States. Rep. Duncan Hunter (R-Calif.), the chairman of the House committee, vows to introduce a bill to block acquisition by CNOOC.

July 14, 2005: House rejects the East Asia Security Act giving the president the authority to bring sanctions against European companies that sell arms to China after U.S. business groups came out strongly against it. The final vote is 215-203, short of the two-thirds majority needed.

¹ Compiled by Cheng Sijin, CSIS intern and Ph.D candidate, Boston University

July 14, 2005: Rep. Charles B. Rangel and others introduce the Fair Trade with China Act of 2005 that would require the USTR to investigate currency practices of China, make applicable determinations, and implement any appropriate action. It is referred to the Subcommittee on Domestic and International Monetary Policy, Trade, and Technology.

July 15, 2005: At a function for foreign journalists organized in part by the Chinese government, Maj. Gen. Zhu Chenghu, a dean at China's National Defense University, warns that in a conflict in the Taiwan Strait, "If the Americans draw their missiles and position-guided ammunition on to the target zone on China's territory, I think we will have to respond with nuclear weapons."

July 15, 2005: Sen. Byron Dorgan introduces a bill that would prohibit the merger, acquisition, or takeover of Unocal by CNOOC to prevent the risk of "strategic assets of Unocal Corporation being preferentially allocated to China by the Chinese Government." It is referred to the Committee on the Judiciary.

July 16, 2005: Gen. Liu Zhenwu leads a delegation of PLA military officers to Hawaii to meet with Adm. Fallon, the commander of U.S. forces in the Pacific.

July 19, 2005: President Bush, in a meeting with Prime Minister John Howard, says Australia and the U.S. can work together to encourage China to accept values such as minority rights and the freedoms of speech and religion and to take a more active role in East Asia to prevent nuclear proliferation.

July 19, 2005: After a several month delay, the Pentagon releases its 2005 report on "The Military Power of the People's Republic of China" as mandated by Congress.

July 19, 2005: Defense Secretary Donald Rumsfeld asserts that the report on China's military power supports the government position that a European arms embargo against the Chinese should be kept in place.

July 21, 2005: China's central bank announces that the yuan will appreciate against the dollar by 2 percent and says that it will peg the yuan to a basket of currencies and allow it to fluctuate within a narrow 0.3 percent range.

July 21, 2005: Chinese appliance maker Haier America drops its \$1.28 billion bid to purchase Maytag after Whirlpool announced a higher offer at \$1.37 billion.

July 21-22, 2005: The U.S.-China Economic and Security Review Commission holds hearings on China's growing global influence, from China's global strategy to its relations with African and Latin American countries.

July 26, 2005: The U.S. House of Representatives votes 240-186, short of the two-third majority needed for bills introduced under special procedures that limit debate, on the U.S. Trade Rights Enforcement Act that would allow the government to impose duties on Chinese products in response to trade restrictions by Beijing and address currency manipulation and intellectual property issues.

July 27, 2005: Republicans bring the U.S. Trade Rights Enforcement Act legislation back to the House floor under normal House rules, and it passes 255 to 168. It is subsequently referred to the Senate Committee on Finance.

July 27, 2005: Tang Jiaxuan, China's State Councilor, meets with President Bush, Secretary of State Condoleezza Rice, National Security Advisor Stephen Hadley, and Treasury Secretary John Snow while visiting Washington. Tang delivers a letter from Chinese President Hu to Bush during the meeting.

July 30, 2005: Deputy Secretary of State Robert Zoellick meets with Hong Kong Chief Executive Donald Tsang and discusses the economic evolution in Hong Kong, its relations with the U.S., and cooperation on aviation and intellectual property protection.

July 30, 2005: An official U.S. House delegation leaves for a 10-day trip to China. The delegation is composed of 12 U.S. House members, most of whom belong to the U.S.-China Working Group, an organization dedicated to building diplomatic relations with China and promoting congressional and national awareness U.S.-China issues.

Aug. 1, 2005: Deputy Secretary Zoellick arrives in Beijing to launch the Senior Dialogue on strategic issues.

Aug. 1, 2005: The Committee for the Implementation of Textile Agreements announces its decision to extend until Aug. 31 the period for making determinations in six textile market disruption cases on Chinese imports.

Aug. 1, 2005: China and the U.S. hold the seventh parliamentary dialogue in Beijing, focusing on political and trade issues.

Aug. 2, 2005: CNOOC withdraws its \$18.5 billion bid to buy Unocal Corp., citing "unprecedented political opposition" in the U.S.

Aug. 3, 2005: China's ambassador to the U.N. Wang Guangya says that the U.S. and China have agreed to work together to block a plan to expand the U.N. Security Council.

Aug. 3, 2005: Chinese FM Li and Secretary Rice talk by phone.

Aug. 4, 2005: Chinese top legislator Wu Bangguo and Dennis Hastert, speaker of the U.S. House of Representatives, hold talks and agree to further regular parliamentary exchanges and cooperation at all levels.

Aug. 11, 2005: The U.S.-China Economic and Security Review Commission holds hearing on China's strategy and objectives in global capital markets and recommends to Congress additional disclosures by state-owned Chinese companies seeking to tap U.S. capital markets.

Aug. 16-17, 2005: U.S. and Chinese textile negotiators hold talks in San Francisco. U.S. officials say that the two sides are close to a comprehensive agreement to limit imports of Chinese clothing and textiles.

Aug. 30, 2005: Results of the 2005 Member Survey by the U.S.-China Business Council are released.

Aug. 30, 2005: U.S. and Chinese officials resume negotiations in Beijing to reach a comprehensive agreement on textile trade. The following day the talks end without resolving the dispute.

Sept. 1, 2005: The Bush administration announces that it is re-imposing import quotas on two types of Chinese clothing and textiles and extending until Oct. 1 a deadline for making decisions in four other cases.

Sept. 4, 2005: Chinese President Hu's visit to the U.S. is postponed as President Bush deals with the aftermath of Hurricane Katrina. Both leaders agree by phone to meet on the margins of the UN General Assembly meeting later in the month.

Sept. 4, 2005: The Chinese government announces it will give up to \$5 million in relief supplies to victims of Katrina. It also offers rescue workers and medical personnel.

Sept. 5, 2005: Commander of U.S. forces in the Pacific, Adm. Fallon, arrives in China at the invitation of Guangzhou Military Region Commander Liu Zhenwu.

Sept. 8, 2005: Wu Bangguo, chairman of the Standing Committee of the Chinese National People's Congress, meets with U.S. Senate President Pro Tempore Ted Stevens at the UN headquarters and holds a phone conversation with U.S. House Speaker Dennis Hastert. They discuss Sino-U.S. relations and the next round of regular exchange between the Chinese NPC and the U.S. Senate.

Sept. 9, 2005: Ma Delun, deputy governor of the People's Bank of China, says that China will not sell large quantities of U.S. Treasury bills despite its recent decision to cease pegging the yuan to the dollar.

Sept. 13, 2005: Presidents Bush and Hu meet in New York on the sidelines of the UNGA.

Sept. 13, 2005: In its annual testimony for the Office of the U.S. Trade Representative on China's WTO compliance, the U.S.-China Business Council states that China has adopted policies resulting in a far more open and profitable business environment for many U.S. companies, but has fallen short in areas such as intellectual property rights enforcement, transparency, and the granting of rights to distribute products in China made elsewhere.

Sept. 13, 2005: *USS Curtis Wilbur*, an *Arleigh Burke*-class *Aegis* guided missile destroyer, arrives in Qingdao for a four-day port visit.

Sept. 15, 2005: The U.S. textile industry re-files nine petitions to extend safeguards on 16 categories of textile products from Chinese imports through 2006.

Sept. 15, 2005: Chinese Foreign Ministry spokesman Qin Gang announces that President Bush will visit China in November after a summit of the Asia Pacific Economic Cooperation in the Republic of Korea.

Sept. 16, 2005: While accompanying Hu to Canada, Chinese FM Li has a telephone conversation with Secretary Rice. They exchange views on implementing the consensus reached between the heads of state of the two countries at the New York meeting on Sept. 13. They also discuss issues concerning the ongoing Six-Party Talks in Beijing.

Sept. 19, 2005: The Bush administration invites Chinese Finance Minister Jin Renqing and Zhou Xiaochuan, the head of China's central bank, to attend a luncheon as part of the G-8 meeting.

Sept. 20, 2005: FM Li holds talks with Secretary Rice on the sidelines of the 60th session of the UNGA in New York.

Sept. 20-25, 2005: At the invitation of U.S. Attorney General Alberto Gonzales, Meng Hongwei, Chinese vice minister of public security, leads a Chinese public security delegation to the U.S. In addition to Gonzales, Meng meets with Randy Beardsworth, acting undersecretary at the Department of Homeland Security, Nancy Powell, acting assistant secretary of state, Robert Mueller, director of the Federal Bureau of Investigation, and Thomas Collins, commandant of the Coast Guard, as well as responsible persons of the Secret Service, the Bureau of Immigration and Customs Enforcement, and other law enforcement agencies.

Sept. 21, 2005: Deputy Secretary of State Robert Zoellick delivers a speech on China-U.S. relations to the National Committee on U.S.-China relations entitled "Whither China: from Membership to Responsibility?"

Sept. 23, 2005: China's central bank widens the yuan's trading band against non-dollar currencies to 3 percent from 1.5 percent, further loosening restrictions on the yuan's foreign exchange regime.

Sept. 24, 2005: U.S. Treasury Secretary John Snow meets with China's top central banker Zhou Xiaochuan and Finance Minister Jin in Washington and notes the need for greater exchange rate flexibility.

Sept. 26, 2005: U.S. and Chinese negotiators begin another round of talks on textile products from China, but industry officials are pessimistic the two sides can find common ground.

Sept. 28, 2005: The U.S.-China textile talks conclude with no agreement. Negotiators say the next round will be held in October.



**U.S.-Korea Relations:
A Breakthrough at the Six-Party Talks**

Donald G. Gross
Atlantic Council of the United States

For the first time in more than two years, diplomats at the Six-Party Talks made significant progress this quarter on the nuclear issue with North Korea. In a joint statement of principles, Pyongyang committed itself to “abandoning all nuclear weapons and existing nuclear programs and returning at an early date to the treaty on the nonproliferation of nuclear weapons and to International Atomic Energy Agency (IAEA) safeguards.”

In return, North Korea received security assurances, a U.S. and Japanese promise to take steps toward normalization of relations, a South Korean offer of 2 million kilowatts of electricity, and a commitment to implement the agreement sequentially on a reciprocal basis. In the Chinese-brokered joint statement, the United States and North Korea further agreed to discuss Pyongyang’s right to develop peaceful nuclear energy and its demand for light-water reactors at a future meeting.

Importantly, the agreement also gave impetus to negotiating a permanent peace regime for the Korean Peninsula and establishing a system for multilateral security cooperation in Northeast Asia. The parties decided to conduct another round of the Six-Party Talks in November 2005 to discuss detailed arrangements for verifying and implementing the joint statement.

Their successful meeting came after more than a year-long impasse in the talks. North Korea agreed to resume the negotiations July 9, following a meeting in Beijing where the U.S. envoy to the Six-Party Talks, Ambassador Christopher Hill, conveyed several desired assurances to Pyongyang.

Despite political pressure that arose after the London terrorist bombings in July to withdraw South Korean forces from Iraq, South Korea appeared to lay the groundwork this quarter to extend its troop deployment into 2006. Without an extension, the National Assembly’s mandate for the forces in Iraq will expire at the end of November.

U.S. Trade Representative Rob Portman announced in early September that the U.S. would decide by the end of the year whether to launch a negotiation for a U.S.-South Korea Free Trade Agreement. He said Washington’s decision would hinge on Seoul’s willingness to resolve

several outstanding trade issues, including South Korea's "screen quota" on showings of Hollywood movies and its import ban on U.S. beef. At the end of the quarter, South Korea was reportedly reassessing its refusal to meet U.S. demands on those issues.

North Korea returns to the Six-Party Talks

The impasse in the Six-Party Talks came to an end July 9 when Ambassador Hill conveyed several assurances to North Korean Ambassador Kim Gye-gwan at a bilateral meeting in Beijing. According to the DPRK's *Korean Central News Agency (KCNA)*, "the U.S. side clarified its official stand to recognize the DPRK as a sovereign state, not to invade it and hold bilateral talks within the framework of the Six-Party Talks...The DPRK side interpreted the U.S. side's expression of its stand as a retraction of its remark designating the former as an 'outpost of tyranny' and decided to return to the Six-Party Talks."

Since all the noted U.S. assurances were delivered at least six months earlier through either public statements or the so-called "New York channel," Pyongyang's decision to rejoin the talks seemed to hinge on three factors: 1) Ambassador Hill's appointment, coupled with his willingness to meet the North Korean ambassador one-on-one in Beijing; 2) South Korea's offer of massive assistance to North Korea, conveyed effectively and directly by Unification Minister Chung Dong-young to Kim Jong-Il in June; and 3) China's decision to postpone the sought-after visit of President Hu Jintao to Pyongyang until after North Korea returned to the Six-Party Talks.

Among these three factors, Ambassador Hill's qualifications and capabilities for negotiating a nuclear agreement with North Korea received the least public notice. A professional diplomat of long-standing, Hill is a veteran of peace negotiations in both Bosnia and Kosovo, where he acquired critical experience dealing with intractable political disputes. As importantly, Hill has the full support of Secretary of State Condoleezza Rice, who in turn is close to President George W. Bush.

For the first time in five years, the U.S. negotiator with North Korea can now speak with the full authority of the U.S. administration, without being caught in the factional warfare between moderates in the State Department and hardliners in the White House. (John Bolton, the most powerful conservative in the State Department during the tenure of Secretary of State Colin Powell, now serves as U.S. representative to the United Nations after receiving a recess appointment from President Bush.)

Following North Korea's announcement of its decision to return to the Six-Party Talks, Secretary Rice said it was "a very good step but only a first step. We look forward to a strategic decision by the North Koreans to abandon their nuclear weapons." Most importantly, Rice emphasized that the starting point for the new round of negotiations was exactly where the parties had left off at their last meeting more than a year earlier: "But let me just remind everybody that what is on the table is essentially what was on the table in June of 2004."

Under the June 2004 proposal, North Korea would commit to dismantling its nuclear weapons program in exchange for immediate energy assistance from China, South Korea, and Japan. At the time Pyongyang made this commitment, Washington would give North Korea a "provisional

security guarantee” not to attack it and not to seek a change in its regime. The U.S. would also begin direct bilateral talks with North Korea aimed at lifting the remaining economic sanctions and removing North Korea from the list of countries that support terrorism.

North Korea would then have three months for a “preparatory period of dismantlement” to freeze its nuclear program by shutting down and sealing its facilities. After the three-month period, continuation of energy assistance and provision of a more enduring security assurance would depend on North Korea meeting specific deadlines for declaring completely its nuclear programs, shipping nuclear materials out of the country, and admitting international inspectors. Additional incentives that could be negotiated at this point would include assistance to North Korea to develop “safe energy” sources and an agreement to normalize diplomatic relations with the U.S. and Japan.

Seoul’s proposals on electricity and diplomatic modalities

Prior to the opening of the new round of Six-Party Talks on July 26, South Korea made two significant proposals, one substantive and the other procedural, that were intended to move the negotiations in a positive direction. Unification Minister Chung announced that South Korea would provide annually to North Korea 2 million kilowatts of electricity if it agreed to dismantle its nuclear program. The electricity would be the equivalent of the energy Pyongyang expected to derive from the two light-water reactors it was suppose to receive under the 1994 Geneva Agreement. Secretary Rice welcomed the South Korean proposal, saying it could meet North Korea’s energy needs without entailing any “proliferation risk.” The Bush administration feared that North Korea could obtain fissile materials from the light-water reactors to build nuclear weapons.

Procedurally, Unification Minister Chung proposed that the upcoming round of talks should be extended for as long as it would take to reach an agreement. On a radio program, he said “Okay! Let’s grapple with this problem for a whole month! If all the nations come to the Six-Party Talks with this attitude, we can surely resolve the problem.” Chung objected to the prior practice of meeting for several days and then adjourning without significant progress.

After Chung offered his energy proposal, some South Korean energy experts expressed skepticism about the plan, saying South Korea lacked sufficient information about North Korea’s power distribution system and could not properly calculate the cost of supplying massive amounts of electricity. They also underscored the risk of simultaneous electric power blackouts in the two countries, given current inadequacies in technology.

Former Unification Minister Park Jae-kyu argued that North Korea’s military would resist the electricity aid for fear that South Korea could cut it off any time it chose. He predicted that North Korea would instead ask South Korea to build conventional power plants that would come under full North Korean control.

Issues on the table in the new round of talks

After opening on July 26, the new round of Six-Party Talks stretched 13 days until its adjournment for a planned three-week recess, Aug. 7. Among the key elements in the talks, as reported publicly, were:

- North Korea stated it seeks the complete denuclearization of the Korean peninsula.
- North Korea was willing to “verifiably” end its nuclear weapons program if the U.S. removes its “nuclear threat,” withdraws its “hostile policy” to bring down the North Korean regime, and normalizes relations with Pyongyang. To this end, the U.S. should withdraw its “nuclear umbrella” from South Korea.
- North Korea said it seeks “mutual verification” allowing North Korean inspections of South Korean facilities and U.S. bases in South Korea to ensure the U.S. does not maintain any nuclear weapons there.
- North Korea will return to the Nuclear Nonproliferation Treaty (NPT) once outstanding nuclear issues are resolved.
- South Korea requested that the Japanese delegation not raise the issue of North Korea’s past abduction of Japanese nationals in the 1970s and 1980s.
- The U.S. met with the North Korean delegation for direct bilateral discussions on five separate occasions.
- According to Ambassador Hill, the U.S. is “prepared to address the DPRK’s energy needs.” (This statement represented a change of position from the June 2004 round when the U.S. declined to provide energy assistance to North Korea.)
- The U.S. “will undertake to normalize relations” with North Korea if it dismantles all existing nuclear weapons programs in an effective and verifiable manner.
- Ambassador Hill referred respectfully to Kim Jong-il as “chairman” of the National Defense Commission.

Toward the end of this session of talks, a principal sticking point emerged that prevented agreement on a joint statement concerning the very issue that caused an impasse at the June 2004 round – whether North Korea would retain a “right” to develop peaceful nuclear energy after giving up its nuclear weapons programs.

North Korea argued that it had a sovereign right to pursue peaceful energy programs, as guaranteed to any state that agrees not to develop nuclear weapons under the NPT. Having asserted this right, the North Korean representative insisted that his country was therefore entitled to obtain light-water reactors. For its part, the U.S. was unwilling to concede even Pyongyang’s right to peaceful nuclear energy under the NPT, expressing suspicion that Pyongyang would once again engage in developing nuclear weapons under cover of a “peaceful” program. As for a light-water reactor, Ambassador Hill said “it is simply not on the table.”

One day before the talks adjourned, North Korea made a new critical demand that the U.S. negotiate a peace agreement formally ending the Korean War as part of a nuclear accord on the Korean Peninsula. In a commentary, the state-controlled North Korean newspaper *Rodong*

Shinmun said “Replacing the armistice agreement with a peace treaty is an urgent issue, which North Korea and the United States should immediately address to resolve the nuclear problem in a fair manner.”

U.S. diplomats did not object to the idea of pursuing a peace agreement, but worked to ensure that it would occur as the fruit of successful nuclear negotiation rather than bogging down the already complex nuclear talks.

U.S.-South Korean consultations on peaceful nuclear energy

During the recess in the Six-Party Talks, the U.S. and South Korea consulted closely over the “peaceful nuclear energy” issue. Unification Minister Chung publicly supported North Korea’s right to develop peaceful nuclear energy under the NPT, and Foreign Minister Ban Ki-Moon conveyed this South Korean view to U.S. officials in Washington. The U.S. remained publicly noncommittal on this point, though diplomats realized it was virtually impossible to deny North Korea the right to develop peaceful nuclear energy under international law, once Pyongyang rejoins the NPT.

The initial three-week recess planned by the participants turned into a five-week recess when North Korea demanded a further delay to protest two events – a regular U.S.-South Korean military exercise of command and control systems called *Ulchi Focus Lens* and the appointment of Jay Lefkowitz as the new Special Envoy on Human Rights in North Korea.

Agreement on a joint statement

Once the new session of the fourth round of Six-Party Talks began Sept. 13, the questions that emerged before adjournment came front and center. North Korea’s ambassador insisted once again both on his country’s right to develop peaceful nuclear energy, and more specifically, on its demand for light-water reactors: “Light-water reactors are closely related with the issue of building trust between the relevant parties. Building trust is the kernel to the process of denuclearizing the Korean Peninsula,” he said.

Not surprisingly, Ambassador Hill quickly rejected the North Korea demand for light-water reactors as a “non-starter.” But he also cast doubt on the wisdom of the North Korean position from its own standpoint, pointing out that Seoul had offered equivalent energy of 2 million kilowatts of electricity and that constructing a reactor would be very expensive and take a long time.

On Friday, Sept. 16, China proposed a revised joint statement for the talks that contained compromise wording. That same day, a North Korean spokesman called the U.S. position “brigandish” and on Saturday, Japan’s top envoy observed that the “prospects are not at all bright.”

Over the weekend, Hill conferred with Secretary Rice by telephone and President Bush reportedly signed off on the compromise language in the Chinese proposal. On Sunday night, Hill said he was planning to leave Beijing the following day and that it was time to “put the cards

on the table. Everyone knows each other's positions, everyone knows the agreement, everyone can almost recite it from memory at this point, so I'm not sure we have to do too much talking."

At Monday's session, China's top envoy, Wu Dawei, announced the agreement of all parties on the joint statement, calling it "the most successful outcome" since the talks began. In fact, it was the *only* successful outcome since the first round of six-party negotiations in August 2003.

For the first time ever, North Korea agreed to fully dismantle its nuclear weapons development program: "The Democratic People's Republic of Korea (North Korea) committed to abandoning all nuclear weapons and existing nuclear programs and returning at an early date to the treaty on the nonproliferation of nuclear weapons (NPT) and to IAEA safeguards." (By contrast, in the 1994 Geneva Agreement, Pyongyang agreed only to *freeze* its nuclear activities). Importantly, the language on "existing nuclear programs" covered the suspected uranium enrichment program which North Korea has refused to acknowledge.

In return, North Korea received:

- Assurances that the U.S. has no nuclear weapons in Korea and no intention to attack North Korea;
- South Korea's commitment not to receive or deploy nuclear weapons in Korea pursuant to its 1992 Joint Declaration;
- A U.S. commitment to respect North Korea's sovereignty and to take steps to normalize relations with Pyongyang;
- A promise that Japan would take steps to normalize relations;
- The promise of all the other countries to promote economic cooperation with North Korea;
- South Korea's reaffirmation of its offer to provide 2 million kilowatts of electricity to North Korea; and
- A commitment to observe North Korea's preferred principle of "commitment for commitment, action for action" as a method of implementing the joint statement.

With the exception of the South Korean offer of electricity, which Seoul announced in July, the other *quid pro quos* had been on the table for a considerable time.

The final joint statement brokered by China finessed the two most difficult disputes in the talks – whether North Korea had a "right" to develop peaceful nuclear energy and whether it deserved light-water reactors in return for dismantling its nuclear weapons program. The joint statement said on these points: "The DPRK stated that it has the right to peaceful uses of nuclear energy. The other parties expressed their respect and agreed to discuss at an appropriate time the subject of the provision of light-water reactor to the DPRK."

With this language, the U.S. fell back from its original position by agreeing to discuss the light-water reactor issue at an unspecified "appropriate time" in the future, but without acknowledging that North Korea had a definitive right to develop peaceful nuclear energy. For its part, North Korea compromised by withdrawing its insistence that the joint statement of principles had to

guarantee one or more light-water reactors in exchange for dismantling its nuclear weapons program.

From a historical perspective, two issues referenced in the joint statement may well be seen as important milestones, although they do not bear directly on the nuclear issue. According to the statement:

- “Committed to joint efforts for lasting peace and stability in northeast Asia, the directly related parties will negotiate a permanent peace regime on the Korean Peninsula at an appropriate separate forum”; and
- “The six parties agreed to explore ways and means for promoting security cooperation in northeast Asia.”

The first point sketches an initial roadmap to a peace treaty that would replace the 1953 Armistice and conceivably provide for mutual reductions of conventional forces as well as other critical arms control measures. The second point endorses the concept of a multilateral security forum for Northeast Asia that scholars such as former U.S. Ambassador James Goodby have argued is essential to ensure future stability and cooperation in the region.

Following announcement of the agreed joint statement, U.S. officials praised the diplomatic achievement but focused on the importance of its full implementation at the next scheduled negotiating round in November 2005. Ambassador Hill called it a “turning point,” but noted “we expect the DPRK to move promptly on this.” He suggested that a good way for North Korea to begin implementation would be to shut down its Yongbyon reactor. President Bush called the agreement a “positive step.” He said: “Now there’s a way forward. And part of the way forward is for the North Koreans to understand that we’re serious about this and that we expect there to be a verifiable process.”

A day after agreeing to the joint statement, North Korea’s Foreign Ministry back-tracked to the position it held before accepting compromise language: “The U.S. should not even dream of the issue of [North Korea’s] dismantlement of its nuclear deterrent before providing [light-water reactors], a physical guarantee for confidence-building.”

Secretary Rice brushed off this comment carried by *KCNA*, saying “I think we will not get hung up on this statement. We will stick to the text of the Beijing statement, and I believe we can make progress if everybody sticks to what was actually agreed to.”

For his part, South Korean President Roh Moo-hyun in a telephone conversation expressed gratitude to President Bush for U.S. negotiating flexibility. He told his Cabinet, “Now we’ve found a clue to the ultimate solution of the nuclear problem ... I’m optimistic about the future situation ... It feels like we’ve just loaded a cart with the burden that had been placed on our shoulders.”

South Korea's deployment of troops to Iraq

After the London terrorist bombings in July, President Roh came under political pressure from members of the National Assembly – in the ruling and opposition parties – to withdraw the 3,200 troops South Korea has deployed to Iraq in support of the U.S.-led coalition. The politicians argued that the troops had become increasingly vulnerable and their deployment was “meaningless” in light of the January election in Iraq that successfully established a new democratic government.

Since December 2004, Korean troops in the so-called *Zaytun Unit* have mainly carried out reconstruction of infrastructure in and around the city of Irbil in the Kurdish-controlled section of northern Iraq. The National Assembly approved a deployment period of one year.

President Roh told journalists after the London bombings that he objected to an early withdrawal of Korean troops and stated the criteria he would use to decide whether to extend them: “We will consider not only relations with the U.S., but with Iraq. We are trying hard to find a way to end the troop dispatch without disappointing our allies.”

By early September, it appeared the South Korean Defense Ministry was laying the groundwork for continuing deployment of the *Zaytun Unit* for an additional year. The ministry began forming a new contingent of troops that it plans to rotate to Iraq by mid-December. The move was consistent with Defense Minister Yoon Kwang-ung's previous testimony in the National Assembly that “I believe Iraq needs the multinational force until the middle of next year [2006], when it can secure its own security forces and military.”

Trade issues

U.S. Trade Representative Rob Portman revealed in early September that the U.S. would decide by the end of the year whether to initiate full-scale negotiations with South Korea on a free trade agreement (FTA). Although Washington and Seoul held preliminary procedural discussions on a FTA in February and March, the U.S. has sought concessions from South Korea on several outstanding trade disputes before agreeing to go any further.

Trade officials in Seoul are reportedly reassessing their previous refusals to meet U.S. demands on ending the South Korean “screen quota” (which limits the showing of Hollywood movies), removing South Korea's import ban on U.S. beef (due to the fear of mad cow disease), or further liberalizing its automobile sector.

Seoul was prepared in the early summer to remove the restrictions it originally imposed in 2003 after the first announced case of mad cow disease in the U.S. But a second case in June allowed the domestic beef lobby to assert that U.S. beef was not safe. Since that time, South Korean officials have dragged their feet on the issue, saying they have not yet received from the U.S. the information they need to make a decision. A senior South Korean Ministry of Agriculture official, Kim Chang-sup, said in mid-August that it “may take several more months” to obtain and evaluate the requisite U.S. data on the safety of U.S. beef.

In late July, South Korea joined a new climate treaty, promoted by the U.S., to curb greenhouse gas emissions. The U.S. has pushed this alternative to the Kyoto Protocol because it objects to the Kyoto requirement of cutting emissions by 5.2 percent below 1990 levels by the period of 2008-2012. The new climate treaty does not put a cap on greenhouse gas emissions and instead focuses on developing new technology to eliminate their pernicious effect. In addition to the U.S. and South Korea, Australia, India, China, and Japan have supported the alternative pact.

Resignation of Korean ambassador to the United States

A South Korean political scandal led to the late July resignation of South Korea's ambassador to the U.S., Hong Seok-hyun after serving only five months. A secret recording by South Korea's intelligence service, released to the media, revealed that Hong was deeply involved in illicitly delivering millions of dollars from the Samsung Corporation to a candidate for president in 1997. Hong is the brother-in-law of Samsung Chairman Lee Kun-hee.

In accepting the resignation of Hong, who was vice president of the *JoongAng Ilbo*, a major South Korean newspaper prior to his ambassadorial appointment, President Roh said that Hong "performed his job very well at an important time" and would remain in place until his successor arrives in Washington.

Appointment of U.S. special envoy for human rights

The appointment of former Bush administration official Jay Lefkowitz as special envoy for human rights in North Korea stirred controversy this quarter. Lefkowitz, a New York-based lawyer, in late August took up the part-time post established under the North Korea Human Rights Act that President Bush signed into law last fall. The "central objective" of the envoy, according to the act, is "to coordinate and promote efforts to improve respect for the fundamental human rights of the people of North Korea."

Even before the appointment of the new envoy, South Korea's chief delegate to the Six-Party Talks, Song Min-soon, stridently asserted in late July that "the human rights issue is not and cannot be an agenda item" for the nuclear negotiations. By contrast, a U.S. State Department spokesman said that "one cannot fail to speak out about [human rights]. And so it will always be an element of our approach to the issue of North Korea."

Beneath the sharply differing statements lay Seoul's anxiety that raising human rights with North Korea at this juncture would derail the Six-Party Talks, which contrasted with the strongly held U.S. view that Pyongyang should not escape sanction for its torture and detention of hundreds of thousands of dissidents. South Korea's fears were borne out to some extent when Pyongyang declared a delay in returning to the Six-Party Talks during August in part because of the human rights envoy's appointment.

Lefkowitz got off to a bad start when he announced that the U.S. and its allies needed to consider "all different aspects" of their relationship with North Korea as means of bringing pressure against the communist regime. His remarks were immediately interpreted as suggesting that U.S. humanitarian relief to North Korea, especially food aid, could be linked to Pyongyang's human

rights record. A day later, Secretary Rice contradicted the special envoy when she said that the U.S. never engages in such linkage: “Our policy is that we don’t use food as a weapon.”

Prospects

Although the joint statement at the Six-Party Talks remains to be implemented, its critical importance should not be underestimated. Instead of continuing a negotiating impasse that could easily spiral downward to political and even military confrontation, diplomats achieved an agreement that had eluded them for more than two years.

The significance of the recent negotiating round is evident from the more mature position taken by key parties to the negotiation. China acted as a broker in pushing both North Korea and the U.S. to reach a tentative compromise on the difficult issue of peaceful nuclear energy. The U.S. was willing to back away from some strongly held political views to move the negotiation forward. South Korea provided the generous offer of 2 million kilowatts of electricity as a major *quid pro quo*. And not least, North Korea acquiesced in the demand to dismantle all its nuclear weapons programs, albeit kicking and shouting every step along the way (even after the negotiation ended).

This evolved process for achieving agreement as well as the parties’ more moderate approach to the negotiation is cause for optimism, even though a follow-on agreement concerning implementation remains to be reached. It is likely the U.S. would agree to North Korea’s right to develop peaceful nuclear energy once it rejoins the NPT (inasmuch as this “right” is central to the Nuclear Nonproliferation Treaty). So long as neither the U.S. nor any other party is obligated actually to provide a light-water reactor to North Korea, they could even agree on carrying out a feasibility study for light-water reactors or other North Korean peaceful nuclear energy activities while Pyongyang is dismantling its nuclear program. Practically speaking, the cost of providing both 2 million kilowatts of electricity and light-water reactors would be prohibitive for South Korea. Seoul will no doubt make this fact clear to Pyongyang.

Ultimately, the diplomatic achievement at the recent round of Six-Party Talks comes down to this: the negotiators agreed on all they possibly could and put off the rest for future discussions. Instead of presiding over an ominous breakdown in negotiations, they proceeded down the path of dispute resolution. No doubt their agreement on “principles” will acquire a political momentum of its own and pressure the parties to avoid a negotiating failure at the upcoming November round.

Chronology of U.S.-Korea Relations July-September 2005

June 29-July 2, 2005: Korean Minister of Unification Chung Dong-young briefs Vice President Dick Cheney, Secretary of State Condoleezza Rice, and National Security Advisor Stephen Hadley in Washington on his recent meeting with Kim Jong-il.

July 8, 2005: At a Beijing meeting, North Korean Ambassador Kim Gye-gwan informs U.S. Ambassador Christopher Hill that the DPRK will return to the Six-Party Talks.

July 10, 2005: Unification Minister Chung says North Korea has a right to develop peaceful nuclear energy under the Nuclear Nonproliferation Treaty (NPT).

July 11, 2005: ROK representative to the Six-Party Talks Song Min-soon urges the U.S. to remove security threats to North Korea that allegedly underlie its nuclear weapons program.

July 13, 2005: Secretary Rice in Seoul welcomes South Korean proposal to provide North Korea with 2 million kilowatts of electricity.

July 17, 2005: President Roh says the U.S. “holds the key” to the success of the Six-Party Talks.

July 21, 2005: Song Min-soon says the “human rights issue is not on the table” in the negotiations.

July 25, 2005: President Roh accepts resignation of Ambassador to the U.S. Hong due to Hong’s involvement in an election scandal; prior to opening of Six-Party Talks, U.S. and North Korean delegations hold an informal bilateral meeting.

July 26, 2005: Fourth round of the Six-Party Talks opens in Beijing.

July 31, 2005: North Korean Foreign Minister Paek says Pyongyang will rejoin the NPT after the nuclear issue is resolved.

Aug. 4, 2005: In a press conference, North Korean negotiator Kim Gye-gwan says “only one country” opposes North Korea’s right to develop peaceful nuclear energy.

Aug. 6, 2005: North Korea calls for a peace treaty with the U.S. to replace the 1953 ceasefire agreement.

Aug. 7, 2005: Six-Party Talks are adjourned for several weeks without adopting a final statement.

Aug. 11, 2005: Unification Minister Chung says North Korea should be permitted to have peaceful nuclear energy if it gives up its nuclear weapons program.

Aug. 20, 2005: Bush administration appoints Jay Lefkowitz as special envoy for human rights to North Korea.

Aug. 22, 2005: U.S. official Joseph DeTrani contacts North Korean officials for the third time in a week on Six-Party Talks issues; U.S. and ROK forces begin command and control military exercise called *Ulchi Focus Lens*.

Aug. 23, 2005: ROK FM Ban Ki-moon conducts meetings in Washington and reportedly achieves “consensus” with U.S. diplomats on DPRK’s peaceful nuclear energy use issue.

Aug. 30-Sept. 3, 2005: U.S. Congressmen Jim Leach and Tom Lantos travel to Pyongyang and surrounding areas.

Sept. 3, 2005: North Korean Red Cross expresses sympathy for victims of Hurricane Katrina.

Sept. 4, 2005: South Korea pledges \$30 million in humanitarian assistance for victims of Katrina; North Korean officials tell U.S. congressmen that Pyongyang intends to keep a peaceful nuclear energy capability.

Sept. 6, 2005: Special Envoy for Human Rights in North Korea Lefkowitz’s tenure begins.

Sept. 9, 2005: Contradicting Special Envoy Lefkowitz, Secretary Rice says the U.S. does not use humanitarian aid as a political weapon, as a matter of policy.

Sept. 13, 2005: Six-Party Talks resume in Beijing as North Korean envoy Kim Gye-gwan asserts both a right to develop peaceful nuclear energy and a demand for a new light-water reactor (LWR).

Sept. 14, 2005: Ambassador Hill says the U.S. would like to negotiate a peace treaty for the Korean Peninsula if the Six-Party Talks succeed.

Sept. 15, 2005: Hill rejects the DPRK’s demand for a LWR as a “non-starter.”

Sept. 19, 2005: The six parties issue a joint statement, based on a Chinese draft, in which North Korea pledges to dismantle its nuclear program and return to the NPT. The U.S. agrees to discuss in the future providing LWRs to North Korea.

Sept. 20, 2005: North Korea declares it will return to the NPT only after receiving a light-water reactor from the U.S.

Sept. 28, 2005: Asst. Sec. Hill says the next thing DPRK needs to do is to tell where its nuclear arms facilities are, noting there could be trouble ahead if DPRK refuses to admit to a uranium enrichment program in the next round of talks.



**U.S.-Russia Relations:
Great Game Redux?**

Joseph Ferguson
National Council for Eurasian and East European Research

The strategic partnership between the United States and Russia still exists in the war on terror, and to a lesser extent in the battle to prevent the proliferation of nuclear material and weapons. But in Central Asia, the relationship between Moscow and Washington has clearly turned a corner, and turned into a competition. And although this author hates to utilize clichés (see the reference to the “Great Game” in the title), the situation in Central Asia is clearly turning acrimonious. The transition from strategic partner to strategic competitor was made clear at the Shanghai Cooperation Organization (SCO) summit in July. At the summit meeting, SCO members China, Russia, and the four nations of Central Asia called on the U.S. to announce a date for the withdrawal of U.S. forces from bases and facilities in Kyrgyzstan and Uzbekistan. Moscow and Washington also continue to agree to disagree about Iran’s nuclear ambitions. In Northeast Asia, relations appear to be in the *status quo* mode, although Moscow appears to be continuing its slow creep toward China. Presidents George Bush and Vladimir Putin met twice during the quarter, and appear to have maintained their friendship, despite the political differences dividing their two countries.

Russia reasserts itself in the CIS

The SCO summit in Astana, Kazakhstan came on the heels of a number of events in Central Asia that left Moscow wondering whether the U.S. was trying to export revolution to the Commonwealth of Independent States (CIS) – a grouping of former Soviet republics. Protests by opposition figures in Kyrgyzstan led to the overthrow of the regime. In Uzbekistan, they led to a violent suppression of dissenters by President Islam Karimov. At the SCO summit Russia and China appeared to have led the movement to call for the withdrawal of U.S. forces from the region, going so far as to ask the U.S. to specify a timetable. It is unclear how enthusiastic some of the leaders of the Central Asian nations felt, but in the U.S. the speculation was that Russia and China had “bullied” their junior partners into issuing the joint statement, at least that was the contention of Gen. Richard Myers, chairman of the U.S. Joint Chiefs of Staff.

It was clear that Karimov, however, was a primary supporter – if not the originator – of the statement. Karimov had visited Moscow in June 2005, and called for stepped up strategic cooperation between Russia and Uzbekistan. He publicly accused “foreign elements” [i.e., the U.S.] of fomenting the unrest at Andijan, and suggested that Russia would be allowed access to any number of military facilities in Uzbekistan. Karimov made overtures to both China and

India, as well. Shortly before the SCO summit, the Uzbek government announced that the U.S. had six months to withdraw from its air base at Karshi-Khanabad. The suggestion was quickly made (both in Tashkent and Moscow) that Russian forces move in to occupy the base once U.S. forces were withdrawn, according to the *Rossiskaya Gazeta* (a Kremlin-supported daily).

The leadership in Kyrgyzstan and Tajikistan appeared somewhat less enthusiastic about calling for a U.S. withdrawal. In fact, two weeks after the SCO summit, U.S. Secretary of Defense Donald Rumsfeld visited Kyrgyzstan and met with leaders from both that nation and from Tajikistan. Rumsfeld was assured that the U.S. would continue to have access to Manas Airbase in Kyrgyzstan as long as the antiterror operations continued in Afghanistan, and until that country is “stabilized” (which could be read to mean in perpetuity). In September, the Kyrgyz government let it be known that it would appreciate a little more money for its efforts in supporting U.S. operations in the region. The U.S. government reportedly offered to double what it is paying for the airbase there, and is prepared to offer a \$200 million interest-free loan (according to a report in *Radio Free Europe/Radio Liberty*). The U.S. does not have forces based in Tajikistan, but does have an overflight and refueling arrangement with Dushanbe.

The defense establishment in Moscow and Washington spent the summer trading barbs. Russian Defense Minister and Putin confidante Sergei Ivanov has been the most vocal in criticizing the growing U.S. presence in the CIS (including U.S. efforts to establish strong ties with Azerbaijan, Georgia, and Ukraine). Ivanov visited Kyrgyzstan and Uzbekistan in the latter half of September in an attempt to boost Russia’s political position in both countries. A statement issued by the Russian Ministry of Foreign Affairs in July called – in decidedly Cold War fashion – for the U.S. presence in Central Asia to be “rolled back” (*svernuto*). Apart from Myers and Rumsfeld, others in the Pentagon have been quick to defend the U.S. position. Former Undersecretary of Defense for Policy Douglas Feith said in an interview with the *Washington Post*, “We are not threatening [Russia].” He went on to reject the demand for a withdrawal timetable, and stated that any such undertaking would be based on “circumstances” and not “dates.”

Defense planners in Russia have also indicated that they are nervous about shifts in the U.S. nuclear strategy, as outlined by the U.S. this spring. A draft copy of the Pentagon’s alleged Doctrine for Joint Nuclear Operations states that the U.S. should not rule out the pre-emptive use of nuclear weapons against enemies if they appeared to be ready to use weapons of mass destruction against the U.S. Defense Minister Ivanov asked for a clarification of this change in doctrine at a NATO summit in Berlin in July (it was not reported how Rumsfeld responded – he has reportedly not yet signed the final version of Joint Publication 3-12). Russia’s top generals called for a similar change in Russia’s nuclear use doctrine. The daily *Izvestia* published an article on this issue with the headlines, “Pentagon Prepares for Preventive Nuclear Strikes.” There have been concerns that the U.S. could utilize nuclear weapons on terrorist groups operating in Central Asia, Russia’s backyard.

Neither Presidents Bush nor Putin has touched publicly on the issue of Central Asian strategy. They met twice during the quarter – at the G-8 summit in July and at the UN summit in September – but strategic matters in the CIS and Central Asia were not on the agenda. It should be noted, however, that by the end of the summer, Russian nervousness about U.S. designs in the region had abated somewhat. In a speech at Stanford University in late September, Russian

Foreign Minister Sergei Lavrov noted that Russia recognizes U.S. interests in the CIS and Central Asia.

Nonproliferation struggles

The issue that did top the discussion at the last Bush-Putin meeting was joint nonproliferation cooperation, both within Russia and around the world. Topping the agenda was the standoff over Iran's incipient nuclear program. Washington wishes to bring this issue up to the UN Security Council, but Moscow is determined to keep it from that. Russia hopes to benefit economically from Iran's plans to develop a domestic nuclear energy industry. A delegation of Iranian politicians and nuclear scientists visited Moscow in July and spoke of a plan to eventually build up to 20 nuclear power plants. Obviously, Russia would like to build them. Washington, on the other hand, sees a potential proliferation nightmare emanating from Iran. Bush tried to convince Putin to see it his way, but Putin appears to have stonewalled him.

The U.S. and Russia are not at odds over the DPRK nuclear dispute, but Russia has offered a much more conciliatory hand to the North Koreans. Again, Russia hopes to somehow benefit economically from whatever arrangement is agreed upon, whether through the supply of a reactor (as the DPRK has asked for), or through the reopening of a trans-Korea railroad linking the port of Pusan to Europe via the trans-Siberian railroad.

Bilateral nonproliferation efforts in the former Soviet Union, although fairly robust (the U.S. gives Russia roughly \$1 billion annually for nuclear material cleanup and protection), continue to face problems in the implementation process. On the U.S. side, Congress is increasingly hesitant to dole out aid to a country that is reaping immense profits from the historically high price of oil. In Russia, many in the defense establishment and nuclear industry are hesitant to allow U.S. officials access to sensitive areas and sensitive information. A prime example of the disconnect, not only between Moscow and Washington, but between the leadership of both countries and lesser officials, is the detaining of the airplane carrying U.S. Senators Richard Lugar and Barack Obama in the Siberian town of Perm in August.

The two senators had been inspecting progress in programs that are part of the so-called Nunn-Lugar initiative, which covers the aforementioned nuclear cleanup in Russia. They had been given a prior green light by Moscow to make a tour in a U.S. military aircraft, but the plane was detained. Russian officials were set to search the aircraft when Moscow told them to stand down. Russian officials called it a miscommunication, but it left Lugar – the most powerful proponent of the Nunn-Lugar programs in Washington – somewhat miffed by this treatment. At a time of slight strategic tension, and at a time when nonproliferation programs are under intense scrutiny, neither side can afford to alienate their key supporters in one another's capitals.

On a positive note, on Sept. 26-27, 14 kilograms, or nearly 31 pounds, of highly enriched uranium that could be used to assemble a nuclear weapon was safely returned to the Russian Federation from a research reactor in the Czech Republic. The operation, monitored and verified by the IAEA, was a joint effort that included the UN agency, the U.S., Russia and the Czech Republic and was part of the Global Threat Reduction Initiative.

Moving toward Beijing and away from Tokyo

In East Asia, Russia appears to be drawing closer and closer to China, both economically and strategically. The July SCO summit was a historic event that firmly marked China's reemergence as a Central Asian power for the first time in over a century. Russia's tacit approval of a strong Chinese political posture in the region was aimed at balancing against the U.S., whose presence and heightened profile in the region is beginning to become worrisome for many in Moscow. This year Chinese troops participated in military exercises in the region, and China's state-owned energy firms have begun investing heavily in the region. In September, China National Petroleum Corporation (CNPC) gained a controlling share in the Kazakh firm PetroKazakhstan.

On the littoral side of Asia, Chinese and Russian troops joined together in large-scale military exercises on the Shandong Peninsula, north of Shanghai, and near the Russian city of Vladivostok, as well as in coastal waters near both locales. China had reportedly wanted to hold the exercises across from Taiwan, but Moscow insisted they be held further north. Russian leaders demonstrated their sensitivity toward the Taiwan issue, and an editorial in the *Rossiskaya Gazeta* warned about Russia playing "somebody else's game." The exercises, dubbed *Peace Mission 2005*, involved 10,000 troops (mostly Chinese), lasted eight days, and came on the heels of the U.S. Defense Department's report warning about the military buildup of China. U.S. Forces in Japan closely monitored the exercises. Moscow is again giving priority to pushing for economic benefits, its latest weapons systems for the PLA. China purchased close to \$2 billion in arms and equipment from Russian defense manufacturers in 2004. Combined with the SCO statement about a U.S. withdrawal from Central Asia, the joint exercises could be seen as a poke toward the U.S., as analysts both in Russia and the West have suggested. Two Russian dailies *Gazeta* and *Vremya Novostei* suggested that the exercises were of "geopolitical significance" for Russia and brought political benefits for Russia in both Central and East Asia. But as an article in *Le Monde* suggested, ordinary Russians (citing opinion polls) are still quite wary of China and Chinese designs.

Japan was more than just a casual observer of the exercises. If both Beijing and Moscow were sending signals to Washington, then Beijing was also sending a signal to Tokyo, with whom it has engaged in verbal sparring all summer over a territorial dispute in the waters in the East China Sea. Moscow, meanwhile, has given conflicting signals to Tokyo about the destination of the East Siberian oil pipeline, which has been the focus of a diplomatic and economic competition between China and Japan. Earlier in the year, the Russian government had definitively announced that a pipeline would be constructed to the Pacific coast, instead of directly to northeastern China. At the July G-8 summit, Putin stated that Russia's priority would be to supply China by rail, by first constructing a pipeline from Siberian fields to rail lines close to the Chinese border.

Twice during the summer – first at the G-8 summit and then in a televised interview in late September – Putin referred to the territorial dispute with Japan. While recognizing Russia's interest in signing a peace treaty with Tokyo, Putin strongly defended Russia's position and poured cold water on any assumption that he was prepared to meet Japanese demands for the return of the four disputed islands. Putin did, however, announce his intention to visit Tokyo in November.

Leaders in Moscow and Washington recognize the merits of strategic cooperation in the battle against proliferation and in the war on terror. Nevertheless, certain habits die hard, and the Russian leadership appears unwilling to grant the U.S. hegemony over Central Asia. If cooperating with the U.S. in the war on terror entails this, Russian leaders are going to be less and less cooperative in the region, and on other issues, as well. Russia appears willing to oppose both the U.S. and Europe over Iran. On the Korean Peninsula, where less is at stake economically for Russia, Moscow will continue to cooperate with Washington, if nothing else to maintain its political profile in the region. Sino-Russian collusion is still not a great threat to Washington, especially in East Asia, although in Central Asia it represents a much more formidable challenge. Trends in Russian foreign policy do not bode well for Tokyo, and it appears that if a new Cold War ensues between Moscow and Washington, Japan will see all chance of a settlement with Russia evaporate. The hunch here is that Moscow and Washington will set aside most differences and continue to cooperate on the most pressing issues. In Uzbekistan, the U.S. has already been served notice that it will have to leave. This should quiet the most vociferous voices in Moscow who are concerned about the U.S. presence in Central Asia. But if the U.S. is granted basing access in Azerbaijan or Turkmenistan (negotiations are reportedly underway), tensions could rise again.

Chronology of U.S.-Russia Relations July-September 2005

July 5, 2005: The leaders of China, Russia, and four Central Asian nations ask the U.S. to set a deadline for the withdrawal of U.S. bases from the region. The announcement comes at the SCO summit meeting in Astana, Kazakhstan.

July 5, 2005: The U.S. State Department announces that for the FY 2006 it will allocate \$85 million for programs of assistance for democratic and economic reforms in Russia.

July 7, 2005: Presidents George Bush and Vladimir Putin meet on the sidelines of the G-8 summit at Gleneagles, Scotland.

July 15, 2005: Russia's Ministry of Foreign Affairs releases a statement calling for a "rollback" of the "non-regional" military presence in Central Asia, an obvious reference to U.S. forces stationed in the region.

July 18, 2005: Russia's armed forces begin a six-day exercise known as *Vostok-2005* in Russia's Far Eastern districts, including along the Pacific coast near Vladivostok.

July 25, 2005: U.S. Secretary of Defense Donald Rumsfeld makes a quick visit to Bishkek, Kyrgyzstan where the Kyrgyz government reaffirms its support for the continued U.S. utilization of the airbase in that country.

July 29, 2005: Moscow issues a protest to Washington about the *ABC News* interview with Chechen rebel leader Shamil Basayev, aired nationally on television in the U.S.

Aug. 21, 2005: William Joseph Burns replaces Alexander Vershbow as U.S. ambassador to Russia.

Aug. 18-25, 2005: Russia and China hold an unprecedented, weeklong joint military exercise in the Far East.

Aug. 29, 2005: The aircraft of U.S. Senators Richard Lugar and Barack Obama is detained in the Russian city of Perm for several hours for undisclosed reasons. The senators were part of a team inspecting the progress of the joint U.S.-Russian nuclear clean-up program. The aircraft had been cleared prior to the trip.

Sept. 10, 2005: A Russian Foreign Ministry spokesman accuses the U.S. of exercising “double-standards” in the war on terror.

Sept. 13, 2005: In a speech at a NATO meeting in Berlin, Russian Defense Minister Sergei Ivanov warns the U.S. against any change of its nuclear doctrine to allow the pre-emptive use of nuclear weapons.

Sept. 16, 2005: In New York, Putin meets with the leadership of U.S. oil majors Chevron, ConocoPhillips, ExxonMobil, and Texaco.

Sept. 16, 2005: Presidents Bush and Putin hold a meeting at the White House. Topping the discussion agenda are the key nuclear disputes in Iran and North Korea.

Sept. 21, 2005: In a speech at Stanford University, Russian Foreign Minister Sergey Lavrov issues a veiled warning to Washington to avoid interfering in Russian politics, and to pursue goals in ex-Soviet states exclusively by “understandable and transparent” methods. But Lavrov does recognize U.S. interests in Central Asia.

Sept. 26-27, 2005: Fourteen kilograms, nearly 31 pounds, of highly enriched uranium are safely returned to the Russian Federation from a research reactor in the Czech Republic. The operation was a joint effort that included IAEA, the U.S., Russia and the Czech Republic, and was part of the Global Threat Reduction Initiative.

Sept. 26-28, 2005: Russian Minister of Economic Development and Trade German Gref holds talks with U.S. officials in Washington about Russia’s joining the WTO.



**U.S.-Southeast Asia relations:
Misses and Hits**

Sheldon W. Simon
Arizona State University

Secretary of State Condoleezza Rice's decision to bypass the annual ASEAN and ARF meetings in her first year as secretary is seen as a snub by Southeast Asian leaders and interpreted to be a sign of the low level of the region's importance to Washington. Nevertheless, U.S. security cooperation seems to be increasing with the littoral states in the Strait of Malacca, through bilateral exercises with ASEAN states' armed forces, military sales to Thailand, a new security agreement with Singapore, and continued anti-insurgency training for Philippine forces in Mindanao. Moreover, the U.S.-led multinational Proliferation Security Initiative (PSI) held its first South China Sea exercise on the interdiction of weapons of mass destruction (WMD). Finally, Vietnam was added to the list of Southeast Asian states participating in the U.S. International Military and Educational Training (IMET) program.

Secretary Rice disappoints ASEAN

ASEAN states expressed disappointment and dismay when Secretary of State Rice announced that in her first year in the office she would not attend the annual July meetings of the Association of Southeast Asian Nations (ASEAN) in Vientiane and the follow-on ASEAN Regional Forum (ARF). Although she sent her deputy, Robert Zoellick – the former U.S. trade representative and a highly respected Asia specialist – Rice's decision not to attend was seen by many in the region as a snub to Southeast Asia and a downgrading of the importance of Asian regional organizations for U.S. foreign policy. In lieu of the Vientiane ARF meeting, Secretary Rice reportedly suggested regional foreign ministers join her during a Thailand stopover in Bangkok. The suggestion did not go over very well. Rice finally got the opportunity to meet ASEAN foreign ministers during the 60th UN General Assembly on Sept. 12.

Southeast Asian speculation attendant upon Rice's absence focused on Washington's disapproval of the ASEAN initiative for an East Asian Summit that will hold its first meeting in December. The summit will include China, Japan, and Australia but not the U.S. because Washington has refused to sign ASEAN's Treaty of Amity and Cooperation – a regional nonaggression pact. The most positive spin put on the secretary's nonattendance came from Singapore Prime Minister Lee Hsien-loong, who accepted Rice's explanation of other pressing matters and emphasized that ASEAN needed to strengthen its ties to the U.S. because regional stability depends on its continued presence as China and India rise in importance.

One of the reasons discussed for the secretary's absence from the ASEAN meetings was that it was a signal that Washington (as well as the EU) would not accept Myanmar as the 2006 rotating chair of ASEAN. Myanmar's forthcoming chairmanship as well as its dismal internal politics and human rights violations have divided ASEAN for some time. The original ASEAN five (Indonesia, Malaysia, Thailand, Philippines, and Singapore) have been pressing Myanmar for reforms, while Cambodia, Laos, and Vietnam expressed reluctance to intervene in any member's internal affairs. At the 11th hour, Yangon agreed to relinquish the 2006 chairmanship to Malaysia. Myanmar's decision protected ASEAN from a probable Western boycott but was also an indicator that the ruling junta had no intention of reforming or freeing Nobel prize winner and opposition leader Aung San Suu Kyi from house arrest. Hundreds of her followers also remain in detention.

At the 24-member ARF meeting that followed the ASEAN gathering at the end of July, the forum promised closer counterterrorism and maritime security cooperation. U.S. Deputy Secretary of State Zoellick welcomed these pledges and added the need for greater efforts to deal with avian influenza and natural disasters. The ARF also launched a U.S.-sponsored website, ARFNET, which contains news updates, information for public use, and a link for real-time communications among ARF members.

Enhanced monitoring of the Malacca Strait

Concern over both piracy and possible maritime terrorism has been expressed by both littoral and user states in the Strait of Malacca. In March 2004, then Commander of the U.S. Pacific Command Adm. Thomas Fargo proposed a Regional Maritime Security Initiative that would provide a U.S. role in cooperating with the strait's states to provide security. Malaysia and Indonesia objected, however, to U.S. ships and personnel providing security in their territorial waters. Only Singapore endorsed the U.S. proposal and in December 2004 suggested that Japan participate in joint patrols as well. In 2004, the three littoral states – Singapore, Malaysia, and Indonesia – inaugurated coordinated naval patrols in each of their territorial waters, communicating with one another about suspicious activities but still not permitting ships from one navy to enter the territorial waters of an adjacent state.

At the July 29 ARF meeting in Vientiane, the Malaysian foreign minister said Kuala Lumpur was ready to cooperate with the U.S., Japan, and Australia to combat piracy in the Malacca Strait as long as the littoral states' sovereignty was respected and maritime responsibilities resided with the strait states. Malaysia and Indonesia abandoned their earlier reluctance about seeking outside aid and joined Singapore in asking for help from the user states, though not through their navies but rather via equipment, training, and intelligence. The U.S. Defense Department responded positively to these requests, and Indonesia particularly cited the need for spare parts to restore its aircraft to flight status. Joint air patrols over the strait had been agreed upon in July by the littoral states. In September, Thailand joined the anti-piracy aerial monitoring arrangement, now called "eyes in the sky."

The four-nation joint aerial patrols supplement the coordinated sea patrols that have been ongoing over the past year. The difference is that the air patrols will include one military officer from each participating country on board and up to two maritime patrol aircraft from each

country operating seven days a week. The patrol aircraft fly along the strait no less than three nautical miles from land. If incidents are detected from the air, the surveillance plane will report to the air force command in the air space of the country where observed, which then communicates to its navy command for seaborne interception.

Further multilateralization of Malacca Strait security may occur in the future. On Sept. 13, the four Southeast Asian states now responsible for monitoring announced that other countries, including the U.S. and Australia, were welcome to participate in a projected Phase Two, which “will entail the involvement of the international community ... after a period of review with the agreement of the littoral states.” Foreign planes could help plug gaps in the current surveillance patrols since each of the littoral countries provides only two patrols each week.

Explanations for these enhanced security arrangements may be the result of a June 2005 publication by Lloyd’s Insurance Joint War Committee that listed the Malacca Strait at risk from “war, strikes, terrorism, and related perils.” As a result, insurance rates for ships transiting the strait have been raised – on top of a sharp increase in the price of bunkering fuel. The strait states may well hope that the combined air and naval patrols will cause Lloyd’s to rethink its published warning and lead maritime insurers to reduce rates to their pre-June level. An additional reason for the new anti-piracy arrangements may be to counter decisions by some ship owners to hire private security companies to guarantee their safety. These arrangements are seen by the strait states as a challenge to their sovereignty and security capabilities. The joint patrols could also be a message to shippers that they do not need private protection.

Jakarta presses U.S. to restore military ties, respect Papua as Indonesian

Continuing its long campaign to have Washington lift military aid restrictions imposed in 1991 in response to Indonesian military violence in its then province of East Timor, Jakarta was heartened by an early July decision by the U.S. House of Representatives to restore some military assistance. (The Senate has yet to follow suit.) Indonesian human rights groups deplored the U.S. House decision, insisting that Jakarta has not met the U.S. criteria for the restoration of military ties because of the Indonesian government’s failure to jail any of the senior military officials responsible for the East Timor violence. Meanwhile, Indonesia rejected a UN Commission of Experts report that recommended the UN Security Council set up an international tribunal to try top military officers involved in 1999 East Timor human rights violations. The UN Experts report condemned Indonesia’s own efforts to secure justice as “manifestly inadequate.”

In late July, the Indonesian and U.S. navies carried out their ninth Cooperation Afloat Readiness and Training (CARAT) exercise involving 1,000 U.S. personnel plus 500 from the Indonesian navy. The exercises included surveillance and search and rescue operations. The U.S. also conducts CARAT drills with Singapore, Malaysia, Thailand, the Philippines, and Brunei. After the exercise, U.S. Navy specialists provided medical and dental services to the public, civic affairs activities that U.S. armed forces carried out in the southern Philippines and after the December 2004 tsunami in Southeast Asia.

Secession concerns are endemic in Indonesia. East Timor achieved independence through a plebiscite marked by violence in 1999; Aceh has been in rebellion for decades, though an agreement with the central government for limited autonomy was reached this quarter in the wake of the devastating December tsunami. Papua in eastern Indonesia – like Aceh, a resource-rich region – is unlike the rest of Indonesia’s population in that Papuans are Melanesian not Malayan. In July, the U.S. House of Representatives passed a resolution urging the Indonesian government to permit Papuans to vote on whether they want to remain in Indonesia in response to which Indonesian President Susilo Bambang Yudhoyono warned the U.S. not to interfere in his country’s internal affairs lest relations between Washington and Jakarta be jeopardized. In September, Indonesia’s House of Representatives dispatched a delegation to Washington to discuss conditions in Papua with members of Congress. The Indonesians explained that Papuans had already participated in a self-determination procedure in 1969 through 1,025 elected elders who voted unanimously to join Indonesia – though outside observers at the time agreed that the arrangements were manipulated by Jakarta to insure adherence to Indonesia.

While the Indonesian legislature passed a special autonomy law for Papua in October 2001, the law has not been implemented. The U.S. House resolution is really an appeal to Jakarta to honor its autonomy commitment to Papua. When President Yudhoyono visited Washington last May, President Bush assured him of Washington’s support for Indonesia’s territorial integrity.

Secretary Rice supports Thai antiterrorist agenda

Secretary Rice in her first visit to Thailand in July made it a point to support the Thai government’s line that the insurgency in the south that had claimed 800 lives by that time was a domestic issue and that there was no evidence linking local insurgents to international terrorist organizations. Rice also endorsed the establishment of a National Reconciliation Commission chaired by the highly respected former Prime Minister Anand Panyarachun. At the same time, she said she was not concerned about alleged human rights violations in the region and believed that Thailand respected human rights. To help Thailand deal with its southern troubles, the secretary promised to intensify intelligence and law enforcement cooperation as well as increase technical assistance. There was no indication that Washington planned to assist the Thai military in the south in the way that the U.S. has been assisting the Philippine military in Mindanao.

Nevertheless, Thailand will buy seven U.S.-made attack helicopters and more than 24,000 arms to fight southern insurgents in the provinces of Yala, Pattani, and Narathiwat. The weapons include *M16* rifles and both heavy and light machine guns. The Defense Ministry will also purchase maintenance equipment for the helicopters and radio signal tracking devices since the insurgents frequently communicate by cell phones. Thailand anticipates its arms requests will be given priority in Washington because of Bangkok’s status as a “major non-NATO ally.” However, Thailand has declined to sign on to Washington’s PSI to intercept contraband WMD components at sea, leaving Singapore as the only ASEAN signatory.

Singapore-U.S. security links tighten

Although there is no formal security treaty between Singapore and the U.S. as Washington has with Thailand and the Philippines, in fact, the island city-state is probably the U.S.'s closest security partner in Southeast Asia. In July, the ties were further strengthened as Washington designated Singapore a Major Security Cooperation Partner. Bilateral cooperation will expand in counterterrorism, joint military exercises, policy dialogues, and defense technology. Indicative of this closer cooperation is Singapore's active participation in the multi-nation PSI that held a five-day exercise in mid-August in the South China Sea. Inaugurated by President Bush in 2003, PSI is a collaborative arrangement for states to interdict WMD-related cargo in transit by sea, air, or land. The South China Sea drill is the first in Southeast Asia and involved 10 ships, six patrol crafts, and 2000 personnel from 13 countries. During the exercise, Singapore navy personnel worked alongside the Japanese Coast Guard and Australian Customs Service.

In late August, the U.S. Defense Department notified Congress that Singapore will formally announce that Boeing has won the long and hard-fought competition to supply a new fighter jet to the island's air force. The forthcoming *F-15T* sale – not yet officially announced – will include weapons, logistics, and training support for a contract total of \$741 million. Scheduled to replace Singapore's aging *A-4 Superhawks*, the *F-15T* beat out both the Eurofighter *Typhoon* and the French *Rafale* in the competition. Reasons for the *F-15* selection, generally believed not to be as capable as the multi-role *Rafale*, is the U.S. fighter's performance in actual combat, the euro-U.S. dollar exchange rate which made the *F-15* 25 percent cheaper for Singapore, and the fact that Singapore sees the United States as the region's security guarantor. The potentially small size of the initial order – eight aircraft – also suggests that Singapore may be looking down the road at the *F-35* as a long-term acquisition.

U.S. deplores Philippine political turmoil, continues antiterror cooperation

In mid-July, Philippine President Gloria Macapagal-Arroyo was beleaguered by charges of election fraud and corruption. The U.S. embassy, fearing a coup, martial law, or chaos issued a series of statements insisting that the Philippines adhere to its constitutional regulations to ensure political stability. Instead of condemning the U.S. for interfering in Philippine politics, both the government and opposition seemed to appeal for U.S. endorsement. As the elites squabbled, the country's economic and social problems continue to grow, while the middle class flees to jobs in the U.S., Canada, and Australia. When 10 senior Cabinet members resigned in protest over the fraud and corruption allegations, Joseph Mussomeli – the acting U.S. ambassador – gave a television interview stating that he admired the Cabinet members who resigned as “patriots” and that the U.S. “categorically ... supports the rule of law.” While the U.S. did not want to see martial law or a coup, it was equally opposed to “people power in the street,” a clear message to the opposition.

Subsequently, President Arroyo proposed that the Philippines consider adopting a parliamentary form of government to replace the contentious current presidential system with its fractious division of powers. A U.S. official in Manila stated that a parliamentary system could be the kind of compromise that would allow Arroyo to step aside with grace. A parliamentary system

permits the removal of an unpopular leader without street demonstrations. To change forms of government, however, requires a constitutional amendment.

U.S. Embassy assessments of Philippine political turmoil became public following the arrest of a Filipino-American FBI analyst in early September, who is charged with passing classified information to a Philippine opposition leader in the U.S. Apparently, the classified material consisted of reports by the embassy on prospects for a military coup against Arroyo. The reports were passed on to a former Philippine National Police Senior Superintendent who fled to the U.S. to escape murder charges in the Philippines. He, in turn, sent them to unidentified current and former officials in Manila. Both the FBI analyst and the former Philippine police superintendent face espionage charges in the U.S. The three Philippine officials may also be accused of receiving the stolen information. The documents appear to be U.S. Embassy political assessments of the Philippines – the kinds of routine reports that all diplomatic missions file back to their capitals. Some Philippine analysts speculated that the reports could have been leaked by the U.S. government to pressure President Arroyo to institute reforms before the military intervened. The leaked reports included a statement saying that her elevation to president after Estrada's forced departure from that office was a "questionable precedent" for achieving the presidency.

The Philippines' antiterror actions are still seen as anemic by many observers. A lack of resources and manpower continue to undermine the ability of both the police and the armed forces to monitor various armed groups operating in Mindanao as well as Luzon, who pass unhindered through the country's porous maritime borders. Intelligence is frequently based on rumor, hearsay, and unauthenticated sources often with an axe to grind. Local initiative is stifled by an unresponsive central bureaucracy that has effectuated few arrests of significance in recent years. When terrorists are apprehended, they are charged with the illegal possession of firearms or explosives – bothailable offensives. Although the Congress has 17 antiterrorism bills pending in both houses, none is close to passage despite U.S. efforts to convince the Philippine government to provide a legal base for its antiterrorist activities.

In Mindanao U.S. forces provide intelligence, communications support, and training for Philippine soldiers attempting to capture the leader of an Islamist terror-murder gang, the Abu Sayyaf. However, the region continues to attract militants from Indonesia who train in its thick jungles. U.S. *P-3* surveillance aircraft from Okinawa and pilotless drones monitor areas where terrorists are believed to train. Although the Pentagon denies any U.S. personnel are involved in combat, villagers and Philippine human rights groups have reported seeing U.S. troops so engaged. The Moro Islamic Liberation Front formally filed a complaint about alleged U.S. military and Philippine forces combat coordination, which would be in violation of the Visiting Forces Agreement as well as the Philippine Constitution.

U.S. military links to Vietnam, condemnation of Cambodian court

The U.S. continues its gradual, low-profile expansion of bilateral military relations with Vietnam as Hanoi signed on to the U.S. International Military Education and Training (IMET) program. However, the new arrangement does not lift the U.S. embargo on defense articles and services. Bilateral military ties between Vietnam and the U.S. began with the exchange of defense attaches

and moved to broader military exchanges and U.S. Navy port calls. Hanoi has also sent observers to the *Cobra Gold* exercise in Thailand. The projected IMET program will focus on English language training for Vietnamese officers.

In Cambodia, two recent high-profile court convictions of opposition lawmakers on sedition charges was condemned by the U.S., which stated that the ruling “raises again questions about the competence and independence of Cambodia’s judiciary.” Also condemned by human rights groups, the convictions continue to undermine international confidence in the political independence and legal ability of Cambodian judges and whether the judiciary can fairly and effectively provide a long awaited tribunal for the remaining Khmer Rouge leaders. If and when that tribunal is convened, it will include both Cambodian and international judges.

Implications

Secretary Rice’s decision to bypass the annual ASEAN foreign ministers meeting was a significant diplomatic mistake because the ASEAN states view the gathering as a sign of global powers’ respect for the organization as well as the region’s importance to them. The U.S. snub was particularly ill-timed considering China’s relatively new high profile in Southeast Asia, ranging from its free trade area agreement, through ASEAN Plus Three, and the forthcoming December East Asian Summit in which the PRC will play a prominent role and the U.S. may not attend.

On a more positive note, in the security realm, the U.S. may be more closely involved in multilateral efforts to patrol the Strait of Malacca against pirates and possible terrorist activity; the first PSI South China Sea exercise has taken place; and military relations with Indonesia are gradually improving. Washington also continues military aid and training for Philippine forces in Mindanao working to disrupt regional Islamist groups and the Abu Sayyaf. Thus, U.S. security assistance for Southeast Asia remains robust. U.S. regional diplomatic configuration needs to be improved, however, through more high level attention to ASEAN and the ARF. Diplomacy counts in Southeast Asia, and the U.S. should be more fully engaged.

Chronology of U.S.-Southeast Asia Relations July-September 2005

June 30, 2005: The nuclear-powered U.S. aircraft carrier *USS Nimitz* arrives in Port Klang, Malaysia, for a visit.

July 7, 2005: Mike Arroyo, husband of the Philippine president, leaves for voluntary exile in the U.S. after allegations of illegal gambling kickbacks.

July 11, 2005: Secretary of State Condoleezza Rice in Thailand endorses Thai National Reconciliation Commission to defuse southern tensions and accepts Thai government’s assessment that international terrorists are not operating there. She says the brutal Islamic insurgency in southern Thailand that has led to 800 deaths since January 2004 is a domestic matter for Thailand to resolve.

July 11, 2005: Secretary Rice meets with Thai Prime Minister Thaksin Shinawatra and Foreign Minister Kantathi Suphamongkhon before flying to regions of southern Thailand struck by last December's tsunami.

July 12, 2005: Singapore Prime Minister Lee Hsieh-loong meets President George Bush at the White House and signs a Strategic Framework Agreement to enhance defense cooperation through policy dialogues, counterterrorism, counter-proliferation, and joint military exercises and training.

July 19, 2005: One of Indonesia's largest Muslim organizations, Muhammadiyah, raises the prospect of cultural cooperation with the U.S., including the reconstruction of Aceh.

July 21, 2005: Malaysia's Prime Minister Abdullah Ahmad Badawi, in a speech to UMNO, the ruling party, reiterates that he will never permit foreign militaries to escort ships through the Malacca Strait.

July 25, 2005: U.S. Embassy officials say they hope political turmoil accompanying the prospect of Philippine President Arroyo's impeachment will not lead to a coup, martial law, or major street demonstrations.

July 25, 2005: U.S. Navy ships arrive in Surabaya to join Indonesia in the ninth Cooperation Afloat Readiness and Training (CARAT) exercise – which last took place in 2002. So far, the 2005 CARAT exercises have included Singapore, Thailand, and Malaysia. Following the Indonesian phase, the U.S. task group will continue to the Philippines and Brunei. 200 U.S. service members are in CARAT 2005 Indonesia.

July 25-29, 2005: Deputy Secretary Robert Zoellick attends the ASEAN post-ministerial conference and the ASEAN Regional Forum (ARF) in Vientiane.

July 28, 2005: At the ASEAN meeting with the U.S. in Vientiane, ASEAN urges Washington to proceed toward negotiating a Southeast Asia-wide free trade agreement.

July 29, 2005: U.S. State Department issues a statement reiterating support for Indonesia's territorial integrity, an implicit response to a U.S. House of Representatives bill that calls for a new referendum on Papua's independence from Indonesia.

July 29, 2005: Malaysian Foreign Minister Syed Hamid Albar at the ARF meeting states his country's willingness to cooperate with big powers against piracy in the Malacca Strait as long as Malaysia's sovereignty is respected.

July 29, 2005: Deputy Secretary Zoellick lays out broad array of issues at ARF meeting ranging from counterterror and maritime security through avian flu and natural disasters.

Aug. 2, 2005: U.S. and Indonesian military officers hold bilateral defense dialogue in Jakarta.

Aug. 3, 2005: The White House advocates lifting of the military embargo on Indonesia so that full cooperation of the two countries' armed forces can be restored.

Aug. 3, 2005: U.S. Ambassador to Malaysia Christopher Le Fleur states that the U.S. is eager to assist the littoral states in protecting the Strait of Malacca and awaits their requests concerning the type of help they need.

Aug. 9, 2005: The U.S. condemns a Cambodian military court ruling that finds an opposition lawmaker guilty of sedition.

Aug. 15, 2005: Singapore Defense Minister Teo Chee Han praises U.S.-led Proliferation Security Initiative at the beginning of a five-day exercise, *Exercise Deep Sabre 2005* designed to interdict seaborne WMD. The drill involves 10 surface ships, six patrol craft, and 2,000 personnel from 13 countries – the majority from the U.S., Singapore, Australia, Japan, France, and Britain. It is the first PSI exercise to be held in Southeast Asia.

Aug. 23, 2005: Cambodian Premier Hun Sen asks the U.S. for non-lethal military aid following the lifting of a U.S. ban on military assistance. Cambodia has agreed that Americans in Cambodia are exempt from prosecution by the International Criminal Court. The U.S. had halted military aid to Cambodia following a 1997 coup when Hun Sen seized power from Prince Norodom Rannaridh.

Aug. 24, 2005: ASEAN Secretary General On Keng Yang says that President Bush should not be invited to the East Asian Summit (EAS) as an observer. The ASEAN secretary general also states that U.S. interests would not be ignored in EAS discussions.

Sept. 1, 2005: Indonesian House of Representatives voices concern about a resolution approved by the U.S. House of Representatives that questions the status of Papua province and mentions alleged human rights violations there. The Indonesian legislature plans to send a delegation to lobby the U.S. Congress on the issue.

Sept. 1, 2005: The Indonesian defense minister talks of new arrangements for the co-production of short-range missiles with China, while simultaneously urging the U.S. to further ease restrictions on military-to-military ties.

Sept. 5, 2005: Malaysia offers food and medicine to the victims of Hurricane Katrina.

Sept. 6, 2005: Thai government sends condolences to the U.S. on Hurricane Katrina's devastation and offers to send rice and medical teams to assist the victims. According to the Thai foreign minister, the U.S. "gratefully accepted this gracious offer."

Sept. 6, 2005: Singapore announces it is negotiating with Boeing over the purchase of U.S.-made *F-15s* to replace its aging *Skyhawks*. Boeing beat out the French-built *Rafale*.

Sept. 9, 2005: Former Malaysian Prime Minister Mahathir Mohammad excoriates the U.S. and Britain at a Kuala Lumpur human rights conference, calling the U.S. and UK “terrorists and murderers for killing innocent Iraqis.”

Sept. 10, 2005: Four Singapore Air Force *Chinook* helicopters in Texas for training assist the Texas National Guard in a mission to aid victims of Katrina.

Sept. 11, 2005: Former top Philippine law enforcement official and an FBI analyst are arrested in Newark and charged with passing classified FBI information to government officials in Manila.

Sept. 11, 2005: Thailand sends five forensic pathologists to the U.S. to help identify Katrina bodies. The team did similar work after the December 2004 Asian tsunami.

Sept. 12, 2005: Secretary Rice meets with ASEAN foreign ministers during the 60th UN General Assembly in New York.

Sept. 13, 2005: Through the International Red Cross, Malaysia donates \$1 million to Hurricane Katrina victims, according to Malaysian Foreign Minister Syed Hamid.

Sept. 19, 2005: In a White House meeting with Thai PM Thaksin, President Bush emphasizes the need for cooperation to track the avian flu virus. They also discuss a pending bilateral free trade agreement. President Bush extended America’s appreciation for Thailand’s donation of relief supplies for Hurricane Katrina victims.

Sept. 21, 2005: President Bush removes Vietnam from the U.S. list of major drug producing and transit countries. Vietnam’s foreign minister welcomes the decision as recognition of Hanoi’s special attention to the fight against drug trafficking.



**China- Southeast Asia Relations:
Building Integration?**

Ronald N. Montaperto
Consultant on Asian Affairs

China's relations with its Southeast Asian neighbors moved along at a steady pace during the third quarter of the year. In the political sphere, Aug. 20 marked the first meeting of the China-ASEAN Eminent Persons Group in Qingdao. Initiated by Premier Wen Jiabao last year, and eagerly anticipated by ASEAN, the meeting put the very important ceremonial seal of approval on the growing relations between China and ASEAN. The Chinese side was led by no less a personage than former Foreign Minister Qian Qichen. The group agreed to hold a second meeting in Kuala Lumpur next year.

In the political/economic sphere, what could have been a major economic issue with significant negative impact on Chinese relations with ASEAN – regional concerns about Beijing's decision to change its policy of pegging the value of the yuan to the U.S. dollar in favor of allowing the yuan to float – failed to materialize in any politically meaningful way.

The absence of neuralgia within Southeast Asian financial and trade circles probably had three sources. First, the Chinese invested significant time and energy in preparing both governmental and private economic centers from Thailand to Singapore to Indonesia for their action; second, regional financial circles were clearly convinced that some action was essential; and third, correctly or not, the action, which allows only the most limited room for fluctuation in value, was broadly perceived as a reasonable first step toward dealing with an issue that is likely to be present for a considerable period of time. In this context, and despite significant concerns about the future, the Chinese decision was seen as prudent, responsible, and reasonable.

Indeed, in coming to terms with the inevitable, business, financial, and government leaders in Bangkok, Jakarta, Kuala Lumpur, Manila, and Singapore, all declared in so many words that a floating yuan is a good thing that is likely to enhance the value of their own respective currencies. It is worth noting that Kuala Lumpur implemented a similar policy with respect to the ringgit.

Although in one sense Beijing merely took a sideways step and succeeded in deferring the time at which the issue of the value of the yuan relative to the dollar and regional currencies will have to be truly resolved, the positive regional reaction augurs well for future economic relations

between Beijing and Southeast Asia. Regional economic leaders probably feel more confident about Beijing's awareness of the impact of any change in the value of the yuan.

Stirrings on the Southeast Asian peninsula

Capitalizing on the goodwill he earned as a result of his travels in the region earlier this year, Premier Wen Jiabao lent added credibility to Beijing's drive to present itself as an economic good neighbor when, on July 5, he delivered a keynote address to the Second Summit of the Greater Mekong Subregion (GMS) that convened, significantly, in the capitol of China's Yunan Province, Kunming. Initiated in 1992 by the Asian Development Bank (ADB) and the six nations sharing the Lancang-Mekong River – Cambodia, China, Laos, Myanmar, Thailand, and Vietnam – the GMS has thus far played less than a vital role in the economic life of Southeast Asia.

That may be about to change, however. In what was almost certainly an attempt to breathe new vitality into the organization, address concerns about potential degradation of riverine environments, and most importantly preempt and define the GMS agenda, Premier Wen reviewed and reaffirmed China's financial and moral contributions to ADB/GMS programs and announced the granting of preferential tariffs to Cambodia, Laos, and Myanmar. He then offered a seven-point plan to increase economic cooperation and support among the nations comprising the "GMS community."

All in all, the premier outlined and pledged Chinese support for a program devoted *inter alia* to building infrastructure, establishing complimentary legal procedures, taking steps to help the GMS nations to participate fully in the ASEAN Free Trade Area (AFTA), protecting the environment, and generally to raising the living standard of the agricultural populations of the GMS members.

Wen offered concrete manifestations of China's interest in the affairs of the GMS in sideline meetings with Myanmar Prime Minister Soe Win, Lao Prime Minister Bounngang Volachit, and Vietnamese Prime Minister Phan Van Khai. In these sessions, he agreed to speed up assistance to Myanmar as well as to grant preferential tax privileges to Chinese firms that invest in that country. He and Prime Minister Phan agreed to work more closely with the Philippines to implement the agreement on joint oil exploration in the South China Sea. He also promised more Chinese investment in Laos and Cambodia. In as much as the economic development of the GMS constitutes a major economic and political interest for Beijing, it is likely that the newly announced Chinese focus and priorities will not only remain in place, but also grow in importance. Beijing's foundation for doing so is most secure.

Relations with ASEAN

In contradistinction to its effort to expand its role in GMS councils, Beijing's actions with respect to ASEAN seemed, as in the last quarter, directed more toward consolidation than toward breaking new ground. Nonetheless, the Chinese sustained a pattern of diplomacy that was as rapid in tempo as it was broad in scope.

Although he left early for a state visit to Myanmar, Foreign Minister Li Zhaoxing led the Chinese delegation to the annual ASEAN meetings that convened in Vientiane, Laos July 26-Aug. 1. These comprised the ASEAN Ministerial Meetings, the Post Ministerial Meetings, and the ASEAN Regional Forum. Representatives of China, Japan, and the Republic of Korea also met with ASEAN representatives in the context of the ASEAN+3 (A+3).

Beijing maintained a relatively low profile throughout the week of meetings, a stance made possible in part by the absence of any issues of major disagreement. In fact, the only issue with potential for disruption involved Myanmar's scheduled, alphabetical assumption of the ASEAN chair in 2006, an action opposed by both the U.S. and the EU on human rights grounds. In the end, the delegates were able to finesse the problem by announcing that Myanmar had decided to "relinquish" its occupation of the chair so that it could better concentrate on development programs.

Considering its close relations with Myanmar, it is virtually certain that Beijing played a major role in brokering the compromise. If so, the action must have provided yet another example of Chinese forbearance and reason in the estimation of ASEAN diplomats. It also probably called attention to the absence from the meeting of the U.S. secretary of state who, according to Philippine Foreign Secretary Romulo, refused to attend because of the Myanmar issue. [*Editor's note: This assertion was strongly denied by Washington, which had reportedly been informed more than a month in advanced that Myanmar would skip its turn.*]

Despite the risk of exposure to charges of special pleading, it should be noted parenthetically that this bit of diplomatic kabuki illustrates the significant progress that has occurred in Beijing's relations with Manila since the beginning of the year. The imputation of meaningless gesturing indicating lack of interest in the affairs of ASEAN is patently unfair. Washington was represented by the U.S. deputy secretary of state who has assumed the Asia portfolio and who has also received high marks within the region for his efforts thus far. And yet it is instructive that the Philippines foreign secretary, a U.S. ally, should have been the instrument by which the negative inference was made. Clearly, Beijing has great credit in Manila.

If the Chinese retained a low profile during the formal ASEAN sessions, their work within the A+3 and other ASEAN groups was much more visible. For example, in early July, the A+3 agreed to increase rice reserves within the region. Later, on July 14 the second A+3 meeting of energy ministers convened in Siem Reap, Cambodia to discuss the probable direction and behavior of global energy markets and to explore ways and means of establishing regional energy cooperation. Although no really concrete measures were announced, all agreed to take additional steps to identify areas for future cooperation.

Just after the conclusion of the regular ASEAN meetings, the A+3 Ministers Responsible for Culture and Arts met to explore commonalities in their respective cultural heritages. They also considered programs for exploring them cooperatively. China's position as the source of Confucian thought, and its contribution to the evolution of Buddhism undoubtedly enabled its representatives to remind their colleagues of the importance within Southeast Asia of all things Chinese.

On the sidelines of the meeting, the Chinese delegation signed a Memorandum of Understanding (MOU), allegedly the first Beijing has ever signed with a regional bloc, pledging to develop and implement programs to raise consciousness of and appreciation for the achievements of the diverse cultures of the region. Interestingly, the MOU also called for the encouragement of collaborative creative activities among artists, musicians, and writers and promised to develop a mechanism to support such activities.

The A+3 did not ignore the more immediately practical side of their activities. On Aug. 17, in Beijing, the group convened the long-anticipated and long-planned Workshop on Policing Exchange and Cooperation among Capital Police Agencies from ASEAN, China, Japan, and the ROK.

Prominent on the agenda were problems in policing the upcoming Olympic Games and protecting the security of foreign nationals in the participants' respective capitals. Additionally, the meeting also provided a venue at which serving police officials could interact and establish the informal personal contacts to supplement and energize the large number of formal agreements already on the books.

During the past 18 months or so, Beijing has been involved in at least five formal meetings with members of ASEAN police forces. Those meetings, in combination with its leading role in the A+3 efforts, make the Chinese major players in regional police circles. Those meetings also mark a change in the center of gravity of police cooperation. Twenty years ago, Chinese police agencies were seeking advice from counterparts throughout the region, especially Singapore and Malaysia. Now they appear at least to hold their own and in not a few cases, to play a leadership role.

In addition to its work with the A+3, Beijing was also careful to tend to the myriad details of its own direct relations with ASEAN. For more than a year, Beijing's top economic priority with respect to ASEAN has been the implementation of the ASEAN-China Free Trade Zone. On July 20, this objective moved closer to reality as China, Brunei, Malaysia, Myanmar, Singapore, and Thailand implemented reciprocal tariff reductions on over 7,455 types of goods and commodities. The mutual tariff reduction from an average of 9.9 percent to an average of 8.1 percent grew out of the Trade in Goods Agreement which in turn was part of an overall Framework Agreement on Trade between China and ASEAN signed last November. These reductions, in combination with a series of other agreements with specific countries, are the earliest in a planned sequence of reductions designed to prepare the region for the formal implementation of the China-ASEAN Free Trade Zone scheduled for 2010.

Beijing also kept progress toward the Free Trade Zone in mind when on Aug. 3 the president of the China Cereals Association announced priorities for agricultural cooperation with ASEAN along with a series of research projects to be undertaken with ASEAN organizations. The priorities and plans are to be further explained and illustrated at a China-ASEAN Agricultural Exposition set for late November in Kuala Lumpur.

In addition to economics and agriculture, Beijing's relations with ASEAN during the quarter also included legal and parliamentary issues. On Sept. 3, participants in the China-ASEAN Forum on Legal Cooperation and Development which met in Nanning, signed the "Nanning Declaration" which commits all the parties to implement programs designed to identify potential problems related to trade that are likely to require legal solutions. A preview of what such issues might be was observed three days later at a China-ASEAN Symposium on Intellectual Property held in Beijing. It is not surprising that intellectual property should be singled out for special attention.

The declaration also envisages a series of workshops and seminars at which legal personnel from various nations will develop familiarity with the legal systems of their neighbors and the establishment of a research and training center. Eventually, according to the plan, dialogue will broaden to include "legal issues in the fields of politics, economy, society, and culture."

This combination of the practical and the theoretical received official confirmation of sorts at the meeting of the ASEAN Inter-Parliamentary Organization (AIPO) that convened in Vientiane on Sept. 19. In his address, Vice Chairman of the Foreign Affairs Committee of the National People's Congress Wang Yingfan declared that the steps that ASEAN and its dialogue partners (that is China) have taken toward integration are irreversible and that, accordingly, the only possible course was to proceed without delay. Arguably, and despite the low rank of the speaker, Wang's words correctly sum up the thinking of the Chinese leadership on relations with ASEAN.

Bilateral relations

Beijing's region-wide priorities by no means detracted from effort and attention to detail devoted to its bilateral relations with the nations of the region.

Cambodia. For example, on Aug. 12, Premier Wen Jiabao met with Cambodia's King Norodom Sihamoni who made his first trip to Beijing since his coronation last October. In what was largely a ceremonial affair, the leaders affirmed the close ties between the two nations and pledged further economic cooperation. This materialized later on Aug. 22 when Beijing announced a grant of \$10.1 million for infrastructure development. Cambodia also received a number of patrol boats for use in marine security operations.

Indonesia. The Chinese continued their wooing of Indonesia during the state visit of President Susilo Bambang Yudhoyono on July 27-30. Ever mindful of Indonesia's importance within ASEAN and anxious to put the seal on the Strategic Partnership announced in April of this year when President Hu Jintao visited Jakarta, the Chinese worked assiduously to structure the bilateral relationship in ways that provide maximum advantage.

President Yudhoyono met with Hu, Premier Wen, and Vice Premier Zeng Peiyan who hosted a luncheon for Chinese and Indonesian business leaders. Significantly, Yudhoyono returned to Indonesia by way of Shenzhen where, once again, he met with a wide range of business leaders. Indonesian Vice President Jusuf Kalla no doubt tied up any loose ends when he visited China at the end of August on his way to Japan.

Beijing was careful to set realistic priorities for the visit. The focus was on trade and investment and arrangements in other areas were kept in a low key. In all, five documents were signed, including MOUs on defense technological cooperation; the activities of Chinese nongovernmental organizations in regard to tsunami relief; grants for civilian economic and technical cooperation; loan for buyers agreements; and, the teaching of Chinese in Indonesia. The unremarkable nature of the agreements no doubt results from the fact that the higher profile energy agreements were concluded in April and because, despite the optimistic, positive words at the official level, Indonesian relations with China remain sensitive. The sensitivity increased as a result of an alleged Indonesian Navy attack on Chinese fishing vessels in the Arafura Sea on Sept. 21. According to reports, one crew member was killed and two were wounded.

Nonetheless, observers in both nations evaluated the visit in extremely positive terms and it is not likely that the incident will have a major negative impact. For Beijing's part, the value received involved access to energy resources, positive contacts with what will probably emerge as a profitable market for its goods and services, and a burnishing of its image as a constructive member of the regional community. The gains were as significant as the costs were minimal.

Malaysia. Interaction between Beijing and Kuala Lumpur during the quarter was highly personalized and involved visits to China by two high-profile representatives. The first began on Sept. 1 when Malaysian Deputy Prime Minister Najib Tun Razak met with his Chinese host, Deputy Prime Minister Huang Ju. According to published reports, the deputy prime ministers reviewed the considerable progress in bilateral relations and agreed that new (but unspecified) efforts should be made to expand the strategic partnership. Razak also met with Chinese Defense Minister Cao Gangchuan, who declared China's willingness to advance strategic cooperation between the two nations.

Later, on Sept. 5, Chinese State Councilor Tang Jiaxuan met with former Malaysian Prime Minister Datuk Seri Mahathir bin Mohamad. As with the deputy prime minister, the emphasis of the talks appeared to emphasize atmospherics, which by any standard remain quite positive. That said, there are latent tensions in the bilateral relationship involving both the South China Sea and lingering concern about looming economic competition. While neither of these visits achieved much in the way of substance, they probably underscored for both sides the value of a stable relationship.

The Philippines. As noted above, Philippine Foreign Affairs Secretary Alberto Romulo appeared to carry at least a small bit of China's water at the ARF meetings. However, the inclination to be friendly did not prevent him from once again pressuring the Chinese to move rapidly to turn the Declaration on the Conduct of Parties in the South China Sea into a full-fledged, formal, and binding Code of Conduct. Romulo spoke at a press conference following the conclusion of the first meeting of the ASEAN-China Joint Working Group on the Implementation of the Declaration.

At this time, it is not likely that Romulo's remarks amount to anything more than a tip of the hat to Philippine public opinion. Manila must have something to show for its rather dramatic opening to Beijing and Chinese actions in the South China Sea are an obvious litmus test.

However, as long as Beijing remains at the table and willing to move ahead on specific issues other than ownership of the disputed islands, it is not likely that the result of the test will be scrutinized with great intensity. Moreover, the implementation of the FTA means that the level of Philippine trade with China is likely to continue its steady rise and this is of major importance to Manila. Under these circumstances, neither side has any incentive to change the status quo. Accordingly, relations will continue on their present stable course.

Singapore. Chinese relations with Singapore were sustained by the visit of Vice Premier Wu Yi who visited the country in her capacity as co-chair of the China Singapore Joint Council for Bilateral Cooperation (JCBC). She also met with Prime Minister Lee Hsien Loong, Senior Minister Goh Chok Tong, and Singapore President S.R. Nathan.

Wu's visit produced no major developments; nor was it meant to do so. Rather, the JCBC meeting reviewed bilateral relations during the past year and approved what amounted to an identical agenda for the coming year. Her other meetings were similar in nature.

One item of interest and significance concerned the affirmation by all the interlocutors of Singapore's intention to participate fully in the reconstruction of China's northeast. This is remarkable considering the lingering Singaporean disappointment over the failure of the Xuzhou Industrial Park to reach its full potential. It is also of interest to note that for the first time this year a statement marking the visit to Singapore of a Chinese official contained no reference to Taiwan. One is tempted to suggest that this is not the first time that the northeast has figured prominently in China's foreign policy. In any case, the recent perturbation in bilateral relations over Taiwan seems to have been set right.

Thailand. Premier Wu also visited Thailand where she co-chaired the second meeting of the Thailand-China Joint Committee on Trade, Investment, and Economic Cooperation. She was joined there by a group of 50 Chinese entrepreneurs who participated in a Sino-Thai Economic and Investment Partnership Seminar. As in Singapore, the meetings were not designed to move the relationship to a different level but rather to keep things on track and possibly set the stage for future developments. From that point of view, both sides judged the visit a success.

And that track had been established at a high level. On June 30, Thai Prime Minister Thaksin Shinawatra began a three-day visit to China designed to mark the 30th anniversary of the establishment of bilateral relations. Significantly, a group of some 50 Thai businessmen accompanied the prime minister to attend a China Thailand Investment Seminar. While the businessmen were making plans to use preferential tax policies and the prospect of lower tariffs to increase the volume of two way trade, Thaksin and Premier Wen discussed ways and means of building on 30 years of bilateral relations to "enrich the strategic partnership between China and Thailand."

Later, on Aug. 26, Foreign Minister Li met with his Thai counterpart, Kantathi Suphamongkohn, to maintain the momentum established during the Thaksin visit and to flesh out the joint commitment to move ahead. Although few details are available, the topics discussed reportedly included biotechnology, environmental protection, quarantine inspection, financial cooperation, and poverty relief.

It can be argued that in many respects, Beijing is more closely integrated, albeit informally, with Thailand than with any other nation in Southeast Asia. The most important element is trade with infrastructural coordination rapidly rising in importance. Politically, the combination of Thai suppleness and Chinese realism makes for a complementarity of external policies. The diplomacy of the past three months suggests that the bilateral relationship is growing ever more tightly knit.

Vietnam. The often volatile relationship between China and Vietnam took an unusually positive turn during the quarter. Things began modestly enough with the opening of a new highway connecting the city of Nanning with the Youyiguan Pass and Vietnam's storied Highway 1. This joint project was announced as the first freeway connecting China and ASEAN and, atmospherics aside, is expected to facilitate greatly the passage of goods between the two countries.

However, activities swung into truly high gear July 18 when Vietnam's President Tran Duc Long began a five-day state visit to China. The high saliency of the event for Hanoi was evident from the beginning as Vietnamese civilian and military media outlets acknowledged the long record of accomplishment and positive cooperation achieved by the two nations over the years. The Vietnamese press also hailed the "peaceful rise" of China in positive terms, noting the role of the Chinese economy as a force in Vietnam's economic development and the aid that China has provided to Vietnam despite its status as a developing country. Significantly, the Chinese national media featured the Vietnamese editorials prominently in their own coverage of the visit.

Tran Duc Long's discussions with Hu Jintao, Wen Jiabao, and other officials were also very positive, although they lacked the effusiveness of the Vietnamese editorial commentary. Generally speaking, the two presidents expressed pleasure that bilateral relations were expanding; pronounced the status of economic and trade relations to be satisfactory; agreed to implement seriously a process for confirming a Code of Conduct and for enhancing cooperative development of the South China Sea; acknowledged that some work remained to be done with respect to border demarcation and on implementing the fishing and other agreements relevant to the Beibu Bay; and, committed the two sides to addressing these concerns by means of friendly cooperation. A concrete benefit for Hanoi was a promise of Chinese support for Vietnam's entry into the World Trade Organization. The usual number of entrepreneurs signed the usual number of contracts at the usual Trade and Investment Seminar. Both sides evaluated the visit as a major success.

As if to underscore the positive effect of the state visit, on Sept. 2, Vietnam's Ambassador to China Tran Van Luat struck a positive tone in a *Xinhua* interview on bilateral relations. The ambassador averred that no problem between the two nations was unsolvable. Noting that President Tran's visit had breathed new life into the relationship, he pointed to the three-way cooperation between China, Vietnam, and the Philippines on the South China Sea as a model for the future. All in all, the visit, the comments of the ambassador, the opening of the highway, and continually increasing levels of investment suggest that both Beijing and Hanoi have once again decided to emphasize the positive dimensions of their relations and to refrain from raising any issue that might diminish a positive atmosphere.

Conclusion

As the title of this chapter suggests, the theme of Beijing's Southeast Asian diplomacy during the quarter reflects its desire to nurture the seeds of integration it began to plant in the early months of the year 2000. China's work with the Greater Mekong Subregion provides a microcosm of the evolution of its ties with ASEAN. China's economic success provides a measure of hard and eventually soft power sufficient to compel attention. There is then an observable pattern of supportive interaction between initiatives in the political and economic sectors, and as time passes, in the cultural sector as well.

The impetus toward integration in Southeast Asia began long before Beijing achieved its present level of power and influence. However, the Chinese are achieving significant success in assessing the defining aspects of that trend and incorporating themselves into the rhythm of its development. The economic, political, and cultural linkages are coming to mean that, nationalisms notwithstanding, in functional terms, China has become an indispensable member of the Southeast Asian Community.

Chronology of China-Southeast Asia Relations July-September 2005¹

July 1, 2005: Chinese Premier Wen Jiabao tells Thai counterpart Thaksin Shinawatra that China wants to use the 30th anniversary of the founding of China-Thailand ties as an opportunity to strengthen strategic cooperation with Thailand.

July 1, 2005: Malaysian International Trade and Industry Minister Datuk Seri Rafidah Aziz says tariff liberalization program under the ASEAN-China Free Trade Area takes effect today.

July 4, 2005: Chinese Minister of National Defense Cao Gangchuan says Chinese armed forces are ready to join with the Thai army for bilateral friendly military cooperation.

July 4, 2005: About 200 business people and trade officials convene at China-ASEAN Business Forum in Beihai; Siva Yam, president of the U.S.-China Chamber of Commerce says ASEAN will benefit much more from the Free Trade Area arrangement than China.

July 4, 2005: Thailand's Minister of Defense Oud Buangbon holds talks with deputy chief of the General Staff of the Chinese People's Liberation Army in Beijing.

July 4, 2005: Cheng Siwei, vice chairman of the Standing Committee of the National People's Congress, meets delegation of young Philippine political leaders in Beijing.

July 4, 2005: At the second summit of the Greater Mekong Subregion Economic Cooperation, China continued its support of the region with infrastructure, development, and energy projects.

¹ Compiled by Claire Bai, 2005 Vasey Fellow, and Jo Choi, Summer 2005 Vasey Fellow, Pacific Forum CSIS.

July 4, 2005: Myanmar and China sign \$290 million worth of contracts and memoranda in Kunming.

July 5, 2005: Beijing-backed Citic Resources says it is no longer pursuing a stake in Thai Petrochemical Industry, citing delays and unexpected complications.

July 6, 2005: ASEAN+3 agree to increase rice reserves to 200,000 metric tons from 87,000 MT to establish food security in the region.

July 9, 2005: Delegation of the Chinese Communist Party (CCP) led by Xi Jinping, member of the Central Committee of the CCP and secretary of the Zhejiang Provincial Committee of the CCP, visits Laos, DPRK, and ROK.

July 12, 2005: Taiwan donates 100 doses of vaccine to Vietnam to help fight avian flu.

July 13, 2005: Second ASEAN, China, Japan, and South Korea Ministers on Energy Meeting (AMEM+3) held in Siem Reap, Cambodia.

July 13, 2005: Officials from ASEAN, China, Japan, and South Korea meet in Vientiane to discuss national anti-poverty programs.

July 14, 2005: Wang Zhaoguo, vice chairman of the Standing Committee of China's National People's Congress, meets Philippine youth delegation visiting China July 11-18, and says will further enhance exchanges between youths of China and the Philippines.

July 15, 2005: Malaysian government bans Falun Gong related publication *Epoch Times* for carrying negative reports about China and affecting bilateral relations.

July 18, 2005: Vietnam President Tran Duc Luong pays five-day official visit to China.

July 18, 2005: CCP delegation led by Hu Jiayan, deputy secretary of the CCP Xinjiang Uighur Autonomous Regional Committee, visits Singapore. Afterward, Hu attends a conference of the United Malays National Organization in Malaysia and visits Thailand.

July 19, 2005: Chinese and Vietnamese businessmen sign 14 deals totaling \$1.071 billion at a Beijing business forum during President Tran Duc Luong's visit to China.

July 20, 2005: An 11-member delegation from Taiwan's Legislative Yuan, led by Legislative Deputy Speaker David J.C. Chung, heads for Southeast Asia to step up parliamentary exchanges with several countries in the region.

July 20, 2005: China and ASEAN grant each other most favored nation status and start operation of the planned ASEAN-China Free Trade Area.

July 20, 2005: Indonesian government expands number of product categories in the Sensitive Product and Highly Sensitive Product in the China and ASEAN Free Trade Area agreement.

July 21, 2005: After China moves to a managed floating exchange rate regime, Monetary Authority of Singapore says it will not have a major impact on the Singapore dollar or the country's exchange rate regime; Malaysia scraps ringgit peg to U.S. dollar and opts for a managed float system; Bank of Thailand says China's decision will help the global economy and reduce pressure on the baht.

July 22, 2005: Philippine President Gloria Macapagal-Arroyo meets delegation from China Shenyang International Economic and Technical Cooperation Corp (CSIETCC) at the Malacanang presidential palace. CSIETCC plans to construct and develop a \$100 million freeport zone in Ilocos Sur Province in the northern Philippines.

July 22, 2005: Indonesian Coordinating Minister for the Economy Aburizal Bakrie says China's revaluation of the yuan will have a minor impact on the Indonesian economy.

July 22, 2005: Taiwanese Cabinet-level Council for Economic Planning and Development Chairman Hu Sheng-cheng, accompanied by Overseas Chinese Affairs Commission Vice Minister Liao Sheng-hsiung, heads to Bangkok for 15th annual meeting of a federation of Taiwanese associations in Asia July 22-25.

July 24, 2005: Delegation of CCP Central Committee Office, led by Mao Linkun, visits Vietnam and Laos.

July 26, 2005: ASEAN foreign ministers endorse establishment of ASEAN-China Joint Working Group to study and recommend measures to translate provisions of the Declaration on the Conduct of Parties in the South China Sea into cooperative activities.

July 26, 2005: Philippines government and business leaders say China's move to let market forces determine the value of its currency strengthen the peso against the U.S. dollar, which will have positive effects on the Philippine economy.

July 26-Aug. 1, 2005: Chinese Foreign Minister Li Zhaoxing visits Vientiane for the ASEAN+3 (A+3) Foreign Ministers' Meeting, ASEAN Post Ministerial Conference, and the 12th Regional Forum Foreign Ministers' Meeting. On July 27, he leaves Vientiane for a state visit to Myanmar, which is initially scheduled to start only after the ARF ends.

July 27, 2005: Indonesian President Susilo Bambang Yudhoyono (SBY) arrives in Beijing for a four-day state visit. Accompanied by a 100-member delegation, he will also visit Shenzhen in Guangdong Province.

July 28, 2005: Presidents Hu Jintao and SBY oversee signing of five agreements, ranging from defense cooperation to Chinese language teaching, on the 55th anniversary of establishment of diplomatic relations between the two countries.

July 28, 2005: Chairman of the Myanmar State Peace and Development Council Senior Gen. Than Shwe and Prime Minister Gen. Soe Win meet with visiting Chinese FM Li. Both sides express wishes to further develop friendship, and economic and trade ties.

July 29, 2005: Chinese Science and Technology Minister Xu Guanhua signs agreement with Thai counterpart Korn Dabbaransi to push cooperation in science and technology.

July 30, 2005: In a speech read by representative Liu Yongxing, Chinese ambassador to Laos, at the 12th ASEAN Regional Forum Ministerial Meeting, Chinese FM Li urges Asia-Pacific countries to hold to the goal of common security.

Aug. 3, 2005: Chairman of the National Committee of the Chinese People's Political Consultative Conference Jia Qinglin says China is ready to work with Vietnam to promote bilateral ties, in a meeting with Do Duy Thuong, vice chairman of Presidium of Central Committee of the Vietnam Fatherland Front.

Aug. 5, 2005: Philippine Foreign Affairs Secretary Alberto Romulo calls for claimants to territories in the South China Sea should adopt a formal Code of Conduct.

Aug. 5, 2005: China loans money and technology to Cambodia for a CDMA2000 (Code Division Multiple Access) phone system.

Aug. 10-14, 2005: Cambodian King Norodom Sihamoni Cambodian pays a state visit to China at the invitation of Chinese President Hu. It is Sihamoni's first state visit abroad and his visit to China as a king. He also meets Premier Wen.

Aug. 11, 2005: Hainan Natural Rubber Industry Corporation, China's No.1 rubber producer, signs framework cooperation agreement with Vietnam General Rubber Corp.

Aug. 12, 2005: China and Myanmar sign agreement on nickel mineral exploration and feasibility study.

Aug. 12, 2005: China and Singapore start a cooperation program to build Asia's largest desalination plant in north China's port city Tianjin.

Aug. 17, 2005: Workshop on Policing Exchange and Cooperation begins in Beijing. More than 80 police officers from 10 ASEAN countries, China, Japan, and South Korea discuss enhancement of exchanges and cooperation, as well as security measures for the 2008 Olympic Games in Beijing.

Aug. 19-20, 2005: First meeting of China-ASEAN Eminent Persons Group ends in Qingdao. Participants including Chinese former FM Qian Qichen and other eminent persons from ASEAN countries, look at progress in China-ASEAN dialogue, confer on the situation and future prospects of Sino-ASEAN relations.

Aug. 21, 2005: Singapore PM Lee Hsien-loong reiterates his country's adherence to the one-China policy.

Aug. 22, 2005: The Chinese government provides Cambodia with goods and materials worth more than RMB 81.8 million (about \$10.1 million) to improve infrastructure.

Aug. 26, 2005: An ASEAN Centre for Contemporary Chinese Studies will be established as part of the group's long-term strategy of promoting ties with China and increasing the region's role in the international arena.

Aug. 27, 2005: China begins cooperation with the Philippines and Vietnam in a joint marine seismic undertaking in the South China Sea.

Aug. 30, 2005: Indonesian Vice President Jusuf Kalla leaves for China and Japan in an effort to get new investment for Indonesia.

Sept. 1, 2005: Chinese government donates six patrol vessels to Cambodia to help it strengthen marine security.

Sept. 2, 2005: Chinese Minister of National Defense Cao Gangchuan says Chinese armed forces hope to advance strategic cooperation with Malaysia, at a meeting with Malaysian counterpart Najib Tun Razak.

Sept. 2, 2005: Vietnamese ambassador to China Tran Van Luat plays down South China Sea disputes between Vietnam and China.

Sept. 2, 2005: Participants at the China-ASEAN forum on legal cooperation and development adopt the "Nanning Declaration."

Sept. 4, 2005: China and Malaysia sign MOU on defense cooperation, covering training agreements, information exchanges and framework for bilateral defense activities.

Sept. 5, 2005: China and ASEAN hold in Beijing an intellectual property symposium.

Sept. 8-9, 2005: Pacific Rim finance ministers meet and call for greater exchange rate flexibility in the region to address global current-account imbalances and increased policy coordination between oil producers and consumers to rein in crude oil prices.

Sept. 15, 2005: Trade volume between China and ASEAN grew 25 percent in the first half of this year to \$59.76 billion, making ASEAN the 4th largest trade partner of China.

Sept. 15, 2005: Xu Caihou, vice chairman of China's Central Ministry Commission says that China will work with Thailand to promote development of relations between the two armed forces.

Sept. 17, 2005: Ambassador to Indonesia Lan Lijun donates \$1.5 million on behalf of the Chinese Government to the Aceh and Nias Rehabilitation and Reconstruction Agency.

Sept. 19-25, 2005: Vice Premier Wu Yi takes a three-state trip to Singapore, Thailand, and Brunei and meets Singapore President S.R. Nathan, Thai PM Thaksin in Bangkok, and pays an official visit to Brunei.

Sept. 20, 2005: Wang Yingfan, vice chairman of the foreign affairs committee of China's National People's Congress, meets with ASEAN legislators at the 26th ASEAN Inter-Parliamentary Organization (AIPO) General Assembly, held in Laos.

Sept. 21, 2005: Chinese Embassy in Jakarta expresses dissatisfaction over Indonesian navy ship's shooting on a Chinese fishing boat allegedly poaching in the Arafura Sea off Papua Island. The shooting killed one and wounded two crew members. On the 26th, China sends a working group to Indonesia to deal with the shoot-out.

Sept. 22, 2005: China and Vietnam agree to boost economic and trade cooperation, and fulfill the two-way trade target of \$15 billion by 2010 at a meeting of the China-Vietnam Joint Committee on Economic and Trade Cooperation.

Sept. 28, 2005: Chinese Huawei Technologies, a leading telecom equipment supplier, signs commercial contract amounting to \$30 million with Cambodia's mobile operator AZ Communication Company Ltd.



**China-Taiwan Relations:
Beijing Prefers to Tango with the Opposition**

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

The summer saw Beijing extending friendly gestures toward Taiwan – a welcome change. Beijing has worked to build on the visits by opposition party leaders in the spring, while seeking to marginalize President Chen Shui-bian’s administration. Initiatives that China could implement on its own have gone ahead, while those requiring cooperation from the Taiwan government have languished. China conducted its first joint military exercise with Russia in August, and structured the exercise so that people in Taiwan would see it as threatening. Nevertheless, partisan wrangling in Taipei continued to delay a decision on adoption of the supplemental arms budget. Cross-Strait trade continued to grow, but at a relatively slow pace. Beijing’s strategy to marginalize Chen will limit progress on cross-Strait functional issues and not necessarily rebound to Beijing’s long-term benefit.

Follow-up on functional issues

Beijing has focused its cross-Strait work on following up on proposals made during the visits of opposition party leaders Lien Chan and James Soong Chu-yu in the spring. To recapitulate, Beijing proposed for Lien a gift of pandas, liberalization of agricultural trade, and encouragement of tourism to Taiwan. Beijing offered Soong improved treatment for Taiwanese residents in China and for Taiwan students studying and working in China. Many of these ideas had been suggested originally by the opposition. Beijing has worked with the Nationalist (KMT) and People’s First Party (PFP) and groups friendly to them in trying to advance these initiatives. Thus far, it has declined to cooperate with the Chen administration or the groups Taipei has authorized to handle these issues.

In handling its offer to liberalize the importation of fruit from Taiwan, Beijing has worked with the Taiwan Provincial Farmers Association (TPFA), a trade group with links to the KMT. Taipei authorized the Taiwan External Trade Development Council (TAITRA), a semi-official trade promotion group, to handle agricultural talks. Although many thought Beijing would refuse to deal with TAITRA, Beijing has not rejected that possibility. However, after contacts with the TPFA, Beijing decided in late July to unilaterally grant duty-free entry to 15 Taiwan fruit products. The Chen administration criticized Beijing for omitting some of Taiwan’s most competitive agricultural products. President Chen has repeatedly minimized the importance of the mainland market and urged farmers to concentrate on exports to foreign markets.

Reportedly, Beijing's decision to marginalize Chen has been quietly but strongly encouraged by the opposition parties, who want political credit domestically for improvements in cross-Strait relations. To resist such marginalization, the Chen administration has urged Beijing to respond to its priorities if Beijing wants cooperation on PRC proposals. Taipei has repeatedly stated that its priority is to arrange cross-Strait cargo charter flights. It has authorized the Taiwan Airlines Association (TAA), the group that handled arrangements for the successful New Years charters, to handle talks on cargo charters. In response, Beijing has proposed arranging additional holiday charter flights first. However, in August, Taiwan Affairs Office (TAO) Chairman Chen Yunlin told a KMT party delegation that cargo and passenger charters could be discussed and implemented together and that the Macau format for talks, which was used to arrange the New Years charters, should be used again. Several delegations have gone to Beijing to discuss charters, and behind-the-scenes contacts between the designated representatives have reportedly occurred. However, as of late September no breakthrough has been achieved.

Talks on Chinese tourism to Taiwan have gone nowhere. After Beijing announced plans to encourage tourism, the Chen administration authorized the Taiwan Travel Agency Association to handle talks, noting that entry of Chinese tourists involved arrangements with several government agencies. Beijing has not shown any interest in dealing with Taipei's representative. China has invited selected zoo officials to visit China to discuss the gift of pandas. The Chen administration has stated that the import of pandas would be covered by the provisions in the Convention on the International Trade in Endangered Species (CITES) and hence would require government approval. Beijing has criticized the references to CITES as a political attempt to treat the matter as if it were between two separate states. The offer remains unfulfilled.

Beijing has moved expeditiously to implement those measures that it can do unilaterally. In July, Beijing announced eased entry and residency permit procedures for residents from Taiwan. In August, Beijing announced that the tuition paid by Taiwan students at Chinese universities would be reduced to the level paid by Chinese citizens and initiated a program of financial assistance to Taiwan students. (Interestingly, students from Hong Kong are not granted similar benefits.) Taipei responded to this gesture by stating that it was government policy not to encourage Taiwan students to study in China. President Chen stated publicly that degrees from Chinese universities would not be recognized in Taiwan so long as he is president. In August, the China Development Bank in Beijing announced a five-year program of loans to Taiwanese businesses in China totaling 30 billion RMB. In September, the TAO established a "petitions coordination bureau" to handle problems raised by Taiwan investors and traders.

The only issue on which there has been some implicit cooperation concerns Taiwan aircraft overflying the PRC. In July, Taipei announced that it would for the first time authorize Taiwan airlines to overfly China. Within a couple of weeks, Beijing had granted approval for Taiwan carriers to make such overflights.

Beijing cozies up to opposition

The Chinese Communist Party (CCP) has been moving rapidly to expand constructive ties with the opposition parties. The opposition for its part wants to demonstrate that it can gain benefits for Taiwan through cooperation without sacrificing Taiwan's interests. In July, Beijing treated

New Party Chairman Yok Mu-ming graciously, including a meeting with Secretary General Hu Jintao, despite the fact that the New Party has only one seat in the Legislative Yuan and is close to irrelevant within Taiwan politics. The TAO has received several delegations from the KMT and PFP and publicized the visits to highlight their roles. The PFP and TAO sponsored a forum in Shanghai in September to promote cross-Strait trade and investment. Also in September, Beijing invited Li Ao, an outspoken intellectual and former presidential candidate to lecture at leading Chinese universities.

When Taipei Mayor Ma Ying-jeou was elected chairman of the KMT, replacing Lien, Hu Jintao sent Ma a congratulatory message expressing the hope that the two parties could cooperate to stabilize cross-Strait relations. In August, the KMT and CCP launched the first “grassroots exchange” through visits by county-level KMT officials to China. When Lien Chan announced plans to establish a Cross-Strait Peace Foundation as a vehicle for promoting KMT contacts with the mainland, this was warmly welcomed in Beijing. The KMT has Beijing’s agreement to host a conference in Beijing later in the year and is trying to organize a cross-Strait peace conference in Taiwan. However, this would require cooperation from the Chen administration for Communist Party officials to participate, which seems unlikely.

In sum, Beijing’s policy at this point seems to be to do as much as possible with the opposition and as little as possible with the Chen administration. Contacts with the Democratic Progressive Party (DPP) have not ceased but have been limited to occasional discussions between mainland scholars and DPP members. Some Chinese scholars have said this policy reflects a hope that an opposition leader will replace Chen in 2008 and a belief that, even if this does not occur, any future DPP leader would be easier for Beijing to deal with than Chen.

The DPP has been concerned that the “China fever” is weakening its appeal and has accused the opposition of sacrificing Taiwan’s national interests. Both former President Lee Teng-hui and Chen Shui-bian have continued to speak publicly about the importance of strengthening Taiwanese identity. As part of this effort, Chen floated his “theory” that the Republic of China (ROC) had gone through four stages: the first on the mainland, the second under Chiang Kai-shek seeking reunification, the third as the “ROC on Taiwan” under Lee Teng-hui and, finally the present when the “ROC is Taiwan.” Beijing predictably attacked this view.

No let-up in international sparing

While offering gestures to Taiwan and warming up to the opposition, Beijing has continued to block Taiwan internationally. In September, Beijing again got the UN to reject Taiwan’s bid for participation. At the UN General Assembly (UNGA), President Hu made a significant proposal offering debt forgiveness and duty-free entry to exports from the world’s poor countries – except for those countries that recognize Taipei. In late September, President Chen made an unannounced “transit” stop in the United Arab Emirates, a country that maintains diplomatic relations with the PRC.

In one minor arena, the Asian Network of Major Cities, Beijing reportedly decided not to host the group’s 2005 annual meeting when the organization insisted that the following meeting would be hosted by Taipei. This obscure move may have as much to do with Sino-Japanese relations as cross-Strait tension because the Network was formed on the initiative of Tokyo Gov.

Ishihara Shintaro. In any event, Taipei Mayor Ma was quick to take advantage of the opportunity by confirming his willingness to host the group's next meeting early in 2006.

Military issues

In August, China and Russia conducted their first joint military exercise. Although it had been expected that this exercise would take place in Central Asia, Beijing reportedly proposed and Russia objected to conducting it along the China coast south of Shanghai. The exercise, which ended up being conducted on the Shandong Peninsula, was designed to practice joint participation in a peacekeeping operation. Although the most likely real world place for such a joint operation would be in a land-locked Central Asian state, the exercise involved amphibious and airdrop landings along the coast. Consequently, many in Taiwan and abroad saw the exercise as in part designed to intimidate Taiwan. Perhaps predictably, the Mainland Affairs Council (MAC) in Taipei portrayed the exercise that way. In Washington, however, U.S. Defense Secretary Donald Rumsfeld's public comment was that the exercise was not something that deserved particular note.

In Taipei, the political wrangling over the special defense budget continued. In August, the government transferred the *PAC III* portion of the special budget to the regular defense budget, as a partial response to opposition requests, and resubmitted a much reduced special budget proposal totaling NT\$310 billion. Nevertheless, the PFP opposed both the revised special budget and the inclusion of *PAC III* in the regular budget, and it used its leverage on the KMT to ensure that the opposition remained united in blocking both, at least for the time being. The proposed regular defense budget figures for 2006 indicate that even with the inclusion of the *PAC III* funding, the budget increased less than needed to account for inflation and still amounted to less than 2.5 percent of GDP.

These defense budget developments prompted growing expressions of concern in Washington. A meeting of the Congressional Economic and Security Review Commission occasioned considerable criticism of Taiwan from even those in Washington most favorably disposed toward Taiwan. Washington's frustration was also evident at the private U.S.-Taiwan defense conference in a speech read on behalf of Deputy Assistant Secretary of Defense Richard Lawless. When President Chen transited Miami, former Deputy Secretary of State Richard Armitage called on Chen and reiterated Washington's concerns about Taiwan's continuing failure to adequately invest in its own defense.

Slowing trade growth

Cross-Strait trade has continued to grow but at relatively slower rates than in recent years. Statistics from Taipei's Board of Foreign Trade indicate that cross-Strait trade increased 15.4 percent in the first half of 2005 reaching \$33.54 billion. Taiwan's exports to China grew 11.8 percent and accounted for 26.7 percent of Taiwan's overall exports, up marginally from 2004. In July, Taiwan's exports grew only 9 percent. China's imports from Taiwan have grown more slowly than overall imports, and China's Ministry of Commerce has stated that Korea has now surpassed Taiwan to become the PRC's third largest source of imports. Taiwan's imports from

the mainland in the first six months grew 25.5 percent and accounted for 10.7 percent of Taiwan's world-wide imports, confirming China's place as the third largest exporter to Taiwan.

Looking ahead

Cross-Strait tensions are low and are likely to remain so. The picture of Beijing taking positive initiatives toward the people of Taiwan, if not its government, is a welcome change. It is unclear how long these gestures will receive a positive response in Taiwan while Beijing is at the same time continuing to block Taiwan internationally and threaten it militarily. Washington's urgings that Beijing deal with the elected government in Taipei have not been heeded. Beijing's apparent intention to bet that whichever leader comes next will be easier to deal with than President Chen entails real risks. If adhered to rigorously, it would require postponing for three years a number of functional issues that would be in Beijing's (as well as Taipei's) interest to implement. It seems likely that Beijing will at some point strike some deals indirectly with the Chen administration, as it did on the New Years charter flights early this year.

Chronology of China-Taiwan Relations July-September 2005

July 3, 2005: President Chen Shui-bian urges farmers to export elsewhere than to China.

July 5, 2005: TAO's Chen Yunlin receives delegation led by KMT's PK Chiang.

July 8, 2005: KMT/PFP Agricultural delegation in Beijing.

July 10, 2005: Secretary of State Condoleezza Rice urges Beijing to deal with Taiwan authorities.

July 12, 2005: CCP General Secretary Hu Jintao receives New Party leader Yok Mu-ming.

July 15, 2005: PRC Gen. Zhu Chenghu says China may use nukes against U.S. in Taiwan conflict.

July 16, 2005: Ma Ying-jeou elected new KMT chairman.

July 17, 2005: Hu sends congratulatory message to Ma.

July 19, 2005: Premier Hsieh Chang-Ting says government must have role in agricultural talks.

July 21, 2005: Ma Ying-jeou says Taiwan should pursue reconciliation with mainland.

July 23, 2005: Chen Shui-bian expresses hope to attend APEC and meet Hu.

July 26, 2005: Chen holds video conference with Japanese correspondents.

July 27, 2005: Chen opens annual *Hanguang* military exercise.

July 28, 2005: Beijing announces 15 Taiwan fruits to enjoy duty-free entry.

July 28, 2005: MAC designates Taiwan Travel Agency Association to handle tourism talks.

July 30, 2005: Presidential Office adds word “Taiwan” to its website.

Aug. 1, 2005: Chen Shui-bian expounds theory on four stages of ROC.

Aug. 3, 2005: Premier Hsieh says Taiwan carriers to be permitted to overfly PRC.

Aug. 5, 2005: PRC charges Singaporean Ching Cheong with spying for Taiwan.

Aug. 6, 2005: Chen Shui-bian explains new guidelines for cross-Strait relations.

Aug. 9, 2005: MAC states the Penghus (Pescadores) to be included in “mini three links” (direct trade, travel, and postal links) on trial basis.

Aug. 11, 2005: Chen and Annette Lu announce formation of Democratic Pacific Union.

Aug. 12, 2005: Taiwan’s friends present annual draft UN General Assembly resolution on Taiwan.

Aug. 14, 2005: MAC says Taipei Airline Assoc. authorized to handle passenger and cargo charter talks.

Aug. 15, 2005: TAO’s Chen says passenger and cargo charter issues could be arranged together.

Aug. 17, 2005: Beijing says Taiwan aircraft overflights will be approved soon.

Aug. 18, 2005: Sino-Russian *Peace Mission 2005* military exercise begins.

Aug. 20, 2005: Taiwan Coast Guard announces program to counter PRC ship intrusions.

Aug. 22, 2005: TAO’s Chen meets PFP delegation.

Aug. 23, 2005: Taichung KMT delegation visits Xiamen to start “grassroots” KMT-CCP exchanges.

Aug. 24, 2005: Beijing announces reduced tuition and financial aid for Taiwan students.

Aug. 26, 2005: KMT establishes services center for businesses investing in China.

Aug. 27, 2005: Taipei Zoo delegation attends Panda conference in Sichuan.

Aug. 29, 2005: KMT's Lien Chan announces plans for Cross-Strait Peace Foundation.

Aug. 30, 2005: SEF establishes services center for businesses investing in China.

Aug. 31, 2005: Executive Yuan (EY) submits trimmed down arms procurement package.

Sept. 2, 2005: Civil Aviation of China (CAAC) approves regular overflights by Taiwan airlines.

Sept. 4, 2005: President Chen says PRC academic degrees will not be recognized.

Sept. 7, 2005: Secretary General Yu Shyi-kun attends private security forum in Tokyo.

Sept. 7, 2005: TAO announces 30 billion RMB loan program for Taiwan investors.

Sept 7, 2005: Taipei agrees to host Asian Network of Cities conference after Beijing withdraws.

Sept. 9, 2005: Hu Jintao tells Canadian PM Paul Martin unification will take a long time.

Sept. 12, 2005: Taiwan Provincial Farmers Association signs contract with PRC.

Sept. 13, 2005: UN General Committee declines to consider Taiwan participation issue.

Sept. 15, 2005: Jia Qinglin and James Soong attend TAO-PFP sponsored conference in Shanghai.

Sept. 15, 2005: At UNGA, Hu Jintao offers duty-free trade to poor countries, except those that recognize Taipei.

Sept. 16, 2005: U.S.-China Economic and Security Review Commission holds hearing on Taiwan.

Sept. 19, 2005: U.S.-Taiwan Defense Industry Conference in San Diego.

Sept. 21, 2005: President Chen transits Miami en route Central America.

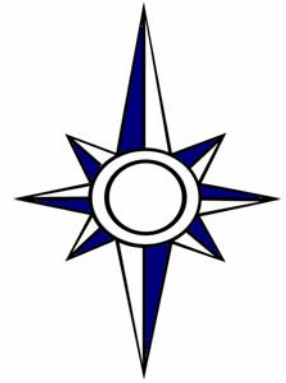
Sept. 21, 2005: Outspoken Taiwan scholar Li Ao speaks of freedom of speech at Beijing University.

Sept. 24, 2005: Chen in Santo Domingo repeats call for a cross-Strait peace mechanism.

Sept. 27, 2005: Chen in Managua expresses confidence U.S. will prevent China's annexation of Taiwan.

Sept. 28, 2005: TAO establishes office to handle problems raised by Taiwan investors.

Sept. 30, 2005: Chen makes unannounced "transit" stop in the United Arab Emirates.



**North Korea-South Korea Relations:
Full Steam Ahead?**

Aidan Foster-Carter
Leeds University, UK

As the humid Korean summer yields to the crisp beauty of autumn, inter-Korean ties have never been better – or at least bigger. As if to compensate for the lost year from mid-2004 to mid-2005, when Pyongyang for no good reason eschewed official contacts with Seoul, the past quarter has indeed seen, as we predicted last time, a packed calendar of meetings: hardly a day went by without one. Moreover, this intense intercourse looks set to continue.

Does quantity mean quality? As ever, some of these encounters were more formalistic than substantive. Nor has North Korea yet delivered all that it has promised – much less all that South Korea would like. Nonetheless, economic progress in particular seems to be moving at last toward sustained cooperation. Security issues are more problematic: while Six-Party Talks on the nuclear issue finally agreed on principles in September, both the interpretation and realization of this accord promise to be thorny. Seoul's mediating role, while welcome at one level, also raised questions about how far inter-Korean progress was being made at the expense of the ROK's strained alliance with the U.S. or its rocky relations with Japan.

More business, faster

The first half of 2005 ended with ministerial talks in Seoul on June 21-24, the 15th since the June 2000 Pyongyang summit, and the first in over a year. The second half kicked off with a high-level meeting: the 10th session of the inter-Korean Economic Cooperation Promotion Committee (ECPC) on July 9-12, again in Seoul. Each meeting produced a 12-point agreement, and despite some overlap, both broke new ground. Taken together, and if implemented – always a big if, given the past history of false dawns – these and other fresh initiatives suggest that North Korea is at last ready to do serious business with the South.

Admittedly, much of the ECPC statement involved recommitment to expedite matters that had been previously agreed but not yet implemented. This includes no fewer than nine agreements already signed, covering topics like transit procedures in the two special zones: Hyundai's tourist fiefdom at Mt. Kumgang and the Kaesong Industrial Zone (KIZ), just north of the Demilitarized Zone (DMZ) near its western and eastern ends, respectively. Few problems have been reported on the ground, so this may be a paper formality.

The ECPC also resolved to expedite the KIZ as such, committing to “swiftly” building the infrastructure – electric power, communications, and water – for the first phase (of three), and to have factories for all 15 Southern firms in the present pilot phase ready by the end of this year (so far only three are operational). On July 18, South Korea said it will soon select the next 25 firms to be tenants of the zone, reportedly from hundreds of applicants. The pilot area covers 92,400 sq. m, and the first tranche of the main zone is scarcely larger, at 165,000 sq. m. The full first phase, slated for completion in 2007, will extend to 3.3 sq. km. With two further stages of expansion due by 2012, the eventual complete zone will occupy a substantial 66 sq. km.

It was also agreed to open a new office for inter-Korean economic cooperation consultation in the KIZ. This will enable enterprises from North and South to meet, negotiate, and sign deals, without the current inconvenience for both sides of heading to a Chinese venue such as Beijing, Dandong, or Shenyang for this purpose. On Sept. 29, it was announced that this office will open Oct. 25, timed to coincide with the opening of the 11th round of the ECPC, also at Kaesong. It will have a 28-member staff, 16 from the South and 12 from the North.

Water: still no warning

Not for the first time, it was agreed to share information and conduct joint surveys of the Imjin River, which flows from North to South. The South fears that unexpected discharges from Northern dams, the Imjin and the Innam Dam near Mt. Kumgang on the upper Han River, may exacerbate summer flooding south of the DMZ. The North has now agreed to give notice of any such discharges, as it has occasionally done before. The joint survey too has been mooted before, but never actually happened; that will be the test. (In the 1980s, South Korea feared that the Innam Dam was intended to flood Seoul, and so built its own “Peace Dam” near the DMZ, at no little expense, to catch any wall of water.)

As of early October, the survey had yet to take place. Earlier, on Sept. 2, a surge of water without warning on the Imjin damaged Southern fishing nets and other facilities downstream. When Seoul remonstrated, Pyongyang claimed this was caused by overflows rather than the deliberate opening of its dams. Evidently coordination is still lacking here.

Now they’re motoring

The ECPC also resolved to speed up crossborder transport links. New trans-DMZ highways linking Kaesong and Mt. Kumgang to the South are already in use, mainly for business and tourism respectively. Hitherto North Korea was oddly unready to acknowledge this reality with an official opening ceremony; it has now agreed to this, but has still not set a date.

Parallel rail links in the same two corridors – Kyongui (Seoul-Sinuiju) in the west, and Donghae (East Sea) in the East – have proceeded more slowly. The ECPC determined to hasten this by “swiftly” completing boundary station buildings and installation of equipment, to be followed by a joint roadbed survey in August, trial train runs “around October,” and an opening ceremony “within this year” as soon as military security can be guaranteed.

How soon these railways will actually be used remains to be seen. Physically, the Kyongui line is ready right now. In theory, trains could already run from Pusan to Beijing (and on to Russia and Europe) via Pyongyang, albeit not very fast, until North Korea's decrepit rail network gets an expensive and long overdue upgrading. On the Donghae line, the track has been reconnected, but it is not clear if stations and other facilities needed have yet been completed. This is in any case a branch line of less economic significance, both in itself and in leading to the stagnant Russian Far East rather than dynamic China. (To reinstate the main line from South Korea to Russia would involve relinking a third line, northeast from Seoul to Wonsan in the middle of the peninsula, but there seems to be no suggestion of this.)

Slow train?

Unless Kim Jong-il is ready for a "big bang" opening, slow progress will remain the norm. Even the fairly busy cross-border roads are limited and in effect one-way. Authorized South Koreans can commute to Kaesong as workers or to Mt. Kungang as tourists, but they may not proceed beyond these two enclaves, nor of course can North Koreans visit the South (except a few official delegations to meetings). The Korean Peoples' Army (KPA), already reportedly worried by the trans-DMZ corridors, may raise security objections to further or faster opening. Counteracting this is the lure of transit traffic, especially between China and South Korea. North Korea could charge useful rent for this or, if bolder, boost development of the whole line of rail from Kaesong to Pyongyang and on to Sinuiju. This clash between security and business priorities (or past and future) will need settling politically, so how soon the trains really run will be a touchstone for the DPRK's wider attitudes to opening.

Another transport provision, marine this time, was that from Aug. 15, Northern merchant ships could use the Cheju Strait between the eponymous southwestern island province and the Southern mainland, reducing sailing times from Nampo and other Northern west coast ports to Japan, and to the North's east coast. A meeting at Munsan in the South on Aug. 8-10 sorted out the technical details, and the new route opened three days early on Aug. 12. There is an odd history here. Four years ago, in June 2001, North Korean vessels started cheekily taking this and other short cuts through Southern waters with neither notice nor permission. They went unmolested, by political order, until the growing fury of Southern conservatives allowed a by now itching ROK Navy to fire warning shots. That did the trick.

Both sides also agreed to exchange economic inspection teams in November. The scope of these was not specified. When a DPRK team last came south, in 2002, it included both Jang Song-thaek – a vice director of the Central Committee of the ruling Korean Workers' Party (KWP), but more importantly Kim Jong-il's brother-in-law and key confidant – and a then obscure chemical industry minister, Pak Pong-ju. Whereas the former overslept (none of his compatriots dared wake him), the latter impressed his hosts as well-informed and keen to learn; regretting rhetorically that he lacked an extra pair of eyes to drink it all in as they toured *chaebol* plants and other business facilities. That trip had consequences: a year later Pak was appointed North Korea's premier. Now closer to the Dear Leader and ranked higher than past holders of this post, he is spearheading the North's radical – if so far dubiously effective – market reforms. Jang, by contrast, was purged last year: by different accounts, either for opposing opening or for forming

his own power base to push his adopted son Kim Jang-hyun – in reality an illegitimate offspring of the late Kim Il-sung, hence his claim – as a potential successor to Kim Jong-il and a rival to the latter's own three warring sons.

Fishing, farming, and investment

Particularly welcome, if long overdue, are plans for economic cooperation in several fresh areas. The ministerial talks agreed to set up new joint panels in both fishing and farming; the ECPC added a third, for science and technology. Most excitingly, the ECPC also agreed for South Korea to invest in Northern minerals, in exchange for supplying raw materials “urgently” needed for daily necessities. Some of this progressed fast. A first consultative meeting on fishing cooperation, held July 25-27 in Kaesong, agreed in principle to create a joint fishing zone in the West (Yellow) Sea: an area that in the past has seen frequent summer clashes in the blue crab fishing season, leading to fatal firefights in 1999 and 2002. Reflecting this security dimension, precise details were to be worked out later, in military talks. One potential stumbling block is that the DPRK officially does not accept the Northern Limit Line (NLL), the *de facto* maritime border between the two Koreas.

Separately, a more senior agricultural cooperation committee was mooted, at a vice minister level, directly under the ministerial talks rather than the ECPC. This too was meant to start work in Kaesong in mid-July, but in the event it first met in August (as discussed below).

The most recent and so far vaguest of the three proposed new joint panels is a clause in the ECPC agreement (it was not mentioned at the ministerial talks) pledging cooperation in science and technology, and leading “later” to a working-level consultative committee in this area. Concretely, this could mean almost anything. Sensitive and dual-use technologies will doubtless be avoided, since South Korea is a signatory to the Wassenaar Arrangement; the U.S., already worried about the risk of such transfers via the Kaesong zone, would also look askance. The South's world-famous stem-cell pioneer, Hwang Woo-suk, has said he would like to cooperate with Northern colleagues, who have cloned the odd rabbit.

Soap for coal

Encouragingly, the first clause of the ECPC agreement commits both Koreas to cooperate “in a new manner by combining their...elements such as resources, capital, technology, etc...to achieve balanced development of the national economy.” They will also explore ways gradually to expand such cooperation. Specifically and first, the South will provide raw materials to produce goods like clothing, footwear, and soap, which the North “urgently needs” (in itself a rare candid admission that it lacks such basic necessities). In return, the South will be allowed to invest in and export Northern minerals such as zinc, magnesite, apatite concentrates, coals, etc. A meeting in Pyongyang in August was to discuss details.

This could be the beginning of a long-overdue process. South Korea is now streets ahead of the North in almost all fields, but minerals are one Northern area of comparative advantage. Like everything else in North Korea, mines badly need new investment to replace worn-out or outmoded facilities. Many coal mines in particular have yet to recover from flooding of a decade

ago. South Korea has moved away from coal as an energy source, but there should be markets in China and indeed in the North's own power stations – which in turn may help mitigate a chronic shortage of electricity.

Lead and hemp

More than two months later, in a presumably linked development, Korea Resources Corp. (Kores), a South Korean parastatal, said on Sept. 26 that it is developing five mineral projects in the North, including a black lead mine close to the DMZ, and plans to open an office in Pyongyang this year. Other areas under study include iron ore, magnesite, copper, and zinc. Kores also plans a full geological survey of the DPRK during 2006-08, and to form consortia with private ROK firms to develop Northern resources.

As for opening in Pyongyang, a private firm beat them to it. Pyongyang Hemp Textile Co, said to be the first ever North-South joint business venture, was inaugurated Oct. 1. This is a joint venture between the ROK's Andong Hemp Textiles and the DPRK's Saebyo General Trading Co, with each investing \$5 million. The plan, which took five years to negotiate, is to grow hemp on Northern farms, then weave it into cloth in factories in Pyongyang. Later that day, the first ever North-South investor relations meeting was held for 170 ROK business persons who had flown in for this and for the opening. In true DPRK style, the hosts berated their guests for not being readier to invest.

Seoul's power play

North Korea's chronic power shortage was also addressed by an offer on a far larger scale than any of the above. Over and above the two post-meeting 12-point agreements in June and July, it later emerged that when ROK Unification Minister Chung Dong-young met Kim Jong-il in Pyongyang in June, he had proffered aid in seven fields – energy, rivers, railways, harbors, tourism, farming, and reforestation – that could begin even while the nuclear issue remains unresolved. Two of these (railways, tourism) are already happening, while two more (rivers, farming) are now envisaged in the new inter-Korean agreements.

As for energy, hints in Seoul of much larger-scale plans – a “special proposal” comparable to the U.S.' post-1945 Marshall Plan in Europe – were finally unveiled in mid-July. Provided the nuclear dispute is settled, South Korea is prepared to supply the North with an annual 2 million kilowatts of electricity, starting from 2008 (because it would take that long to build transmission and related facilities). This is about as much power again as North Korea now produces; though its nominal capacity is 7.7 million KW, actual generation is thought to be less than 30 percent of this, due to the dilapidated state of both power stations and transmission lines. South Korea, with a generating capacity seven times greater, expects to have excess output of 5-6 million KW by 2008, even after setting aside mandatory reserves of 17 percent.

This proposal, credited in Seoul with luring North Korea back to the Six-Party Talks, has the support of the Bush administration, and was presumably cleared on earlier visits to Washington by President Roh Moo-hyun and Minister Chung. This unexpected but essential endorsement may reflect not only a softening of U.S. tactics, but also the new plan's funding. South Korea

says that it would find the estimated cost of \$1.5 billion from funds hitherto earmarked for the Korean Peninsula Energy Development Organization (KEDO) consortium. KEDO was building two new light-water reactors (LWRs) in Kumho in North Korea under the 1994 U.S.-North Korea Agreed Framework (AF), until work was suspended in 2003 as the current nuclear crisis unfolded. The Bush administration never liked the AF, LWRs, or KEDO, all inherited from the Clinton era, but South Korea hitherto had resisted moves to formally end KEDO. This new proposal, essentially of an alternative non-nuclear power source (or rather power sourced outside North Korea), seemed a tacit admission that KEDO has no future. This was confirmed by ROK Foreign Minister Ban Ki-moon Oct. 2, after the waters had been muddied by the DPRK's demand, at the fourth round of Six-Party Talks, for one or more LWRs as part of any new deal to end its existing nuclear programs.

Not a done deal

Despite much excitement in Seoul, it would be premature to regard this as a done deal. For a start, North Korea has yet to accept it. Urgent as the North's needs are, and although the amount of power pledged is equivalent to what the LWRs would have produced, Kim Jong-il may resist politically any formal bid to kill off KEDO. It also seems very implausible that North Korea would accept dependence on the South for so critical a resource. Ideological boasts of self-reliance apart, neither Korea forgets that in 1947 – soon after partition, when the boot was on the other foot: Northern hydroelectric plants built by Japan supplied most of the Peninsula's power – the North abruptly pulled the plug, causing chaos in the South.

North Korea is thus likely to counter-propose that new plants be built on its own territory. Also, by 2008 the conservative opposition Grand National Party (GNP) may hold power of another kidney in Seoul. The GNP is divided on the electricity plan, as it is over "Sunshine" in general, putting it on the defensive currently, to the satisfaction of the ruling Uri Party. Kim Jong-il will surely not become a hostage to such risk. (South Korea already pipes power to Southern firms in the Kaesong zone, but that is both small-scale and based on self-interest.)

[Besides political problems, there are technical ones. Sources within Kepco (Korea Electric Power Co, the state-owned generator and distributor which would have to implement this), have given contradictory opinions on its feasibility. Blithe optimism seems less convincing than caution; especially given the decrepit state of North Korea's grid, with perhaps 30 percent of power generated lost in transmission. There may also be blowback risks in connecting two such diverse systems, with little detail known about the Northern one: some in Kepco fear a simultaneous or knock-on blackout, as seen in the U.S. not long ago. This was also KEDO's Achilles heel: in a project driven more by diplomacy than technology, even if the LWRs were finished it would be unsafe to hook them up to the wider Northern grid as it stood.]

As with KEDO, the real significance of this may be more political and symbolic. Just as the offer of LWRs – and interim heavy fuel oil (HFO), which the North may demand as well – defused the first North Korean nuclear crisis a decade ago, so this new proposal in turn may serve a valuable short-term diplomatic purpose no matter whether it comes to practical fruition. If KEDO's history and likely eventual fate show the pitfalls of such strategies, at least this time there is a

much better chance both that South Korea will provide wider aid, and (in view of its recent change of attitude) that North Korea will respond constructively.

Substance and symbolism

In August, the focus moved from substantive matters to more symbolic ceremonial events. Aug. 15, the date of liberation from Japanese rule in 1945, has always been a significant day and a public holiday in both Koreas' calendars. In the past, this was a focus of conflict: the North would often stage Pyongyang-line rallies at Panmunjom, which radical Southern students battled the riot police in a vain bid to attend. Since 2001 joint festivals have been held, if not all smoothly. The first, in Pyongyang in 2001, enraged Southern conservatives when some ROK delegates danced too keenly to DPRK tunes – forcing the resignation of Unification Minister Lim Dong-won, the Sunshine Policy's *eminence grise*. Since then such embarrassment has been avoided, but subcontracting these events (as nominally unofficial) to Southern unification activists often gives them a distinctly leftist and anti-Japanese tinge.

In 2004, there was no festival, as Pyongyang was cross with Seoul. This auspicious year, the 60th anniversary of liberation, it was the North's turn to come south. A large, 200-strong Northern delegation (both official and NGO) flew into Seoul, led by Kim Ki-nam, a senior secretary of the ruling Korean Workers Party (KWP) and a confidant of Kim Jong-il. In an unprecedented gesture, DPRK delegates briefly paid their respects at the ROK's national cemetery, where its war dead are interred. Conservatives foamed that the North should first admit and apologize for starting the Korean War, but most Southerners seemed to approve this action. In another first, Kim Ki-man and his colleagues also visited the ROK National Assembly, despite which, Pyongyang later rebuffed a Seoul suggestion for parliamentary exchanges. The visitors also met President Roh as well as his predecessor, the now ailing Kim Dae-jung, who went North for the breakthrough June 2000 summit with Kim Jong-il.

Soccer teams of both sexes also came south, and (genuinely) friendly matches were held. South Korea won the men's game 3-0 Aug. 14, while the North's women evened the series two days later with a 2-0 victory. Both ROK and DPRK flags were forbidden in the stadiums; instead, the Southern spectators – most of who were from pro-unification civic groups, rather than the wider public – cheered for "Unified Korea!" as instructed. Some South Koreans grumbled about not being allowed to wave their flag or cheer for their state.

In return, a leading Southern pop star, Cho Yong-pil, wowed an initially reserved 7,000-strong audience at Pyongyang's Ryugyong Chung Ju-yung Gymnasium (named after the founder of Hyundai, who paid for it) with hits from both Koreas. The rightwing Seoul daily *Chosun Ilbo*, no fan of the North, gushed that "with a few melodies, Cho did in two hours what countless politicians and businessmen failed to do over a decade: he touched a nerve among ordinary North Korean people and sparked genuine interest and emotion."

Waving but not touching

Family reunions too were revived and slightly expanded, thanks to a technical innovation. On Aug. 15, 40 separated family members – some too frail to travel – saw each other for the first time in over half a century, thanks to a new fiber optic cable and videolink across the DMZ. They could wave and speak, but obviously not embrace, so the tears flowed. An 11th round of the usual kind of reunions, where 100 from each side meet kin from the other for 2-3 days at the North's Mt. Kumgang resort, followed in late August after a hiatus of over a year. At this rate, most of the relevant group will be dead before they get this one-off chance to meet (cruelly, no further contact of any kind – not even letter, telephone, or email – is allowed thereafter). Of some 120,000 South Koreans who have applied to this program since 2000, about 20,000 have since died. In the South, the lucky few are chosen by lot; the North's method is unclear, but seems confined to the elite. In principle, this snail's pace could quicken once a planned 13-story dedicated family reunion center at Mt. Kumgang is completed. But given that it took two years of wrangling even to get as far as a ground-breaking ceremony on Aug. 31, the elderly should probably not hold their breath.

Missing, presumed detained

In a more contentious area, North Korea also agreed for the first time to discuss persons “missing” in the Korean War and thereafter. That coy term is code for thousands of South Koreans abducted to the North, prisoners of war kept there after 1953 (a handful, old men now, have escaped in recent years), and others – mainly fishermen – seized since the war. The North had always stoutly denied all of this, so unsurprisingly these first talks failed.

In contrast to Japan's absolute prioritization of its own far fewer kidnap cases, South Korea had hitherto gone to the other extreme: rather than rescue its own citizens, say critics, Seoul preferred to butter up their abductors. But it has now raised the cases of 542 POWs and 486 civilian abductees, mostly fishermen. It will be politically hard for Pyongyang to yield here, as this could be the thin end of a large wedge. Officially, the South claims all North Koreans as citizens of the ROK (and vice versa), so there might be pressure to widen human rights concerns to the entire DPRK population. Then again, the Roh government's refusal to raise Northern human rights issues as such seems to accord with majority sentiment in the South nowadays. But the conservative opposition GNP protested later at suggestions that the return to the North on Oct. 1 of the body of a former communist long-term prisoner might be followed by the repatriation of some 28 such persons who are still living. GNP leader Park Geun-hye said this should be conditional on the North in turn returning Southerners whom it is still holding, in some cases after more than half a century. Ominously, the leader of an abductee families group said on Oct. 3 that the National Intelligence Service (NIS) had warned him against possible terrorist attacks by the North.

New hot line and farm aid

Earlier, August saw progress in security matters. On Aug. 10, a new military hotline was tested, coming into use soon thereafter. The line links liaison offices, the aim being to prevent border clashes at sea like those that led to fatal firefights in 1999 and 2002. There is also a similar

separate new hotline for merchant shipping, related to the South's allowing DPRK vessels to use the Cheju Strait. At the DMZ, dismantling of propaganda loudspeakers has resumed; they were switched off last year, but taking them down was halted when inter-Korean ties chilled. For the future, high-level military talks were agreed – but at an oddly remote venue, Mt. Paekdu on North Korea's border with China. No date or agenda has yet been fixed, leading some to query whether the North is sincere about this.

On the economic front, a major step forward was the first meeting of the new committee, chaired by vice ministers, on agricultural cooperation. Meeting in Kaesong on Aug. 18-19, this reached an agreement, which South Korea trumpeted as the start of joint farming, something it has long sought. From next year, a few Northern collective farms – number or location yet to be determined, and with no suggestion that decollectivization as in China or Vietnam is on the agenda – will receive the ministrations of Southern experts and inputs. It will be fascinating to see how this works out in practice. The South will also assist more widely with new seeds, pest control, fruit and vegetable cultivation, sericulture, and badly needed reforestation. All this is unambiguously positive, though it remains to be seen how far crop yields can be boosted in what is hardly optimal terrain for agriculture. (The U.S. scholar Marcus Noland has provocatively suggested that it is not economically rational to grow food in any part of the mountainous and densely populated Korean Peninsula: they should import it instead and pay for it with industrial exports, as the South largely does.)

More generally, inter-Korean trade in the first seven months of 2005 rose 55 percent over the same period last year to \$582 million. 90 percent of this was in Northern exports and over a third was inter-governmental rather than private business.

Tourism: mixed signals

Tourism continued to develop, albeit not smoothly. As chairperson of the Hyundai group, Hyun Jeong-eun had already felt fallout from the North: she succeeded her late husband, Chung Mong-hun, after his suicide in 2003 when illicit payments to Pyongyang were being probed in Seoul. In July, she returned in triumph from North Korea, having met Kim Jong-il who agreed to let Hyundai expand its tourism from Mt. Kumgang to two new destinations: Kaesong, an ancient capital as well as site of the shiny, new industrial zone, an easy cross-border bus ride from Seoul; and Mt. Paekdu, the logistically more challenging sacred peak (the Peninsula's highest) on the China-North Korea border, which many South Koreans already visit from the Chinese side. A pilot tour to Kaesong duly took place on Aug. 26.

With Mt. Paekdu, the practicalities proved more complex. Even though the ROK's Korea National Tourism Organization (KNTO) had agreed to aid infrastructure rebuilding in the region, the sacred peak is as yet unready to receive South Koreans. Plans to hold the 16th round of Cabinet talks in this unlikely location (one wonders how secure communications back to Seoul would have been effected) in September were switched at short notice to the more usual and sensible location of Pyongyang, doubtless to Southern relief.

Dear Leader bullies Hyundai

By then Hyundai's relations with the DPRK had soured. On Aug. 19, Hyun Jeong-eun sacked Kim Yoon-kyu, who as CEO of Hyundai Asan had led the firm's dealings with the North, for alleged corruption. Pyongyang riposted by halving the quota of tourists visiting Mt. Kumgang daily from 1,200 to 600, a severe blow to a project that had only lately begun to turn a profit. Official figures published Oct. 2 show that since 1998 Hyundai has paid Pyongyang nearly \$439 million in fees alone. It originally agreed to send \$924 million over six years, but after heavy losses this was altered in June 2001 to \$100 per visitor – so the North's new restriction will hit its own cash flow. In addition, Hyundai (or the ROK state, which has subsidized it to the tune of a reported 140 billion won) has had to shoulder all the expenses for constructing roads, ports, hotels, and other facilities at Mt Kumgang.

Not content with this pressure, the North also offered the Kaesong license to a competitor, Lotte Tourism, which demurred (not least because it handles 40 percent of Hyundai Asan's Mt. Kumgang marketing). When Ms. Hyun visited Mt. Kumgang in early September, not only did her Northern counterparts not show up, but she was subjected to a humiliating search – more intensive than for Hyundai tourists. For a while it seemed this harassment might even work, with reports that Kim Yoon-kyu (who had remained as a vice president of Hyundai Asan) could be reinstated. The 16th ministerial talks, held in Pyongyang in mid-September, were largely devoted to patching up this row; certainly they achieved little else, bar vague reiteration of prior commitments. But it soon flared up again; on Oct. 6, Hyundai fully dismissed Kim, amid charges that the \$1 million, which he allegedly misused (possibly into Northern pockets) included ROK government funds. At the time of writing it remained to be seen if North Korea would again retaliate, or accept Hyundai's right to manage itself.

Whatever the rights and wrongs of the case – Hyundai has had its power struggles before – the North's shameless meddling in the governance of a private company in another country is obviously intolerable, not to mention ungrateful (“killing the golden goose” headlines abounded in the Seoul press). Kim Jong-il reportedly views Kim Yoon-kyu's ousting as a personal insult; as right-hand man of Hyundai's founding patriarch, the late Northern-born Chung Ju-yung, Kim ran Hyundai's ties with Pyongyang for over a decade. Even so, such petulant interference will not encourage other Southern firms to head North. Other *chaebol* have notably failed to follow Hyundai's lead, but keep a prudent distance. While hardly on the scale of the nuclear or food aid controversies, yet again the signal sent is hardly that North Korea is easing up, or is inclined to behave like a normal modern state.

Excelsior?

Overall there is no reason to doubt that inter-Korean relations will keep forging ahead – if unevenly, and with the risk of temporary hiccups (at least at government level) if the North chooses to sulk. One touchstone will be how soon cross-border trains start to roll, and more generally whether Pyongyang proves a better business partner henceforth than hitherto. If the mooted joint farming, fishing, mining, and more really come to pass, this has the potential to transform both the economic and wider relations between the two Koreas.

How far this will percolate to the security front is another matter. Although it had agreed to senior military talks, the North appears to be stalling. In any case, despite President Roh's oft-expressed desire for an independent ROK security posture (whatever that means), the ongoing DPRK nuclear and other WMD-related concerns (e.g. missiles) are clearly matters of more than peninsular scope. If and when the Six-Party Talks resume in Beijing in early November as scheduled, Seoul's chosen posture of mediating between its U.S. ally and Northern brother will be severely tested – since Washington and Pyongyang will no doubt continue to differ sharply on both the timing and nature of action and reward.

Bilateral versus multilateral?

One must also ponder the mutual implications of these multilateral and bilateral processes. After almost eight years of Sunshine, inter-Korean relations have arguably in some sense taken root. They now have their own dynamic, at least partially independent of the nuclear and other concerns – although how far the ROK can and will aid the DPRK clearly remains limited by the latter's nuclear defiance. What are the tradeoffs here? The hope in Seoul (or is it now an axiom?) is that Sunshine will in time melt Pyongyang by showing it some love and a better way, so eventually it will come in from the cold. But the fear in Washington is that unconditional aid will, rather, sustain Kim Jong-il's regime “as is,” nukes and all. Yet given the Bush administration's distraction by crises elsewhere, the intrinsic difficulty of imposing formal international law on North Korea, and the seeming insouciance of China, Seoul's way may be the only game in town. In any case no one is about to rein it in.

Similar worries were highlighted in September when North Korea said it no longer needed food aid. Both UN bodies like the World Food Program (WFP) and Western NGOs have been told to end such operations from January. While much is unclear about this, including whether it affects ROK NGOs, Pyongyang made no secret that one reason it could do this was half a million tons of rice supplied more or less unconditionally by South Korea. With staple grains reportedly banned from markets since October, in a bid to revive the collapsed public distribution system (PDS) of rationing and reassert state control, this really ought to prompt hard thinking in Seoul as to whether its doubtless well-meant aid actually works to advance or retard reform, opening, and peace in North Korea. That is the \$64,000 question.

Chronology of North Korea-South Korea Relations July-September 2005

July 9-12, 2005: The 10th meeting of the Inter-Korean Economic Cooperation Promotion Committee (ECPC) is held in Seoul. The South agrees to supply 500,000 tons of rice, nominally on a loan basis.

July 9-20, 2005: The South delivers 2,000 tons of fertilizer aid by rail to Kaesong daily. The remaining 130,000 tons, recently agreed to be sent, is being conveyed by sea.

July 10, 2005: Working-level talks held in Kaesong on a pilot plan to let separated families see each other by video link. To this end, a crossborder fiber optic cable linking Kaesong to Munsan in the South is laid on July 18.

July 11, 2005: ROK Red Cross sends 3,000 emergency aid kits (blankets, clothing, soap etc.) for flood victims to its Northern counterpart, delivered by train to Kaesong.

July 16, 2005: Hyun Jeong-eun, chairperson of the Hyundai group, meets Kim Jong-il and gains permission to open new Southern tourist routes to Kaesong city and Mt. Paekdu.

July 19, 2005: Inter-Korean exchange and cooperation promotion committee, chaired by Unification Minister Chung Dong-young, confirms that the South will send the North 500,000 tons of rice costing \$155 million, among other items.

July 20, 2005: Third working-level meeting for inter-Korean general-level military talks, held at Panmunjom, agrees to resume removal of propaganda at the DMZ, begun last year, and “complete the destruction job by Aug. 13.” A military hotline will open Aug. 10.

July 25-27, 2005: A working-level consultative meeting for fisheries cooperation agrees to propose a joint fishing zone in the West (Yellow) Sea, security authorities permitting.

July 26, 2005: A fourth round of Six-Party Talks – both Koreas, the U.S., China, Japan and Russia – on the North Korean nuclear issue, the first in over a year, opens in Beijing.

July 26, 2005: Delivery of the South’s rice aid begins. 100,000 tons is to be sent overland, on 100 28-ton trucks crossing the border four times a week until November. The remaining 400,000 tons will go by ship to five Northern ports, commencing July 30.

July 26-Aug. 8, 2005: 67 DPRK soccer players arrive in the ROK for the second East Asian soccer tournament (the two Koreas, China, and Japan).

July 26-28, 2005: Meeting in Kaesong, the two Koreas’ soccer associations reach an 11-point agreement to hold inter-Korean soccer matches in Seoul on Aug. 14 and 16.

July 28, 2005: ROK’s Korea Electric Power Corp (Kepco) holds an opening ceremony for its branch in the Kaesong industrial zone, to which Kepco is supplying electricity.

July 28-30, 2005: The 5th working-level consultative meeting on road and railway reconnection reaches 6-point agreement in Kaesong. After inspections in August and security checks, opening ceremonies for two relinked railways will be held “around late October.”

Aug. 5, 2005: ROK Unification Ministry (MOU) reports that as of July 26 4,000 North and 400 South Koreans are working at the Kaesong industrial complex. Four firms have completed their factories, with a further eight expected to do so in August.

Aug. 5, 2005: Nine economic agreements (road, rail and marine transport, customs, quarantine, entry, and dispute arbitrations) are formally put into effect by an exchange of documents at Panmunjom.

Aug. 7, 2005: After almost a fortnight failing to agree even a statement of principles, the Six-Party Talks recess for consultations. They plan to reconvene at the end of August.

Aug. 8-10, 2005: Fifth round of working-level contact for maritime cooperation, held at Munsan, establishes procedures (including a hotline) for DPRK merchant ships to use the Cheju Strait between the ROK province of Cheju and the mainland. On Aug. 12 the hotline opens and the first Northern ships transit the strait, three days ahead of schedule.

Aug. 10, 2005: ROK Defense Ministry (MND) says both Koreas have set up and tested their first ever inter-military hotline (both telephone and fax), as agreed earlier.

Aug. 11, 2005: ROK watchmaker Romanson holds a completion ceremony for its factory in the KIZ. "Unification watches" are exchanged.

Aug. 12, 2005: The South announces schedule for joint Aug. 15 Grand National Festival, to be held in Seoul Aug. 14-17 with 182 DPRK participants. Events are to include soccer matches, a concert, a "grand unification march" and other festivities.

Aug. 14, 2005: 182 North Koreans, led by Korean Workers' Party (KWP) Secretary Kim Kinam, fly into Seoul. The 17-strong DPRK government delegation pays respects at the ROK national cemetery. Other events include a peace march and a men's soccer match, which the South wins 3-0.

Aug. 15, 2005: Further joint events held on Liberation Day, including a visit to a prison where patriots were jailed and tortured during Japanese occupation before 1945.

Aug. 15, 2005: First-ever pilot video reunion of separated kin briefly links 40 families in Pyongyang with relatives in Seoul, Pusan, Taegu, Incheon, Suwon, Taejon, and Kwangju.

Aug. 16, 2005: Northern delegates tour the ROK National Assembly and visit former ROK Pres. Kim Dae-jung in the hospital, inviting him to revisit the DPRK as he did in 2000. The North wins the inter-Korean women's soccer match, 2-0.

Aug. 17, 2005: DPRK delegates lunch at the Blue House with ROK Pres. Roh Moo-hyun, before flying back to Pyongyang.

Aug. 18, 2005: Hyundai Asan reaches an agreement to take three 500-strong pilot Southern tour groups to the DPRK's Kaesong city on Aug. 26, Sep. 2, and Sep. 7.

Aug. 18-19, 2005: First ever inter-Korean agricultural cooperation meeting held in Kaesong. A detailed 7-point agreement envisages a wide range of aid and joint projects in the North's farming and forestry, starting in 2006. No date is fixed for a second meeting.

Aug. 18-25, 2005: MOU reports that inspections of the two new trans-DMZ railways took place as scheduled this week. The western Kyonggi line is almost ready, but the eastern Donghae line needs more work. Signals are behind schedule.

Aug. 19, 2005: Hyundai Asan fires CEO Kim Yoon-kyu for alleged corruption. North Korea reacts by halving the firm's daily quota of tourists to Mt. Kumgang from 1,200 to 600 from Aug. 29, and searching its chairperson, Ms Hyun Jeong-eun, on a visit.

Aug. 23, 2005: Southern pop singer Cho Yong-pil performs at Pyongyang's Ryugyong Chung Ju-yung Gymnasium. The 2-hour concert is broadcast live on TV in both Koreas.

Aug. 23-25, 2005: The 6th inter-Korean Red Cross talks are held at Mt. Kumgang. For the first time the North agrees to discuss those "missing" (i.e., abducted, or POW retained) in the 1950-53 Korean War. No progress is made.

Aug. 23-27, 2005: 20 members of ROKs leftist Democratic Labor Party (DLP), led by leader Kim Hye-kyoung, visit Pyongyang. Their schedule includes joint discussions with the DPRK's Social Democratic Party (SDP), a nominally independent front party.

Aug. 24, 2005: Two Southern sand-carrying ships enter the Northern port of Haeju. These are the first ROK-flagged vessels to dock in the DPRK for commercial purposes.

Aug. 24-27, 2005: A first working-level consultative meeting on light industries and natural resources cooperation, held in Pyongyang, ends without agreement. The South says it will pursue holding a second round in September, but this has yet to take place.

Aug. 26-31, 2005: The 11th reunion of separated families is held at Mt. Kumgang. A total of 908 members of 198 families meet briefly over a three-day period, in two batches.

Aug. 30, 2005: The North suggests changing the venue of the 16th ministerial talks from Mt. Paekdu to Pyongyang, citing bad weather, which has delayed "pavement works" on the runway at Samjiyon Airport. The South accepts on Sept. 1.

Aug. 31, 2005: Over five years after it was first mooted, a ground-breaking ceremony for a separated family reunion center is held in Jopo town, Onjong-ri, Mt. Kumgang. It will have 13 stories and accommodate up 1,000 guests. Construction will take 20 months.

Sept. 1-4, 2005: 20 DPRK athletes, with 124 teenage cheerleaders, visit for 16th Asian athletics championships held at Incheon. The cheerleaders give three performances.

Sept. 2, 2005: MOU reports that since 1971 the two Koreas have held a cumulative total of 498 rounds of talks. Of the 139 since the June 2000 summit, 26 were political, 33 military (mainly in fact about trans-DMZ railways), 56 economic, and 24 humanitarian or athletic.

Sept. 2, 2005: A sudden surge of water down the Imjin river damages Southern fishing nets and other facilities. When Seoul protests, Pyongyang claims this was caused by overflows rather than discharging from its dams, of which it has agreed to give notice to the South.

Sept. 2, 2005: MOU rebuts charges from various critics that ROK food aid to the DPRK is not transparent, and so undermines UN World Food Program (WFP) monitoring.

Sept. 4-6, 2005: A second inter-Korean broadcasting discussion meeting at Mt. Kumgang sees 74 participants from the South and 30 from the North, with parallel sessions on programming and technical issues. They agree to continue exchanges and cooperation.

Sept. 7, 2005: The 100-strong New Seoul Opera Company performs a historical opera about King Kwanggaetoe of the Koguryo kingdom at Pyongyang' Ponghwa Arts Theater.

Sept. 8, 2005: The heads of both Koreas' Olympic committees, in Guangzhou for an OCA (Olympic Council of Asia) meeting, agree in principle to field a unified team for the 2006 Asian Games to be held in Doha, Qatar.

Sept. 9, 2005: MOU publishes revisions to the ROK's law on inter-Korean exchange and cooperation, effective Dec. 1. Their general gist is to facilitate contacts with the North.

Sept. 13, 2005: ROK's Lotte Tours says it has been approached by the DPRK to take over the proposed new tours of Kaesong city from Hyundai Asan.

Sept. 13, 2005: The recessed fourth round of Six-Party Talks resumes in Beijing.

Sept. 13-16, 2005: The 16th round of inter-Korean Cabinet-level talks held in Pyongyang. A six-point press release contains little new. Much time is spent trying to mediate the DPRK's row with Hyundai Asan over personnel changes in its tourism business.

Sept. 14, 2005: Two five-member teams of ROK officials inspect two sites where Southern rice aid is being distributed.

Sept. 16, 2005: MOU reports that inter-Korean trade in the first eight months of 2005 rose 60 percent from the same period last year, up from \$432 million to \$691 million.

Sept. 19, 2005: The six-party nuclear talks in Beijing ends with, at last and for the first time, a 6-point agreed statement of principles, including a pledge to meet again for a fifth round in early November.

Sept. 21, 2005: ROK civic groups announce plans for over 4,700 Southern tourists to visit Pyongyang to see the *Arirang* mass games (previously off limits) during Sept. 26 - Oct. 5. The first group flies into the Northern capital on Sept. 26.

Sept. 22, 2005: Unification Minister Chung tells ROK National Assembly that energy aid to the North, to compensate if it dismantles nuclear programs, may cost \$15 billion over 13 years, including \$9.4 billion for direct electricity provision by Seoul.

Sept. 23, 2005: The Unification Ministry says 50,000 South Koreans (excluding tourists) visited the North in the first 8 months of 2005, as against 20,600 in the whole of 2004.

Sept. 23, 2005: The ROK Foreign Ministry (MOFAT) says that China has arrested 64 South Koreans since 2001 for abetting DPRK refugees. 15 remain in custody.

Sept. 23, 2005: The 5,000-strong Seoul Bar Association criticizes human rights abuses in North Korea at its first ever symposium on the topic. The ROK's National Human Rights Commission (NHRC), hitherto silent on this subject, discusses it on Sept. 26.

Sept. 24, 2005: *Rodong Sinmun* attacks the ROK's main opposition Grand National Party (GNP) as "a wicked group of sycophantic traitors... blinded with flunkeyism," and warns that if the GNP "is allowed to come to power" this will lead to nuclear war.

Sept. 25, 2005: The South's Research Council on Unification Affairs delivers a first batch of 900 bicycles for workers at the Kaesong Industrial Complex.

Sept. 26, 2005: Daily charter flights from Seoul to Pyongyang begin, organized by civic groups, for sightseeing and to view the North's *Arirang* mass games spectacular. About 3,000 Southerners are expected to make the trip by mid-October, when *Arirang* finishes.

Sept. 26, 2005: Northern defector radio station in Seoul releases pictures of a female refugee being beaten at the China-DPRK border. Critics claim the shots were faked.

Sept. 26, 2005: Korea Resources Corp (Kores), an ROK parastatal, says it aims to open an office in Pyongyang this year to pursue joint venture projects in minerals.

Sept. 27, 2005: ROK Cabinet agrees to raise next year's defense spending 9.8 percent to 22.8 trillion won (\$22 billion). The semi-official news agency *Yonhap* cites the MND as saying this is "to beef up its war capability against North Korea."

Sept. 28, 2005: ROK presidential panel, chaired by Pres. Roh, says Seoul should take the lead in resolving the North's nuclear issue and developing the Six-Party Talks into a regional northeast Asian community and a "multilateral security-economy entity."

Sept. 29, 2005: ROK Vice Unification Minister Rhee Bong-jo says that a new joint office to handle crossborder business projects will open in the KIZ on Oct. 25.

Sept. 29, 2005: Vice Minister Rhee says Seoul will continue to send food aid to the North, but this cannot replace foreign food aid, which Pyongyang says it no longer needs.

Sept. 29, 2005: ROK invites the family of Chung Soon-taek – one of 29 unconverted DPRK spies who served long prison terms in the South, dying of cancer – to visit him. [*Editor's note: The South returned Chung's body via Panmunjom Oct. 2.*]

Sept. 29-30, 2005: The first inter-Korean consultative meeting on maritime transportation cooperation is held in Kaesong.

Sept. 30, 2005: A study by Hyundai Research Institute claims resolution of the nuclear issue would reap gains of some \$55 billion for the DPRK and \$115 billion for the ROK.

Sept. 30, 2005: Hyundai for the first time details its charges against ex-CEO Kim Yoon-kyu, accusing him of abusing corporate funds worth over \$1 million.

Sept. 30, 2005: MOU says four Northern merchant ships will dock in two Southern ports next day, to collect some of the 500,000 tons of rice aid pledged earlier.

Sept. 30, 2005: ROK activists announce a conference on DPRK human rights, jointly with and funded by Freedom House of the US, to be held in Seoul on Dec. 8-11.

Oct. 1, 2005: The first jointly-run inter-Korean company is inaugurated in Pyongyang, by ROK's Andong Hemp and the DPRK's Saebyol. Pyongyang Hemp Textile Co.

Oct. 2, 2005: ROK FM Ban Ki-moon clarifies that any future provision of a light-water reactor (LWR) to the DPRK would not be an extension of the project by Korea Peninsula Energy Development Organization (KEDO) to build two LWRs in the North.



China-Korea Relations:

Six-Party Success and China's Peninsular Diplomacy

Scott Snyder

The Asia Foundation/Pacific Forum CSIS

After over a year of anticipation, the fourth round of Six-Party Talks finally reconvened and even made progress, concluding with a joint statement of principles that will serve as guidelines for a more specific agreement on how to resolve the North Korean nuclear crisis. China was the linchpin and host of the diplomatic effort to achieve an agreement, the outcome of which was largely influenced by a combination of Chinese efforts to woo the North Koreans back to the talks and Beijing's increasingly steadfast alignment with South Korea as factors that ultimately constrained and induced concessions from both the DPRK and the United States. PRC State Councilor Tang Jiaxuan's visits to Pyongyang and Washington in July for meetings with Chairman Kim Jong-il and President George W. Bush, respectively, were emblematic of China's diplomatic efforts to push forward the six-party process. Although the Bush administration's willingness to initiate bilateral negotiations with the DPRK inside the six-party framework was a prerequisite for progress and South Korea's enhanced efforts through a revived inter-Korean dialogue also facilitated the process, Chinese diplomacy with North and South Korea was possibly the critical factor in shaping – and limiting – the parameters of a deal.

The impact of China's yuan revaluation reverberated in South Korea this quarter with mixed effect. On the one hand, the South Korean won is one of the currencies against which the Chinese yuan will "float," a tangible recognition of the rising importance of the Sino-South Korean trade relationship; on the other hand, South Korean companies nervously watched the effect of the revaluation on exchange rate margins on their operations in China and anticipated whether and to what extent those margins may be adjusted. A spate of tainted food cases involving imports to South Korea from China was a public health concern for Korean families that slowed but has not derailed a more active interest within the private sector for a China-South Korea free trade agreement (FTA) to complement China's regional and ASEAN-focused FTA efforts.

The Sino-Korean triangle and the six-party process

Both critics and supporters of the Sept. 19 joint statement that marked the end of the fourth round of Six-Party Talks have unanimously given China credit – or blame – in facilitating the outcome of the talks. The extent to which China's influence was critical in achieving the outcome requires careful consideration of three sets of parallel interactions in support of the talks: between China

and North Korea, South Korea, and the U.S., respectively. It remains to be seen whether a process in which China is the primary facilitator and host will yield a lasting agreement that all sides will faithfully implement. This is a critical question given that China's involvement as host, arbiter, and presumably as implementer, of a multilateral process is one of the key distinctions that differentiates the current negotiation process from the failed Agreed Framework, itself the outcome of a bilateral process between the U.S. and the DPRK. The answer awaits the outcome of follow-on negotiations set to resume in Beijing in November.

This preliminary assessment will focus on the complicated diplomatic challenge China has faced in managing the first two relationships. What does Beijing's management of its triangular relationship with the two Koreas during the latest round of the six-party process tell us about its preferences, objectives, and capacity to shape both the future of the Korean Peninsula and Beijing's future relationship with the Korean Peninsula?

The PRC relationship with North Korea remains exceedingly complex as China continues to test the utility of various tools for influencing Pyongyang in the talks. Two key variables in recent Chinese thinking appear to be the need to provide North Korea with sufficient confidence so that it does not disengage from the diplomatic process and the need to pursue an outcome that reaffirms China's own interests in countering North Korean nuclear proliferation and preventing North Korea from becoming a de facto nuclear weapons state while perpetuating regional stability. Chinese diplomats are reported to have played a key behind-the-scenes role in facilitating U.S.-DPRK bilateral contacts that led to the resumption of the Six-Party Talks following the DPRK Foreign Ministry's statements of Feb. 10 and March 31. These statements appeared to signal the permanent breakdown of six-party diplomacy, as the DPRK announced the indefinite suspension its participation in the six-party process and declared that the agenda for future talks should focus on mutual arms reductions. On the one hand, Chinese diplomats clearly conveyed that any attempt to shift the agenda away from North Korea's denuclearization would be a non-starter. At the same time, China conveyed a set of messages from the North Koreans to the U.S. counterparts and counseled a softer tone in Bush administration public comments that led to the resumption of direct U.S.-DPRK contacts in New York in May and June.

These contacts led to a July 9 bilateral dinner meeting hosted in Beijing between U.S. Assistant Secretary of State Christopher Hill and DPRK Vice Minister Kim Gye-gwan announcing that six-party negotiations would resume in Beijing before the end of July. This declaration came on the eve of a visit by Secretary of State Condoleezza Rice to Asia. While Chinese diplomacy facilitated U.S.-DPRK bilateral contacts that led to the resumption of Six-Party Talks, the North Koreans chose to announce the decision to return to the talks following the bilateral U.S.-DPRK meeting and prior to a mid-July visit by State Councilor Tang to Pyongyang, upstaging any hint that Chinese pressure had led to North Korea's decision to return to talks. The visit by Tang became an opportunity for the PRC to exchange messages between PRC President Hu Jintao and DPRK Chairman Kim Jong-il prior to the resumption of Six-Party Talks. Subsequently, Tang met with President Bush in late July as part of planning for a September visit to Washington by Hu Jintao, subsequently cancelled in the aftermath of Hurricane Katrina.

The fourth round of six-party dialogue required the Chinese to take on a new responsibility beyond the roles of “host” and “facilitator”: Beijing was responsible for producing a draft joint statement acceptable to all parties. Chinese diplomats are reported to have been scrupulously even-handed in attempts to draft a joint statement, working late into the night between negotiation sessions to prepare four separate drafts that attempted to split the difference between the U.S. and North Korean positions during the first stage of negotiations. While neutrality may be an important characteristic to ensure trust among all the parties to the negotiation, one effect has been that both the U.S. and North Korea have been required to make compromises necessary to achieve a consensus agreement. As a result of a last-minute dispute over the question of whether the DPRK would retain a right to peaceful use of nuclear energy under the statement of principles, the Chinese fourth draft was unable to close the gap between the U.S. and DPRK positions, leading to a recess on Aug. 7 and an intensified round of negotiations away from the table to set the stage for a final push upon the resumption of negotiations a few weeks later.

During this period, PRC Vice Minister Wu Dawei helped prepare for a return to the negotiating table with a visit to Pyongyang Aug. 31-Sept. 2. Following that visit, the Six-Party Talks resumed on Sept. 13 for a week to address outstanding issues including North Korea’s right to peaceful use of nuclear energy and the desire of the North Koreans to pursue construction of a light-water reactor. Once it became clear the negotiations had reached a breaking point, all parties accepted the Chinese-drafted joint statement.

The Sept. 19 joint statement reflected many key elements that the Chinese side had emphasized in the chairman’s statements that have concluded previous rounds of talks, including the commitment to North Korea’s denuclearization by peaceful means and through simultaneous steps by the U.S. and the DPRK. Most notably, the PRC Foreign Ministry was quite stern in its response to apparent DPRK efforts to publicly backtrack on its commitments a day after the joint statement was announced. When the DPRK demanded that the U.S. complete the provision of a light-water reactor to North Korea before complying with its denuclearization commitments, the Chinese spokesman sharply and publicly reiterated that North Korean diplomats know what they agreed to and the DPRK will be expected to live up to its commitments. Despite a continuing flow of small snubs and symbolically defiant acts by North Korea, the Chinese successfully brought the DPRK along in the Six-Party Talks without allowing tensions in the bilateral relationship to extend past the breaking point.

A critical new development that has facilitated Chinese leverage and ability to manage both North Korea and the U.S. has been the complementarity in Chinese and South Korean policy interests in and approaches toward the North Korean nuclear issue. This factor became particularly important during the run up to the fourth round of Six-Party Talks as South Korea has sought opportunities to mediate a solution to the North Korean nuclear crisis. The resumption of inter-Korean dialogue provided an opportunity for South Korea to play a role, and Kim Jong-il’s decision to publicly signal his willingness to resume the six-party dialogue in a face-to-face meeting with ROK Minister of National Unification Chung Dong-young (the same meeting at which Chung presented an “important proposal” to supply North Korea with 2 million kilowatts of electricity annually if North Korea gave up its nuclear weapons program) enabled South Korea to play a constructive role in facilitating the resumption of the nuclear negotiations.

It is interesting that after having refused to discuss the nuclear issue with South Korea since the beginning of the crisis in late 2002, Chairman Kim chose a meeting with Unification Minister Chung as the moment to give a concrete time frame for the DPRK's return to the six-party process. Given emerging South Korean strategic anxieties about China's overarching economic influence on North Korea (North Korea is dependent on China for over 60 percent of its overall recorded external trade by value) and China's expanding economic reach into North Korea's strategic industries, including natural resources extraction, the rapid resumption of inter-Korean cooperation, which includes inter-Korean economic cooperation in developing coal mining and other mining sector development, the jump-starting of inter-Korean cooperation recalls the first inter-Korean breakthrough on July 4, 1972 between Kim Il-sung and Park Chung-hee, which was stimulated by the Nixon opening to China.

On the other hand, the South Korean and Chinese coincidence of interest in the peaceful and gradual economic integration of North Korea into the regional economy – and more importantly a strong desire to avoid the reverberations from sudden political instability in North Korea – has facilitated common views in Seoul and Beijing toward both Washington and Pyongyang. During the Six-Party Talks themselves, South Korean diplomats were often in the lead in expressing the bottom line outcome of the talks to both the U.S. and North Korea, with China playing a background role that tended to shadow and ultimately reinforce many South Korean perspectives. Among the flurry of diplomatic contacts that occurred following the announcement of the recess in Beijing, ROK Foreign Minister Ban Ki-moon went first to Beijing and then to Washington to seek consensus on how to proceed. While there has been plenty of Sino-South Korean consultation regarding the Six-Party Talks process – aided by the growing experience of Chinese Foreign Ministry professionals such as Wu Dawei, Li Bin, and Ning Fukui in both North and South Korea – there has not yet been overt coordination of Chinese and South Korean positions, a development that would be in direct contradiction with the spirit of the U.S.-ROK alliance relationship.

China's currency revaluation: much ado about little

The significant economic event in Sino-South Korean economic relations this quarter was the announcement on July 21 by the Bank of China that it ended the fixed rate of the yuan's value on global markets and would instead peg the yuan to a basket of major currencies, including the ROK won. This move came in response to increasing political pressures from the U.S. to adjust the value of the Chinese currency, which has been estimated to be undervalued by as much as 15-20 percent. The practical impact of the new arrangements, however, was quite minimal, amounting to an adjustment of only 2.1 percent in the yuan-dollar exchange rate. The immediate effect was also minimal, but did not remove uncertainty, as observers expect that considerably greater adjustments will be required at a future stage.

The South Korean focus on exchange rates may seem overblown until one realizes that the Export-Import Bank of Korea reports that over 10,000 Korean enterprises are operating in China, including a considerable number of small- and medium-size enterprises. Many of these smaller entities would be affected by the increasing cost of labor in China, which would in turn raise the price of China-produced exports to the rest of the world. The vulnerability is due to the fact that sales revenue is valued in U.S. dollars, but operating costs are paid in Chinese yuan. However,

following the initial adjustment of only 2.1 percent, a survey by the Korea Chamber of Commerce of 300 export companies revealed that the small size of the revaluation has deflated concerns about the impact of a further revaluation of up to 5 percent.

Another new wrinkle for Korean firms investing in China is that labor-intensive firms in certain sectors are no longer welcome by the Chinese government, which instead prefers foreign inward investment by firms that can also bring technology benefits and not simply exploit China's low labor costs. In any event, China's labor cost advantage is gradually diminishing, especially in established urban areas such as Shanghai and Guangzhou, due to upward wage pressures and an upswing in disputes and strikes conducted by local labor forces.

Despite stomach pains, an free trade agreement (FTA) still tempts

The possibility of a China-South Korea FTA got a big boost from expressions of interest on the part of PRC Premier Wen Jiabao in a meeting with South Korean Prime Minister Lee Hae-chan last June. A formal effort would build on feasibility studies underway since March between the Korea Institute for International Economic Policy and China's Development Research Center of the State Council. These two partners have also been linked for several years in the context of three-way research with Japanese counterparts on possibilities for regional economic integration. Five years ago, Korean researchers responded to Japanese proposals for a Japan-Korea FTA by regularly suggesting a three-way China-Korea-Japan FTA; with negotiations on a Japan-Korea FTA underway but apparently stalled, the Chinese premier's comments have once again raised questions about whether an FTA with China or Japan would be most beneficial to South Korean economic interests. (Meanwhile, South Korea's movie screen quota remains the primary obstacle to either a U.S.-ROK bilateral investment treaty or FTA.) From China's perspective, an FTA between China and South Korea would complement efforts underway for a China-ASEAN FTA and would facilitate even greater economic interdependence than has developed in the China-South Korea trade relationship, which has grown at over 30 percent annually since 2001.

For South Korea, the primary stumbling block in considering an FTA arrangement with China lies with the agricultural sector. A KIEP working paper released in December of last year projects that South Korean agricultural output would decline by 12 percent if customs duties are eliminated on Chinese agricultural imports. In addition, South Korean labor-intensive textiles and leather industries would be hit with significant reductions due to cut-rate competition from Chinese products. Still, the Korean electronics sector would benefit from expanded access to the Chinese domestic market. In these circumstances, it is questionable whether a comprehensive Sino-South Korean FTA is politically viable.

For the average South Korean consumer, the concerns about Chinese agricultural imports hit closer to home, as Chinese food products have consistently posed serious public health concerns, be it over fake milk product, fish contaminated by lead products, and manufactures of noodles from unsafe sources. Most recently, it was revealed that kimchi imported from China may contain lead content up to five times as high as that found in Korean-made kimchi, sending shock waves through South Korea and threatening strong imports of Chinese-made kimchi. The Korea Restaurant Association reports that over half of Korean restaurants are serving kimchi made in China as a cost-saving measure, and imports of Chinese kimchi to Korea had increased

by almost 115 percent in the first half of the year. Chinese trade officials recommended the establishment of joint food safety guidelines in response to Korean concerns and a drastic drop in sales of food imports reported to have been contaminated.

In July, there was a conviction in a case involving the sale import of 1,200 roots of Chinese ginseng sprayed with insecticide that were claimed to be Korean ginseng. In September reports that malachite green, a cancer-causing substance, was detected in six out of seven frozen processed eels imported from China and was detected in carp and edible goldfish have driven Koreans out of the eel market and prompted calls for more effective and timely inspections of food imported from China.

Next task for Six-Party Talks: from principles to specifics

Despite brief speculation in the South Korean press prior to the opening of the fourth round of Six-Party Talks that the venue for the talks should be moved to Jeju Island, China remains center stage as the host and facilitator of a six-party negotiation of a specific agreement that would presumably build on the foundations laid by the joint statement of principles. However, it is interesting to consider whether the constraints that accompany China's hosting role inhibit a more active expression of Chinese views on North Korea's denuclearization, and in what ways a neutral venue would change the dynamic of the talks. Thus far, China's ability to motivate participation by a reluctant North Korea and the Chinese and South Korean influences on the outcome of the joint statement appear to have been decisive in dictating where and how both the U.S. and the DPRK found themselves with no choice but to make concessions to salvage an agreement. This dynamic, and the heightened influence of both South Korea and China to determine the "lowest common denominator" necessary for an agreement, is an inevitable cost of the six-party format, the Bush administration's chosen vehicle for addressing the issue. It remains to be seen whether the administration will be able to reap the full benefits of such an approach. Will it enable the other parties to actively share responsibility for achieving the irreversible denuclearization of the Korean Peninsula needed to settle the North Korean nuclear crisis once and for all?

Chronology of China-Korea Relations July-September 2005

July 8, 2005: A Chinese man takes a picture of an unidentified flying object hovering over Mount Paekdu, spawning reports of UFO sightings by Korean tourists to the area.

July 12-14, 2005: PRC State Councilor Tang Jiaxuan visits Pyongyang as a special envoy of PRC President Hu Jintao and meets with DPRK Chairman Kim Jong-il.

July 14, 2005: Grand National Party Assemblyman Lee Ke-jin calls for Seoul to permit the Dalai Lama to visit South Korea to receive the "Manhae Peace Prize," offered by a local Korean civic group. Seoul has refused to permit the Dalai Lama to visit the ROK to avoid offending the PRC.

July 21, 2005: The People's Bank of China revalues its currency by 2.1 percent while establishing a limited "managed float" mechanism against international currencies, abandoning the previous fixed exchange rate.

July 26, 2005: Korea Food and Drug Administration announces that cancer-causing malachite green was detected in one out of seven live eel specimens and six out of seven frozen processed eels imported from China.

July 26, 2005: Fourth round of Six-Party Talks convenes in Beijing.

July 28, 2005: Finance Minister Han Duck-soo proposes the establishment of a development bank for Northeast Asia to help North Korea integrate into the regional economy of Northeast Asia.

Aug. 7, 2005: Fourth round of Six-Party Talks recesses following discussion of four drafts of a PRC-proposed joint statement.

Aug. 10, 2005: The People's Bank of China announces that the South Korean won is one of the components of the currency basket created as part of a new "managed float" mechanism for revaluing the yuan.

Aug. 11-13, 2005: ROK Foreign Minister Ban Ki-moon visits Beijing to meet with counterpart Li Zhaoxing on the status of the Six-Party Talks prior to visiting Washington.

Aug. 13, 2005: ROK Ministry of Information and Communication announces efforts to strengthen internet security on college campuses following press reports from Hong Kong that Chinese hackers from the Association of China's Red Hackers might try to use Korean servers to launch attacks on Japanese websites.

Aug. 29, 2005: Doosan Heavy Industries & Construction announces plans to cooperate with Harbin Power Equipment Company, China's largest power facility builder, in bidding for new projects in China, with a focus on the nuclear energy production sector.

Aug. 27-29, 2005: PRC Vice FM Wu Dawei visits Pyongyang and meets with DPRK FM Paek Nam-sun to clarify DPRK positions prior to the resumption of Six-Party Talks.

Sept. 13, 2005: Fourth round of Six-Party Talks reconvenes for a second phase of discussions of a proposed joint statement of principles on the North Korean nuclear issue.

Sept. 15, 2005: Seoul announces redoubled efforts to inspect food imports and punish those found to accept contaminated goods following reports that Chinese eels treated with a cancer-causing substance called malachite green had been imported to South Korea.

Sept. 16, 2005: DPRK Cabinet Vice Premier Kwak Pom-gi meets delegation of the China State Electric Network Corporation headed by its President Liu Zhenya

Sept. 19, 2005: Fourth round of six-party dialogue in Beijing concludes with a joint statement of principles.

Sept. 20, 2005: DPRK *KCNA* announces that Pyongyang will not dismantle its nuclear program until after Washington provides North Korea with a light-water reactor. PRC Foreign Ministry spokesman indicates that the *KCNA* interpretation is different from the contents of the joint statement that North Korea agreed to in Six-Party Talks.

Sept. 20, 2005: PRC FM Li and FM Ban meet on the sidelines of the UN General Assembly meeting in New York.

Sept. 25, 2005: Grand National Party Assemblywoman Ko Kyung-hwa releases report from the Research Institute of Public Health and Environment showing that the lead content of Chinese-made kimchi is three to five times higher than that of Korean kimchi.

Sept. 27, 2005: The ROK Navy announces that it will set up a naval hotline with China to avoid accidental armed clashes in the West Sea.

Sept. 28, 2005: The Korea Shipbuilders' Association (KSA) announced a possible increase in steel imports from China to cut costs. Increasing competitiveness of Chinese steel factories threatens POSCO's market position from the beginning of the year.

Comparative Connections

A Quarterly E-Journal on East Asian Bilateral Relations



Japan-China Relations: Summer Calm

James J. Przystup
Institute for National Strategic Studies
The National Defense University

During this quarter, China observed a number of anniversaries in Sino-Japanese relations related to the Japanese military action in Asia. China's leadership took care that the anniversaries, aimed at strengthening Chinese patriotism and the legitimacy of the Chinese Communist Party (CCP), would not replicate the anti-Japanese sentiment loosed in April. And they were successful.

At the same time in Japan, domestic politics were center stage. Prime Minister Koizumi Junichiro was absorbed in the passage of his postal reform legislation. Failure to secure passage led Koizumi to dissolve the Diet in early August and to go to the polls Sept. 11. The prime minister focused his campaign on the reform issue and avoided discussion of Aug. 15 and his visits to the Yasukuni Shrine. Meanwhile, Japanese diplomacy is absorbed by the Six-Party Talks.

One issue did disturb the political and diplomatic calm – the East China Sea territorial dispute. In July, the Japanese government granted exploration rights to Teikoku Oil Company in the area east of the mid-line boundary, which China has refused to acknowledge. The government later committed to protect Teikoku exploration activities in the event of Chinese challenges. In mid-September, reports reached Tokyo that China had initiated natural gas production in the Tianwaitian field – on the western Chinese side of the mid-line. Diplomats are scheduled to meet in Tokyo at the end of September to discuss East China Sea issues.

History: anniversaries

During this quarter, China observed a number of anniversaries in Sino-Japanese relations, including July 7, the Marco Polo Bridge incident, which triggered Japan's invasion of China in 1937; Aug. 15, Japan's acceptance of unconditional surrender; Sept. 2, Japan's formal surrender; and Sept. 18, the Manchurian Incident. To foster Chinese patriotism, the government on July 7 opened a renovated museum built on the site of the Marco Polo Bridge incident, with a special exhibit commemorating the 60th anniversary of "The Great Victory in the Struggle Against Japan." The museum features exhibits on the Manchurian Incident as well as the activities of the Unit 731 of the Imperial Japanese Army, notorious for biological experiments in China. At the same time, the museum took care to emphasize the postwar friendship between China and Japan.

On the evening of July 6, China's national media reported in detail on the museum and its reopening. Also as part of the patriotic campaign, television programming reintroduced China's heroes in the struggle against Japan and carried films and dramas on the war. Throughout the July-September quarter, Beijing, sensitive to the anti-Japanese demonstrations that erupted during the spring, assiduously worked to prevent a recurrence, shutting down internet websites calling for anti-Japanese demonstrations and making clear that such actions would not be tolerated.

On Aug. 2, the Diet adopted a resolution commemorating the 60th anniversary of the conclusion of the war. The resolution in part reads: "Remembering the resolution adopted 10 years ago renewing Japan's resolve for peace based on historical lessons, and deeply reflecting on the fact that Japan's conduct in the past inflicted enormous damage and pain on other countries in Asia and other areas, we hereby offer sincere condolences to all the victims."

Commenting on the resolution, Foreign Ministry Spokesperson Kong Quan said that Japan "reasonably should express deep remorse on its history of aggression and correctly deal with the issue of history." However, he found it "regrettable" that "some political forces in Japan are doing their utmost to deny and glorify the history of aggression." "Such backward looking ways," he observed, "have no future."

Sovereignty issues: East China Sea

On May 30-31, Japanese and Chinese diplomats and officials met in Beijing to discuss issues related to the East China Sea. Both sides agreed to resolve issues through continuing talks on joint development of resources and to establish working groups on issues related to the maritime boundaries.

That's where the agreement ended. Pending demarcation of the East China Sea boundary, China proposed joint development of resources on the eastern (Japan side) of the mid-line, which Japan refused. Instead, Japan called for joint development on both sides of the mid-line, and again requested that China both provide data from its exploration and suspend all unilateral development activities. China rejected the Japanese proposals as without foundation. The Japanese delegation left Beijing with the statement that, given the circumstances, Japan would continue to process applications for private sector exploration rights.

In a speech delivered July 8 in Kitakyushu, METI Minister Nakagawa Shoichi made clear that the government shortly would grant Japan's Teikoku Oil Company exploration rights in the East China Sea. On July 5 and 7, Kagoshima and Okinawa prefectural governments respectively signed off on the granting of exploration rights, and July 14, the Japanese government approved Teikoku's request to begin test-drilling exploration. Nakagawa told reporters that the granting of exploration rights was in Japan's "national interest." As for anticipating China's reaction, the minister dismissed the matter as being "not for me to say." Japan's Foreign Ministry Spokesperson Takashima Hatsuhsa told a press conference that he "did not expect the decision to have any particular effect on Japan's relations with China."

China's response came from the Foreign Ministry's director general for Asian affairs, Cui Tiankai, who called in the minister at the Japanese Embassy, Atsumi Chihiro, and protested the decision as a "grave provocation and violation of China's sovereign rights." The Chinese Embassy in Tokyo filed a similar protest note with the Foreign Ministry July 15. A Chinese Foreign Ministry statement accused Japan of violating the Law of the Sea Convention.

In Beijing, the Japanese Embassy rejected the Chinese charge and insisted that Japan was acting in accordance with the Law of the Sea Convention. The day after granting exploration rights, Nakagawa told a news conference that he wanted "to sincerely discuss the matter" with China and that the time had come to turn the East China Sea into a "sea of friendship."

Director general-level talks on the East China Sea, scheduled for mid-July, were postponed at Beijing's request to allow China to focus on preparations for the Six-Party Talks on North Korea. In mid-August, reacting to reports that China had laid a pipeline in the Chunxiao gas field in advance of full-scale production, the Japanese Foreign Ministry on Aug. 9 lodged a protest with the Chinese Embassy, again asking that operations cease and that China provide exploration data.

On Aug. 10, Minister Nakagawa again expressed Japan's intention of resolving the matter through consultations premised on the assumption that both parties are able to reach agreement through discussion. At the same time, it was reported that on Aug. 3, Teikoku Oil had completed the license registration process and had paid an estimated ¥10 million in licensing taxes as of Aug. 3. The next step for Teikoku was to file a business plan for government approval.

On Aug. 26, Teikoku President Sugioka Masatoshi announced that his company was prepared to explore for gas in the East China Sea but wanted assurances from Tokyo that his workers would be protected against reaction by China. A month later on Sept. 21, Nakagawa assured Teikoku that, if it decides to explore, "Japan will do its duty."

At the end of the month, in response to a report from Hong Kong that China's National Offshore Oil Corporation would begin gas production in September in the Chunxiao field Japan's director general for Asia and oceanic affairs, Sasae Kenichiro, telephoned the minister at the Chinese Embassy, Cheng Yonghua, to protest the announcement. Sasae called the action "regrettable" and asked that China act responsibly with restraint. Cheng reportedly replied that the area of activity was not in dispute between the two countries and that China's position of resolving issues related to East China Sea exploration through consultation remained unchanged.

A slightly different approach to the issue drew media attention, when, on Sept. 9, two days before Japan's parliamentary election, five Chinese warships were sighted in waters on the Chinese side of mid-line boundary.

On Sept. 20, *Kyodo* and the *AP*, judging from flames emanating from a drilling platform, reported that China apparently had begun to extract natural gas from the Tianwaitian field. Nakagawa told reporters that Japan had "confirmed" the appearance of the flames. (The Tianwaitian field is farther west (the Chinese side) of the mid-line boundary than the Chunxiao field.) The report caused the Foreign Ministry to telephone the Chinese Embassy and protest

China's unilateral actions. Beijing, of course, pointed out that the activity was taking place "in Chinese waters not disputed by Japan" and reiterated its position of resolving the dispute through "dialogue and consultation" with Japan. The next day, Foreign Minister Machimura Nobutaka announced that director general-level talks would resume in Tokyo at the end of September. He went on to say that it was "regrettable" that even as consultations had needlessly dragged on, China was continuing to advance its exploration activities.

Following a Sept. 27 Cabinet meeting, Nakagawa used the Japanese name "Kashi" in referring to developments in the Tianwaitian field. Earlier, the *Asahi Shimbun* had reported that in April METI and Teikoku Oil had agreed to give Japanese names to the test sites with the objective of underscoring Japan's sovereignty claims.

Sovereignty issues: the Senkakus

During the quarter, Japan continued efforts to establish Okinotori, the southernmost site in the Senkaku island chain, as an island and thus support Japanese claims to an expanded exclusive economic zone (EEZ). (China asserts that Okinotori is not an island, which can support EEZ claims, but simply a pile of rocks.)

Following a survey conducted earlier in the year by the private Nippon Foundation, the *Sankei Shimbun* on Aug. 24 reported that the Japanese Coast Guard had decided to build a lighthouse on Okinotori and had initiated feasibility studies of the project. On Sept. 5, the Coast Guard requested ¥33.7 million for construction in its budget request for 2006, setting a target date of 2007 for completion. The Fisheries Agency in its budget requested ¥400 million to study coral growth and to determine how its growth could be encouraged on Okinotori.

Yasukuni Shrine

To counter a study group organized by Acting Liberal Democratic Party (LDP) Secretary General Abe Shinzo in support of Koizumi's visits to the Yasukuni Shrine, pro-China elements within the LDP, led by former Home Affairs Minister Noda Takeshi, former LDP Secretary General Kato Koichi, and former Foreign Minister Komura Masahiko formed their own study group. The study group met for the first time July 12. Gotoda Masaharu, chief Cabinet secretary to former Prime Minister Nakasone, told the group that he thought it undesirable for Koizumi to visit the shrine. (Gotoda was instrumental in Nakasone's decision to cancel a visit to Yasukuni in 1986.)

The LDP's pro-Yasukuni study group met the following day for the third time. At the invitation of the study group, journalist Sakurai Yoshiko, a critic of the international legitimacy of the Tokyo War Crimes Tribunal, was the featured speaker. Sakurai made clear that the prime minister should continue to visit the shrine.

With the Aug. 15 anniversary of Japan's acceptance of unconditional surrender approaching, reporters continued to press the prime minister as to whether he would visit the shrine. Asked at his official residence on the evening of July 13 whether he had determined a date for a visit to

the shrine, Koizumi replied that “you can ask me as many times as you want, but my answer is that I’ll handle the issue in an appropriate manner.”

A week later Kanzaki Tankenori, leader of the LDP’s coalition partner, the New Komeito Party, told reporters that he did not think that the prime minister would visit the shrine Aug. 15; to do so would “worsen Japan’s relations with China and South Korea.”

While visiting China, Kakegawa City Mayor Totsuka Shinya, met on July 25 with Li Jun, head of the Second Bureau of the Internal Department of the CCP. Li told Totsuka that should Koizumi visit the shrine, “the political situation in China may change greatly.” Koizumi had a slightly different take on the issue. On July 19, speaking at a meeting of the Japan-China 21st Century Friendship Committee, Koizumi told the dinner audience that Yasukuni is “not the only problem” in the bilateral relationship and asked the group to communicate that message to China.

A July 20 *Mainichi Shimbun* poll on whether the prime minister should visit Yasukuni found 39 percent in support and 51 percent opposed. The results marked a slight shift away from support toward opposition. A previous June poll found 41 percent in support and 50 percent in opposition. An Aug. 12 *Nihon Keizai Shimbun* poll found 46 percent supporting the prime minister’s visit to the shrine – an increase of 8 percent since the last survey in June; 38 percent were opposed – a drop of 4 percent since June.

On Aug. 8, after failing to secure passage of his postal reform legislation, Koizumi dissolved the Diet and set Sept. 11 as the date for the national election. Pre-empting an election debate over Yasukuni, the prime minister told reporters that evening “I have no intention to make Yasukuni a campaign issue.” However, he avoided answering questions as to whether he would visit the shrine. The closest he came to answering that question came during a candidates’ debate on Aug. 29, when he replied that “If you look at my past behavior, you will understand what actions I will take.” On the weekend before the election, appearing in a series of television appearances, Koizumi made clear his commitment to making yearly visits to the shrine. On Sept. 25, Yamasaki Taku, political confidant of the prime minister, told a *Sunday Fuji TV* audience that he thought Koizumi would visit Yasukuni before the end of the year.

The courts: history and Yasukuni

The Japanese legal system addressed a number of cases during the quarter involving wartime legacy issues.

- On July 6, the Osaka District Court dismissed a lawsuit filed by Japanese nationals left in China at the end of the war. The suit sought compensation for hardships suffered in China and subsequently in Japan after re-settlement. The court acknowledged their hardships; recognized that government policy was responsible in part for their suffering; but rejected legal responsibility on the part of the government; and argued that compensation policy should be decided by the Diet.

- On July 23, Chinese plaintiffs appealed at the Supreme Court a decision by the Tokyo High Court rejecting claims for compensation suffered by plaintiffs and relatives of victims as a result of Japan's germ warfare activities in China during the war. The Tokyo Court's decision acknowledged the suffering endured as a result of the activities of the Imperial Army's Unit 731 but, citing international law, rejected the right of individuals to seek compensation directly from governments.
- On July 26, the Osaka High Court rejected an appeal filed by a 338-member class action suit of Japanese and Korean war-bereaved families seeking compensation for the prime minister's visit to the Yasukuni Shrine on Aug. 13, 2001. The suit alleged that the prime minister's visit violated the principle of separation of church and state. The court found that rights and interests asserted by the plaintiffs to be "vague" and not protected under law. The court, however, did not rule on the constitutional issue. On Aug. 8, the plaintiffs filed an appeal at the Supreme Court.

Textbooks and history

On July 13, the Board of Education of the City of Otawara adopted the history textbooks compiled by the conservative Japanese Society for History Textbook Reform and published by Fuso Publishing. Two weeks later, on July 28, the Tokyo Metropolitan Board of Education adopted the controversial history and civics textbooks for use in four junior high schools. A month later, on Aug. 28, Tamagawagakuen, a private junior high school in a suburb of Tokyo, also adopted the Fuso-published textbooks.

Reacting to the Otawara decision, Chinese Foreign Ministry Spokesperson Liu Jianchao told a press conference that the adopted textbooks "made the utmost efforts to whitewash and evade Japan's due political and moral responsibility for its war of aggression." Liu called on the Japanese government to "educate the young generation with a correct attitude toward history," making clear that the government of Japan "shoulders an unshirkable responsibility in this regard."

Japanese government ministers continued to provide Beijing with history-related ammunition. Education Minister Nakayama Nariaki reportedly told an audience that "the victimized women in Asia should be proud of being comfort women," remarks which were branded by Spokesperson Liu as "utterly shameless." Liu then went on to indict the "forced conscription of 'comfort women'" as "one of the severe crimes committed by Japanese militarism," "a historical fact that cannot be brazenly denied by anybody."

To deal with the issues of history, the Japanese Foreign Ministry on Aug. 12 opened a history Q & A site on its homepage. In an attempt to enhance foreign understanding of Japan's history, the Foreign Ministry on Aug. 23 announced that translations of the eight government-authorized Japanese history textbooks would be posted on its website, beginning the next day, with initial translations in Chinese and Korean.

Meanwhile, China's leadership continued to emphasize the study of history. During an hour meeting in Beijing with Keidanren Chairman Okuda Hiroshi, Premier Wen Jiabao, speaking with reference to the war and history, said "I want you to study it fully." Afterward, Okuda remarked to reporters that compared to his meeting with Wen last year, when the premier denounced Japan as soon as he sat down, the atmosphere this year was "quite different."

China's major history lesson came Sept. 3 in a speech delivered by President Hu Jintao at a "Meeting Marking the 60th Anniversary of the Victory of the Chinese People's War of Resistance against Japanese Aggression and the World Anti-Fascist War." Hu's speech gave a fuller picture of history – of Japanese militarism and aggression against China and of the leading role of the CCP in China's ultimately successful resistance. Only in two of the concluding three paragraphs, after a speech filled with references to Japanese militarism and aggression, did Hu speak to the reality that "in the long course of China-Japan relations over two milleniums, friendship has been in the mainstream."

Security

On July 19, the Pentagon issued its annual report to the Congress, *China's Military Power*. The China debate in Washington was echoed across the Pacific in commentary in Japan on the Pentagon report. Chief Cabinet Secretary Hosoda Hiroyuki told a press conference that, based on the U.S. analysis, China's reported defense spending is twice that of Japan's, and that, in contrast to Japan's defense budget, the People's Liberation Army (PLA) budget lacks transparency. Hosoda cited spending on missiles and nuclear weapons as "particularly unclear." The *Yomiuri Shimbun* reported that a senior Japan Defense Agency had commented that with the 2004 National Defense Program Guidelines focus on "terrorism and other newly emerging threats, Japan is not well prepared to deal with the China threat."

On Aug. 2, the Koizumi Cabinet approved the "Defense of Japan 2005," the Defense Agency's annual White Paper. With regard to China, the report cited the PLA's ongoing military modernization, noted that defense spending had hit double-digit numbers for the 17th consecutive year, and called attention to the budget's lack of transparency. The White Paper observed that "it is necessary...to carefully evaluate whether the modernization of China's military forces exceeds the level necessary for national defense." The document also said that Japan is "closely monitoring" the operations of the PLA Navy in waters adjacent to Japan, citing the intrusion of a Chinese nuclear-powered submarine into Japanese territorial waters in November 2004.

Defense Agency Director General Ohno Yoshinori told reporters that "China is not a threat, but there are some points we should note and we'd like to ask for transparency." Beijing slammed the White Paper as "groundless" and "irresponsible," playing up "the so-called China threat." Foreign Ministry Spokesperson Kong Quan said that it "would mislead the public, result in suspicion ... and opposition ... and harm Sino-Japanese relations."

At the end of August, China-Russia military exercises conducted near the Vladivostok and Shandong caught Japanese attention. Director General Ohno said that Sino-Russian cooperation could affect security in Asia and suggested that such cooperation could rival the Japan-U.S. alliance. China's Foreign Ministry Spokesperson Qin Gang dismissed Japanese concerns,

asserting that the exercises targeted “the new challenges and threats facing regional security, especially “international terrorists, extremist and splittist threats.” The exercises represented Sino-Russian confidence building measures.

Business and economics

In mid-August, the Japan External Trade Organization (JETRO) organization released trade figures for the first half of the year. Exports to China totaled \$37.2 billion, an increase of 6.3 percent over the first six months of 2004. The increase marked a substantial decline from the 36 percent in the same period last year. JETRO attributed the fall off to the fact that Japanese companies have increasingly shifted production to China as well as to the fact that Chinese companies had accumulated significant inventories of auto and electronics parts that had been imported previously from Japan.

Taking the business communities temperature on China, *Kyodo News* in mid-July polled executives from the top 100 Japanese companies; 95 of the companies responded. Fifty-one of those expressed concern that the currently strained political relations could adversely affect business prospects in China. Nevertheless, 66 percent of the executives were prepared to expand business operations in China. Two companies reported that anti-Japanese demonstrations in April had adversely affected their operations, while 20 said they experienced no negative effects or thought them manageable. Notwithstanding the April anti-Japanese demonstrations, Shanghai authorities in July reported a continuing increase in Japanese businessmen and their families as well as students in the city’s Japanese-language elementary and junior high schools.

METI released its 2005 White Paper July 1. The report cautioned Japanese business not to put all its eggs in the China basket. The report noted that Japanese companies could encounter “obstacles to their businesses which cannot be seen in mature markets, such as low levels of compliance and structural problems.” The White Paper singled out problems in income distribution between the booming coastal provinces and the interior; in an overheated investment climate; in the protection of intellectual property, possible energy shortages and anticipated increases in labor costs; as well as continuing problems in the reform of state-owned enterprises. METI suggested balancing risk in China by expanding Japanese business activities in ASEAN.

Polls: looking ahead

At the end of August, the results of a joint Japanese-Chinese poll on the bilateral relationship hit the streets. Conducted in July by the Japanese think tank Genron NPO, *China Daily*, and Beijing University, the poll showed a growing pessimism in both countries with regard to both the present state and the direction of the relationship. In Japan, 74 percent of the general public and 84.9 percent of the intellectual and business elites thought relations were “not very good” or “not good at all.” In China, 54.9 percent of the general public and 79 percent of China’s students held similar opinions.

Looking ahead, 73 percent of Japan's general respondents and 73.6 percent of the intellectual and business communities thought relations would experience further deterioration or were uncertain as to how they would develop. Of the Chinese respondents, 56.1 percent of the general public and 81 percent of university students shared similar feelings with regard to future.

Approximately 90 percent of both China's general public and students thought Japan responsible for the present state of affairs, while in Japan approximately 50 percent of the general public and the intellectual and business elite found neither Japan nor China to be solely responsible.

Outlook

With the exception of the East China Sea dispute, the summer passed quietly. But clouds may be building again on the horizon. The end of September meeting in Tokyo on the East China Sea will go along way in determining whether the waters will become the "sea of friendship" both sides profess to want. Also looming is a Koizumi visit to the Yasukuni Shrine – and Chinese reaction.

Chronology of Japan-China Relations July-September 2005

July 2, 2005: Iimura Yutaka, ambassador to Indonesia, tabbed as next ambassador to China.

July 2, 2005: Japanese Coast Guard ships visit Shanghai to join in maritime rescue drills.

July 4, 2005: China and Japan steel industry associations agree to share environmental protection expertise.

July 5, 2005: Kagoshima prefectural government approves granting of East China Sea exploration rights to Teikoku Oil Company.

July 6, 2005: Osaka District Court dismisses lawsuit seeking compensation filed by Japanese war orphans abandoned in China at end of war.

July 7, 2005: Okinawa prefectural government approves granting of East China Sea exploration rights to Teikoku Oil Company.

July 7, 2005: China reopens renovated museum on site of Marco Polo Bridge Incident.

July 8, 2005: China's Ambassador Wang advocates bilateral FTA with Japan to business community.

July 9, 2005: Japanese Embassy in Beijing reports possible attack on its web-page.

July 12, 2005: LDP pro-China study group holds initial meeting.

July 12, 2005: China executes Yang Ning, convicted of 2003 Fukuoka robbery and murder.

July 12-13, 2005: Senior vice minister for foreign affairs visits China to attend WTO meeting in Dalian.

July 13, 2005: LDP pro-Yasukuni study group holds its third meeting.

July 13, 2005: City of Otawara adopts history texts compiled by Japanese Society for History Textbook Reform.

July 14, 2005: Koizumi government approves granting of East China Sea exploration rights to Teikoku Oil Company; Chinese Foreign Ministry protests to Japanese embassy.

July 15, 2005: Chinese Embassy in Tokyo protests East China Sea decision to Japanese Foreign Ministry.

July 19, 2005: Koizumi tells Japan-China 21st Century Friendship Committee that Yasukuni is “not the only problem” in Japan-China relations.

July 20, 2005: Japan sends chemical-weapons expert mission to Guangzhou to excavate chemical weapons abandoned by the Imperial Army.

July 21, 2005: Japanese officials welcome China’s decision to revalue the yuan.

July 20-21, 2005: Fourth security-related meeting between Japanese and Chinese officials held in Tokyo.

July 23, 2005: Chinese plaintiffs appeal to Supreme Court decision by Tokyo High Court rejecting claims for compensation for suffering inflicted by Japan’s germ warfare activities in China.

July 25, 2005: Kakegawa City mayor meets Li Jun, head of CCP Internal Department Second Bureau; Li cautions that Koizumi visit to Yasukuni could change political situation in China.

July 25, 2005: Japanese Foreign Ministry announces decision to expand visa waiver for Chinese tourist groups from present locations – Beijing and Shanghai and five provinces – to authorized tourist groups nationwide.

July 26, 2005: Osaka High Court dismisses class action appeal seeking compensation for Prime Minister’s August 13, 2001 visit to Yasukuni.

July 28, 2005: Tokyo Metropolitan School Board adopts history texts compiled by Japanese Society for History Textbook Reform.

Aug. 2, 2005: Japanese Diet adopts resolution commemorating 60th anniversary of the end of the war.

Aug. 2, 2005: Koizumi Cabinet approves Defense Agency White paper “Defense of Japan 2005.”

Aug. 3, 2005: Teikoku Oil Company completes license application process.

Aug. 5, 2005: Chinese injured by exposure to poison gas in Qiqihar, Heilongjiang Province (August 2003) from chemical weapons abandoned by the Imperial Army meet in Tokyo with Senior Vice Foreign Minister Aisawa to seek assistance and medical care.

Aug. 5, 2005: Diet approves legislation permanently waiving visa requirement for Taiwanese tourists, extending waiver put in place for Aichi Expo.

Aug. 8, 2005: Koizumi tells reporters that he has no intention of making Yasukuni an election issue.

Aug. 9, 2005: Japanese Foreign Ministry protests Chinese pipe-laying operations in East China Sea, requests survey data from China, and asks that Chinese exploration activities cease.

Aug. 12, 2005: Japanese Foreign Ministry initiates History Q&A site on its homepage.

Aug. 23, 2005: Japanese Foreign Ministry announces that translations of Japanese history books will be posted on its website; initial translations are in Chinese and Korean.

Aug. 23, 2005: Tokyo District Court dismisses defamation of character suit filed by relatives of two executed Japanese soldiers against *Mainichi* and *Asahi* papers and *Asahi* journalist Honda Katsuichi for reporting that the two had competed in China in 1937 to be the first to behead 100 Chinese.

Aug. 24, 2005: China’s Vice Minister for Foreign Affairs Wu Dawei meets in Tokyo with Asia Director General Sasae to discuss six-party meeting on North Korea.

Aug. 26, 2005: Teikoku announces that it is prepared to explore for natural gas in East China Sea; asks for reassurances from government that it will be protected in the event of reaction by China.

Aug. 28, 2005: Tamagawagakuen, a private school in Tokyo suburb, adopts history texts compiled by Japanese Society for History Textbook Reform.

Aug. 31, 2005: Eleventh meeting of the Japan-China Cooperation Committee on Science and Technology takes place Beijing.

Sept. 3, 2005: President Hu Jintao delivers speech in Beijing celebrating China’s victory in the Struggle against Japanese Aggression and the World Anti-Fascist War.

Sept. 5, 2005: Japanese Coast Guard requests funding for construction of lighthouse on Okinotori island in the Senkaku island chain.

Sept. 5, 2005: Koizumi government holds Inter-Agency coordinating meeting on issues related to the continental shelf and protection of marine resources; ¥11.7 billion requested for survey activities in 2006.

Sept. 6, 2005: Nagasaki District Court sentences man to eight-month prison terms for mailing threatening notes and razor blades to Chinese consulates in Nagasaki and Osaka during April anti-Japanese demonstrations in China.

Sept. 9, 2005: Five Chinese warships found near mid-line boundary in East China Sea.

Sept. 20, 2005: *Kyodo* and *AP* report China has initiated natural gas production in Tianwaitian field, located west of the mid-line boundary; Foreign Ministry protests to Chinese Embassy.

Sept. 21, 2005: Foreign Minister Machimura Nobutaka announces Japanese and Chinese diplomats will meet in Tokyo at the end of September to discuss East China Sea issues.

Sept. 26, 2005: Koizumi government institutes 90-day visa waiver for Taiwanese tourists.

Sept. 21, 2005: METI Minister Nakagawa assures Teikoku Oil Company that Japan “will do its duty” with regard to protecting exploration activities.

Sept. 25, 2005: Yamasaki Taku, political confidant of the prime minister, tells a *Sunday Fuji TV* audience that he thought Koizumi would visit Yasukuni before the end of the year.

Sept. 26, 2005: Keidanren Chairman Okuda Hiroshi meets in Beijing for one hour with Premier Wen Jiabao; Wen tells Okuda, “I want you to study [history] fully.”

Sept. 27, 2005: To emphasize Japanese sovereignty claims, METI Minister Nakagawa uses Japanese name “Kashi” given to Tianwaitian natural gas field.

Sept. 30-Oct. 1, 2005: Japan and China meet for director general-level talks on East China Sea issues in Tokyo.

Comparative Connections

A Quarterly E-Journal on East Asian Bilateral Relations



Japan-Korea Relations: No Major Changes

David Kang, Dartmouth College
Ji-Young Lee, Georgetown University

Japan-Korea relations in the past quarter showed no major surprises, and no major changes. Although there was real progress within the larger context of the Six-Party Talks, the agreement in principle by Japan and North Korea to “normalize their relations in accordance with the Pyongyang Declaration, on the basis of the settlement of the unfortunate past and the outstanding issues of concern,” was both a step forward and yet also the mere reiteration of agreements already made between the two sides. The real issues – and the real work – will begin in the future, as the two sides begin discussing details of just exactly how to settle the abductee issue and move toward normalized ties. It is significant, however, that Japan was willing to forego greater pressure on North Korea on the abductee issue in favor of a broader agreement with the six parties.

With the focus on the two meetings of the six parties in Beijing, much of the heat between South Korea and Japan over disputed islands and textbooks faded to the background. Although the issues are still quite prevalent, the surge of emotion over the issues subsided, although most likely this is a temporary respite. Although Japanese Prime Minister Koizumi Junichiro made both a deep bow and public statement of apology in general for Japan’s role in World War II, this apparently did little to assuage South Korean resentment over Japan’s policies on specific issues. However, despite the friction over textbooks and history, Japan and South Korean cooperation continued to increase on matters such as judicial cooperation on international crimes, and the two militaries found ways to cooperate on issues such as high-level officer exchanges and Coast Guard operations. Economic interactions between South Korea and Japan continued to deepen over the quarter. Although much of this was “business as usual,” the most notable move was an alliance by Samsung and Sony to cooperate on various technical matters, marking a further integration of the economies of these two high-tech Asian nations. Finally, in cultural issues, Japanese continued to see Koreans as more friendly than Koreans saw Japanese.

Tentative agreement at the Six-Party Talks

The two meetings of the Six-Party Talks brought up key issues in Japan-North Korea relations: North Korea’s nuclear development program, the abductee issue, and the normalization of bilateral relations. While the focal points of disagreements centered on the North’s right to have a peaceful nuclear energy program, and the possibility of construction of a light-water reactor,

the negotiations did yield an important opportunity for Tokyo and Pyongyang by agreeing to resume bilateral talks toward normalizing relations.

While Japan welcomed the North's decision in early July to resume the Six-Party Talks as a sign of progress, the strain in their bilateral relations was noticeable from the outset and remained after the signing of the joint statement. Of the six parties, the positions of Japan (along with the U.S.) were farthest from those of North Korea. Although both Japan and North Korea adopted the joint statement that North Korea pledged to "abandon all nuclear weapons and existing programs," and the other parties respected North Korea's right to use nuclear technology for peaceful purposes, they have been adamant in their divergent stances throughout the negotiations.

While expressing its desire for a nuclear-free Korean Peninsula, Pyongyang has insisted on its right to have a civilian nuclear program and demanded it be provided a light-water reactor first in exchange for the abandonment of its nuclear programs. Japan has been wary and distrustful of the North's intentions; Chief Cabinet Secretary Hosoda Hiroyuki reaffirmed Japan's position Sept. 15 that "it has always been Japan's position not to approve even the peaceful use of nuclear technology for countries that are not credible." He added Japan would not accept Pyongyang's demand for a light-water reactor "because it would be used to produce atomic weapons." When North Korea raised the sequencing issue a day after the signing of the joint statement commenting that "the United States should not even dream of the issue of the DPRK's dismantlement of its nuclear deterrent before providing light-water reactors," Japan sided with the U.S., clarifying its stance that the North's claim was not acceptable.

In the meantime, "a pointed war of words" between Tokyo and Pyongyang continued; on July 4, DPRK's state-run *Korean Central News Agency* called Japan a "political dwarf," saying that Japan should step aside from the nuclear issue of the Korean Peninsula, hitting back at Japanese calls for a tougher international approach to the North's nuclear issue. In mid-July, when Japan urged other parties to adopt a policy of pressing for a ban on the use of any nuclear technology by North Korea, including for peaceful purposes, Pyongyang responded by saying it wanted to raise Japan's alleged moves for nuclear armament ambitions at the upcoming Six-Party Talks, criticizing Japan's "filibuster" tactics.

Domestic political pressure within Japan meant that this round of the six-party negotiations was as much about the abductee issue as about the nuclear development program on Japan's side. Upon the announcement of the North's return to the negotiation on July 9, Foreign Minister Machimura Nobutaka said that Japan would use the Six-Party Talks to raise the abductee issue and the missile program besides the North's nuclear development program. According to *The Japan Times*, a top Foreign Ministry official said that although North Korea's nuclear agenda was more important in terms of Japan's security, Japan had no choice but to bring up the abduction issue at the Six-Party Talks if it were to avoid public criticism at home.

Families of the abductees visited Foreign Minister Machimura on July 14 and urged the Japanese government to raise the abduction issue during the Six-Party Talks. They also called for the extradition of Shin Gwang-su who taught Yokota Megumi and Soga Hitomi the Korean language and North Korean philosophy in Pyongyang. According to *The Chosun Ilbo*, Shin was one of 63 long-term political prisoners in South Korea and admitted the kidnapping of Hara Tadaaki from

Osaka in 1980 during his trial. *The Japan Times* reported July 15 that North Korea rejected the Japanese government's request to extradite Shin, claiming that Hara "voluntarily" came to North Korea. Japanese authorities issued an arrest warrant for Shin but only after he had been repatriated to North Korea in September 2000.

Chief negotiator Sasae Kenichiro raised the abductee issue in Beijing during his opening remarks at the plenary session on July 25, drawing objections from both Koreas and China. On July 28 former North Korean secret agent An Myong-jin testified before a panel in Japan's House of Representatives investigating the abduction of Japanese nationals by North Korean agents. An testified 15 abducted Japanese were alive in North Korea between 1988 and 1991, mentioning nine of them by name and stated that North Korea was "lying" about what happened to some of the abductees.

Most Japanese foreign policy elites believed the possibility of holding bilateral talks about the abduction issue during the Six-Party Talks would be slim; North Korea had refused to receive phone calls from Japanese officials through diplomatic channels in Beijing since last December. Even during the talks, North Korea held bilateral talks with all other parties except Japan until Aug. 7 when the negotiation went into recess. At their first (brief) bilateral meeting, Japanese delegate Sasae told the North's Kim Gye-gwan that Japan wanted North Korea to send back all abductees still alive and to hand over North Korean suspects of the kidnappings. The talk made little progress while families of the abductees' expressed disappointment over the Six-Party Talks and demanded economic sanctions on North Korea.

Given this backdrop of cold relations, the North's abrupt change in its attitude and the fact that it "listened to Japanese views on the highly charged abduction issue" at the bilateral talks for two days in a row on Sept. 14 and 15, one of which was held at the request of Pyongyang, took Japanese delegates aback. Japanese Foreign Ministry officials wondered if North Korea was planning to offer more information on the abduction issue, thereby securing more cooperation from Japan in breaking an impasse with the U.S. With Prime Minister Koizumi repeating his intention to normalize Japan-North Korea relations during his tenure, Japan and North Korea have decided to take steps to normalize bilateral ties based on the Pyongyang Declaration in 2002 as written in the joint statement signed on Sept. 19. Chief negotiator Sasae told families of the abductees that Tokyo hoped to hold the bilateral talks before the next round of the Six-Party Talks, which are expected to convene in early November.

Japan-South Korea relations

North Korea and history issues contributed to shape Japan-South Korea relations against the backdrop of Japan's move toward a more assertive foreign policy. Three developments were worthy of notice this quarter; first, with the fourth round of Six-Party Talks going on, Japan-South Korea relations seem to have been affected by Japan's attitudes toward North Korea, as South Korean foreign policy largely revolved around North Korea. Second, bilateral tension continued to come from issues associated with history, while South Korean responses to Japan's seeming retreat from the pacifist Constitution were not as vociferous. Third, significant cooperative measures were taken in the realms of judicial and military exchanges.

Despite trilateral policy coordination efforts among Seoul, Tokyo, and Washington on July 14, the gap between South Korea and Japan on how to approach the Six-Party Talks was very clear as South Korea tended to be the most sympathetic toward North Korea of the five parties, while Japan took the opposite tack. Accordingly, Seoul hailed Japan when Tokyo made steps for “better” relations with Pyongyang, and criticized when it did otherwise. On July 20, Seoul welcomed Prime Minister Koizumi’s call for early normalization of Japan-North Korea relations, saying the South Korean government would “actively cooperate and assist...to ensure that intention is realized.” In the meanwhile, South Korean officials repeated that they were opposed to Japan bringing up the abduction issue at the Six-Party Talks so that the negotiation could solely focus on the North’s nuclear development program. *The Korea Times* (July 26) reported Japan was drawing criticism from the South Korean public and officials by speaking out on “what other countries in the denuclearization talks do not want to hear, including the ‘abduction issue.’” According to *The Chosun Ilbo* (July 19), a senior South Korean government official is said to have called on Japan “to take a more positive and forward-looking attitude” at the upcoming Six-Party Talks.

While the Six-Party Talks were under way, Japan took a series of steps that will have important implications for the security of Japan and of the entire region, but they received less notice than if there had been no talks. On Aug. 1, Japan’s ruling LDP’s Basic Committee on New Constitution confirmed that its draft of the new constitution will be declared in November this year. The revised draft stipulated that the Self-Defense Force (SDF) would be upgraded to “Self-Defense Military,” and deleted clauses on “not possessing land, sea, and air forces, and other war potential” and on “not recognizing the right of the belligerency of the state” from the original, although it kept clause 1 of Article 9 which “renounces war.” The poll by *Mainichi Shimbun* after the Lower House Election on Sept. 11 showed that a majority of Japanese lawmakers at the Lower House advocated revision of the Constitution; 402 of the 480 lawmakers supported reform of the Constitution, while 36 legislators or 8 percent did not, with the rest holding a mixed view.

On Aug. 2, Japanese Diet approved its fiscal 2005 Defense White Paper, which emphasized the SDF ability to better deal with new threats such as ballistic missile attack and guerilla warfare by pursuing “multifunctional and flexible defense capability.” The Defense White Paper pointed out the need to closely monitor China’s increasing defense spending and the modernization of its military; stated that the North would develop and deploy weapons of mass destruction and ballistic missiles as well as assist in their proliferation, reported Japan’s *Yomiuri Shimbun* on Aug. 3.

On several occasions, news about Japan’s attempts to raise its military profile were heard; on July 23, *Associated Press* reported that Japan’s Diet approved legislation authorizing the Defense Agency head to order the shooting down of missiles without permission from the prime minister or the Diet; according to *Reuters* (July 23), Japan might start deploying a missile shield by the end of next March, a year earlier than planned, to counter the threats of North Korea and China’s ballistic missiles; *Donga Ilbo* (July 27) reported that the Japanese government decided to deploy an unmanned surveillance aircraft to monitor the military activities of neighboring countries, including China, South Korea, and North Korea.

Interestingly, voices of concern from the South Korean government were directed more toward the Tokdo/Takeshima islets than toward Japan's actual policy shift toward more military activism. South Korea's Defense Ministry lodged a formal diplomatic protest with Japan over the designation of the Tokdo/Takeshima islets as Japanese territory in Japan's Defense White Paper and demanded "the offending section" be erased, reported to *Chosun Ilbo* (Aug. 3).

Seemingly trivial disputes but indicative of the ongoing tension over the Tokdo/Takeshima islets went on; Japan's Defense Agency protested to the South Korean government over a website photo that showed two Japanese Ground SDF personnel standing with a South Korean soldier holding a banner that read "Tokdo is South Korean territory." The picture was a frame by the South Korean soldier. On another occasion, Seoul dismissed a complaint by Tokyo regarding the name of the South Korean Navy's latest landing vessel, "Tokdo Ham." While Seoul said "Tokdo is our territory and there is no problem in naming the landing ship after it," Japan's Chief Cabinet Secretary Hosoda Hiroyuki expressed his uneasiness over the naming of the vessel, saying it was "beyond his understanding."

The disputes over the Tokdo/Takeshima islets drew attention once again as the South Korean government released all 156 diplomatic documents that detailed the 14-year long Japan-South Korea diplomatic normalization talks. A total of 35,354 pages documents revealed that Japan proposed that the territorial disputes over the Tokdo/Takeshima islets be brought before the International Court of Justice, while South Korea suggested that it be resolved through third-party mediation. According to *Asahi Shimbun* (Aug. 27), South Korea in the subsequent negotiations took a tougher stance, arguing that the islets were part of South Korean territory and refused to discuss the issue. On Sept. 3, 1962, a director-level official in Japan's Foreign Ministry said, "Tokdo is valueless. The size of Tokdo is only that of Hibiya Park (in Japan). There will be no problem if we blow up the islets."

The disclosure of the documents came with a new approach by Seoul on the comfort women compensation issue; on Aug. 26, it held a "Public-Private Joint Committee Meeting for the publication of documents of the ROK- Japan talks in 1965," presided over by Prime Minister Lee Hae-Chan and decided to bring the issue before the U.N. Human Rights Commission, while urging the Japanese government to accept its legal responsibility. This was the first time that the South Korean government has declared the Japanese government's legal responsibility for the comfort women issue. Earlier in July, Japanese court had rejected a lawsuit brought by 180 Chinese citizens demanding compensation for Japan's World War II-era germ warfare program.

Efforts were made by Japan to placate the feelings of its neighbors observing the 60th anniversary of the end of World War II; Prime Minister Koizumi expressed Japan's "remorse" and "apology" for actions committed during World War II and mentioned South Korea and China for the first time in a statement, calling for improving relations with them. According to *Yomiuri Shimbun* (Aug. 17), drafting the statement began secretly about three months ago and Koizumi and Foreign Ministry officials paid special attention to its wording.

Also, despite the encouragement from over 300 lawmakers, Koizumi did not visit Yasukuni Shrine on the day of the 60th anniversary, Aug. 15, although two members of his Cabinet and a group of lawmakers did so. On Sept. 5, however, Koizumi indicated that he would continue his

annual visit at an “appropriate” time when asked at a series of TV appearances ahead of the Sept. 11 Lower House election. *The Chosun Ilbo* (Sept. 14) reported that the Japanese public was showing greater interest in if and when Koizumi would visit the Yasukuni Shrine. North Korea on Sept. 14 demanded that Koizumi and other politicians stop visiting Yasukuni, calling it “a center of spreading the idea of militarist overseas aggression.”

Amid tension over history issues, the two countries marked a good record of cooperation in judiciary and military exchanges. On July 17, *Asahi Shimbun* reported that South Korea and Japan were to sign a bilateral treaty on judicial cooperation. The treaty was first suggested by Japan in exchange for a visa waiver program for Korean tourists. *The Korea Times* (July 17) reported that on signing the treaty, two countries would directly assist each other in matters such as the exchange of documents and critical information regarding criminal investigations and the shortening of the length of time in completing inquests on international crimes by both sides.

On July 18, Japan’s Chief of Staff of Ground Self-Defense Forces Mori Tsutomu arrived in Seoul at the invitation of South Korea’s Army Chief of Staff Kim Jang So for a four-day visit to discuss ways to boost bilateral military exchanges. Seoul and Tokyo have implemented military exchanges, including goodwill visits by military leaders, and an education program for military officers since 1996.

Finally, this summer, the Japanese and South Korean Coast Guards conducted joint exercises off Tsushima. The exercise in terror response simulated a situation in which the Pusan-Kyushu ferry had been seized by terrorists, and the Japanese and Korean Coast Guards needed to coordinate their intervention and response. A week later, off the coast of China, the Chinese, Japanese, and Korean Coast Guards participated in a short series of rescue and antiterrorism exercises, as well.

Economics: continuing integration and competition

Reports comparing the economic performances of Japan and South Korea drew attention; South Korean trade deficit with Japan was \$24.4 billion, the highest level on record among all its trading partners. In terms of corporate capital spending, South Korea was expected to remain half of Japan’s this year, according to *Korea Times* (Aug. 24). The Korea Institute for International Economic Policy (KIEP) said Japanese firms’ investment in new equipment and facilities was forecast to grow around 11.6 percent year-on-year this year; manufacturing firms’ capital spending increased 19.8 percent in the first half year-on-year. South Korean facilities investment was expected to expand 6.3 percent this year, according to the Korean Development Institute (KDI).

There were concerns about the future of South Korean electrical and electronics industries as these pillars of South Korea’s export-dependent economy were shaking, posting around \$43 million in sales in the first quarter, a 1.2 percent decline year-on-year. Export sales of IT products such as mobile phones and computers were also reported as \$21.41 billion, down 5.3 percent on-year, and sales of home appliances recorded \$4.4 billion, a drop of 15.9 percent.

Hankyung Business Weekly published a joint survey with Japan's *Zaikai Magazine* of executives at 100 Japanese corporations. It showed the Japanese executives believed that the level of Korean technology was 6.24 years behind Japan's, and would fall to 18.7 years over the next decade; but they predicted that China would catch up with South Korea, narrowing the gap from 5.37 years to 4.83 years by 2015. Not a single Japanese corporation was planning on turning Korea into a production base due to hostile labor relations (32.5 percent), political instability (25 percent), and government regulations (10 percent). When asked about the core competitive power of Korean corporations, 37.5 percent said enthusiasm for education and excellent human resources, 20 percent said government support, and 17.5 percent suggested outstanding management.

The New York Times (July 25) reported that Sony, formally the world's first home electronics maker, formed a cooperative relationship with South Korea's Samsung to "revive its sagging fortunes" and to utilize Samsung's manufacturing prowess and innovative technology. Quoting a recent poll on brand power by *Interbrand-Business Week*, the article estimated that "for the first time, Samsung's brand is now more worth than Sony's." Samsung was ranked number 20 while Sony fell to 28.

There were indications that bilateral economic cooperation could be furthered within the trilateral context of Japan, South Korea, and China. On Aug. 25, the Federation of Korean Industries (FKI) appointed the South Korean Committee of the Korea-China-Japan Business Forum to deal with private-initiated, tripartite business cooperation projects more systematically and to improve investment and business environments. The Forum was first proposed by South Korean former President Kim Dae-jung during the meeting with business leaders from the three countries on the sidelines of the ASEAN Plus Three in November 2001 to encourage further growth of the region.

On matters of currency, academics from China, South Korea, and Japan called for Asian countries to form a regional cooperative body like the European Union and to adopt a single currency for East Asia. In an international conference in Seoul, Uri Party lawmaker Chung Duck-goo said "the idea of a unified Asian currency is not, in the end, a wild dream... We must hurry the discussion on exchange rate cooperation by holding regular meetings of the Korean, Chinese, and Japanese finance ministers and central bank governors." Professor Kawai Masahiro of Tokyo University said that there was also a need to invigorate the Asian bond market, so that Asian countries could use their vast foreign exchange reserves more effectively within the region instead of buying U.S. government bonds.

South Korea's largest steelmaker POSCO on July 12 decided to list its global stocks on the Tokyo Stock Exchange at the end of this year. And Toyota has announced that it would start selling hybrid cars in South Korea from the second half of next year. As South Korea's Hyundai Motors also plans to launch hybrid vehicles from next year, competition is expected between two companies.

Culture: *Ssa u myun seo, chin hae jin da?* (Drawing closer through fighting?)

The disputes over history textbooks seemed to open ways for more bilateral interactions and exchanges at the grassroots level in an interesting way; civic groups of Japan and various parts of South Korean society have formed a loose coalition to discourage Japanese board of education officials from adopting the textbooks published by nationalistic Fusosha. After the results of the publisher's recent survey were announced, the coalition declared victory – kind of. The survey showed that the penetration rate of the revisionist textbooks was far below the 10 percent goal set by the publisher, but above 0.047 percent recorded in 2001: about 0.5 percent of roughly 11,000 junior high schools are likely to use the textbooks from next April.

Since the textbooks had been on sale, three municipalities adopted the contentious textbooks published by Fusosha: the board of education in the cities of Otawara on July 13, the Tokyo Metropolitan board of education on July 28, and the Sugunami Ward board of education on Aug. 12. Upon the decision of Otawara in Tochigi Prefecture, the first municipality to choose the textbooks, South Korea's Foreign Affairs and Trade Ministry issued a statement expressing “deep regret” and “disappointment” over the decision. Within Japan, a Tochigi teachers union denounced the decision, saying “we had called for an adoption of fair and transparent textbooks, but the decision was made at a closed-door meeting.” In Otawara, about 40 local residents gathered in front of City Hall to demonstrate the decision. In Sugunami Ward, the third municipality that adopted the textbooks, the discussion by the board of education attracted more than 500 people to Sugunami City Hall to protest, while some 300 people who supported the textbooks also gathered.

Japan's Children and Textbooks Japan Network 21, running at the frontline of the anti- Fusosha textbook campaign, put an advertisement in South Korea's *Donga Ilbo* of Aug. 8. It read “we are Japanese citizens who are against the adoption of history and civic textbooks developed by ‘Japanese Society for History Textbook Reform,’ a group that distorts history and justifies Japan's rule over Korea.” Under the ad was the explanation that “this advertisement was made with the contributions of 2,114 individuals and 153 groups (as of July 31).” Tawara Yoshifumi, director of Children and Textbooks Japan Network 21, said, “we posted an advertisement in Korean in a Korean newspaper in order to make it known to many Koreans that even in Japan there are many citizens and citizen groups that oppose the textbooks made by The Japanese Society for History Textbook Reform.” On the South Korean side, teachers and students in Kwangju and some school principals in Seoul sent letters to the heads and members of municipal boards of education in Saga and Iwate Prefectures, urging them not to adopt the textbooks. The letters were delivered in June and July.

On Aug. 15, *Chosun Ilbo* reported the results of a survey of 618 Japanese students and 521 Korean students by the culture and history team of the high school teachers' association of Kumamoto, Japan. The survey showed that 44.9 percent of Korean students chose Japan as the country that they feel *least* friendly toward, the reasons being colonial rule, history distortion, and the Tokdo/Takeshima issue. In contrast, Japanese students placed South Korea as No. 2 on their list of countries they felt *most* friendly toward the U.S. because South Korea is a neighbor; they see Korean entertainers on TV; and the two countries have much in common. But 43 percent of Japanese students named North Korea as the country they feel least close to.

On Aug. 6, *The Japan Times* reported stories about the changes in perception among younger Korean residents in Japan; they were no longer shy about revealing their ethnicity because South Korea's image has improved in recent years. The article asserted that South Korea's popular TV drama series, "Winter Sonata," featuring Bae Yong-Joon known as "Yon-sama," was a big reason for that change. Of the 2 million foreigners registered in Japan, Koreans made up the largest portion, with 607,419 or 30.8 percent, as of the end of 2004, followed by Chinese (24.7 percent) according to Japan's Justice Ministry.

Korean Airports Corporation said a total of 999,700 passengers flew between Kimpo and Haneda as of July 7, proving that the fast air route between Seoul and Tokyo was so popular that 1 million tourists used it only 19 months after it opened.

Conclusion

Japan-Korea relations showed some modest progress on North Korean issues, some political issues, and economic issues. There were no major developments, and even the principles that were signed at the Six-Party Talks were more the beginning than the actual realization of reconciliation between the two countries. However, relations moving in the right direction, however slowly, are better than no progress at all.

The coming quarter is likely to see the next round of negotiations between the six parties over North Korea's nuclear program, which are planned for November in Beijing. The key sticking point remains whether North Korea has the right to have a peaceful nuclear program, and whether the other countries involved will help provide a light-water reactor to the North at some time. These negotiations promise to be contentious and slow-moving. At this time, Japan's position is closer to that of the U.S., in arguing that North Korea should not have a civilian nuclear program. Whether Japan will continue with this policy or whether it will take a more flexible stance is an open question.

In economic matters, South Korea and Japan will continue their discussions about a free-trade area, although such negotiations are likely to make little progress, given that the issue of agricultural subsidies and protection – the main issue in the free trade talks – is also an important domestic political issue for both countries.

Chronology of Japan- Korea Relations July-September 2005

July 9, 2005: *Korean Central News Agency* reports that North Korea agrees to return to the Six-Party Talks in the week of July 25.

July 11, 2005: *Voice of America* reports that Japan's Foreign Minister Machimura Nobutaka says Japan will use the Six-Party Talks to raise issues besides the nuclear development program including the abduction issue.

July 12, 2005: South Korean Navy's latest landing vessel "Tokdo" is launched. A protest from Japan's Chief Cabinet Secretary Hosoda Hiroyuki follows.

July 12, 2005: South Korea's largest steel maker POSCO decides to list its global stocks on the Tokyo Stock Exchange at the end of this year.

July 13, 2005: The board of education of Otawara, Tochigi Prefecture adopts two social studies textbooks published by Fusosha; the South Korean government issues a statement expressing "deep regret" and "disappointment" over the board's decision.

July 14, 2005: The chief negotiators of South Korea, Japan, and the U.S. meet in Seoul to coordinate strategies for the Six-Party Talks.

July 14, 2005: Relatives of abductees meet with FM Machimura to urge Japan to raise the abduction issue during the Six-Party Talks; they ask the Japanese government to demand North Korea extradite a confessed kidnapper, Shin Gwang-Su.

July 17, 2005: *Asahi Shimbun* reports that South Korea and Japan are to sign a bilateral treaty for judicial cooperation in August.

July 18, 2005: Prime Minister Koizumi Junichiro reconfirms his intention to normalize relations with North Korea during his tenure.

July 18, 2005: Japan's Chief of Staff of Ground Self-Defense Forces Mori Tsutomu arrives in Seoul at the invitation of South Korea's Army Chief of Staff, Kim Jang-soo for a four-day visit to discuss ways to boost bilateral military exchanges.

July 20, 2005: ROK Unification Minister Chung Dong-young says the Six-Party Talks should solely focus on the North's nuclear development program; other issues like the abduction issue should not be on the agenda.

July 23, 2005: *Associated Press* reports that Japan's Diet approved legislation authorizing the Defense Agency head to order the shooting of missiles without permission from the prime minister or the Diet.

July 25, 2005: Japan's chief negotiator Sasae Kenichiro brings up the issue of Japanese nationals abducted by North Korea in opening remarks at a plenary session of the Six-Party Talks.

July 25, 2005: *The New York Times* reports that Sony and Samsung formed a cooperative relationship to produce innovative technology.

July 26, 2005: Six-Party Talks resume.

July 28, 2005: Former North Korean secret agent An Myong-Jin testifies at a Japanese Diet panel that 15 abducted Japanese were alive in North Korea between 1988 and 1991.

July 28, 2005: Tokyo Metropolitan board of education adopts two contentious social studies textbooks.

July 30, 2005: China presents a draft statement at the Six-Party Talks, which does not include provisions about human rights or missile development. Japan is said to be dissatisfied.

Aug. 1, 2005: *Donga Ilbo* reports that Japan's ruling Liberal Democratic Party Basic Committee confirms a draft of the new constitution will be revealed in November.

Aug. 2, 2005: Japan's Cabinet approves a new Defense White Paper, "Defense of Japan 2005" that emphasizes Self-Defense Forces' ability to better deal with new threats such as missile attacks or guerrilla warfare.

Aug. 3, 2005: South Korea lodges a formal diplomatic protest with Japan over references in Japan's Defense White Paper to the Tokdo/Takeshima islets controlled by South Korea but claimed by Japan.

Aug. 7, 2005: North Korea and Japan hold first bilateral talks in more than eight months.

Aug. 12, 2005: Suginami Ward board of education adopts Fusosha's history textbooks.

Aug. 15, 2005: PM Koizumi does not visit Yasukuni Shrine; he expresses Japan's remorse and apology for actions committed during World War II in his statement to commemorate the 60th anniversary of the war.

Aug. 15, 2005: *Chosun Ilbo* reports a survey of 618 Japanese student and 521 Korean students by the culture and history team of the high school teachers' association of Kumamoto shows that Korean students' dislike of Japan is not shared by Japanese students.

Aug. 19, 2005: Academics from Korea, China, and Japan call for Asian countries to form a cooperative body like the European Union and adopt a common East Asian currency.

Aug. 26, 2005: South Korean government releases 156 diplomatic documents that detail the 14 years of Japan-South Korea normalization talks. It includes diplomatic documents that cover the status of the Tokdo/Takeshima islets.

Aug. 26, 2005: South Korean government decides to bring the issue of comfort women compensation before the U.N. Human Rights Commission.

Aug. 28, 2005: The Federation of Korean Industries (FKI) appoints the South Korean Committee of the Korea-China-Japan Business Forum.

Sept. 13, 2005: The Six-Party Talks resume after a five-week recess.

Sept. 13, 2005: *Mainichi* poll shows that 402 of 480 lawmakers in the new Lower House support reform of the Japanese Constitution.

Sept. 14-5, 2005: Japan and North Korea hold bilateral talks on the sidelines of the Six-Party Talks.

Sept. 14, 2005: North Korea demands that PM Koizumi and other Japanese politicians stop visiting Yasukuni Shrine.

Sept. 19, 2005: The six parties adopt a joint statement.

Sept. 18, 2005: Japan and North Korea agree to continue bilateral talks to normalize relations.



China-Russia Relations:

The New World Order According to Moscow and Beijing

Yu Bin
Wittenberg University

In three “strikes” during the third quarter, Moscow and Beijing pushed their bilateral relations, qualitatively and quantitatively, toward a more proactive and outward-looking posture. It began with the signing of the Sino-Russian *Joint Declaration on the International Order in the 21st Century* at the Moscow summit July 1. A few days later at the annual Shanghai Cooperative Organization (SCO) summit July 5, a significantly enlarged regional security forum – adding India, Iran, and Pakistan as “observers” – called on the U.S. and its coalition members in Afghanistan to set a deadline for U.S. withdrawal from military bases in the territories of the SCO member states (Kyrgyzstan and Uzbekistan). In late August, the first-ever Sino-Russian joint exercise, code-named *Peace Mission 2005*, further elevated the strategic partnership between the two continental powers. In the wake of the exercise, Russian military sales to China, too, apparently entered a new phase with new categories of weaponry being offered as well as technological transfers.

Behind and beyond summits

Four times during the quarter, Russian and Chinese presidents found themselves together, either in bilateral or multilateral occasions: the Moscow summit (June 30-July 3), the SCO summit (July 5), the G-8 summit (July 6-8), and the UN 60th anniversary summit (Sept. 14). At the Moscow summit, the first state visit by President Hu Jintao to Russia after President Vladimir Putin was inaugurated for a second term, Chinese and Russian leaders laid the ground work for a “new and fair” international order. In the 12-article joint declaration, there are phrases such as sovereignty, international law, multilateral approaches, equality, mutual respect, peaceful coexistence, diversity, dialogue, the UN, etc., many of which appeared in other documents previously signed by Russian and Chinese leaders. The totality of the declaration, however, gives the impression of a more consistent and coherent vision by Moscow and Beijing of a desirable international order, one that is different from the one of unipolarity and unilateralism projected by the U.S. (for an initial assessment of the declaration, see the second quarter analysis, “Politics of Anniversaries and Beyond,” www.csis.org/pacfor/cc/0502Qchina-rus.html).

Two additional features of the document stand out. One is the recognition by the drafters of the protracted process for constructing a new and fair world order (Article 1), and that such a process is a continuous search for policies and resolutions acceptable by all sides (Article 12). In sum,

both the beginning and ending of the Moscow declaration indicate that the two major powers will work with and “improve,” rather than outright reject, the existing world order.

The second feature of the document is its clear articulation of what Moscow and Beijing desire for the 21st century world order. The main body of the document specifies several areas for improvement: adhering to international law and multilateral institutions (Articles 2 & 3); promoting globalization and development at both global and regional levels (Articles 4, 5 & 10); respecting different cultures and diversity of civilizations (Articles 6, 7 & 8); working toward a new international security mechanism based on strategic stability, arms control, and nonproliferation through multilateralism and dialogue (Article 9). All these desirable features of a new international, or interstate, system are, according to the document, operating principles between Russia and China (Article 11). All this is done without finger pointing and the U.S. is never named in the document. And yet it is obvious that both Moscow and Beijing are distancing themselves from the policies of the Bush administration in the areas of antiterrorism, democratization, and nonproliferation. Their post-9/11 “honeymoon” with the world’s sole superpower has, therefore, come to an end.

At least two factors are behind these outward-oriented policies in Sino-Russian relations. The first is a procedural one. After years of adjusting to each other’s domestic development and of harmonizing their not-so-intimate bilateral relations, Moscow and Beijing have essentially worked out major huddles in their bilateral relations with a growing sense of shared purpose. It is time to look beyond the horizon. The border issue, the single most important factor, or irritant, in Sino-Russian bilateral relations for 300 years, was finally resolved in October 2004 when President Putin and his Chinese hosts signed the border agreement in Beijing (See “End of History? What’s Next?” www.csis.org/pacfor/cc/0404Qchina-rus.html). This was followed by the initiation of regular Russian-China intergovernmental “security talks” in Moscow in February 2005 between Chinese State Councilor and former Foreign Minister Tang Jaixuan and Russian Secretary of the Russian Security Council Igor Sergeyevich, (see “Back to Geostrategics,” www.csis.org/pacfor/cc/0501Qchina-rus.html).

“All big political problems in bilateral relations have been settled in essence, which created a reliable foundation for friendship and cooperation between China and Russia for a long period,” stressed Putin when he hosted his Chinese counterpart with a private dinner at his dacha outside Moscow June 30. President Hu echoed that “we have settled border issues inherited from the past, are supporting each other on the most important issues concerning state sovereignty and territorial integrity, are maintaining close contact on international and regional affairs, thus effectively ensuring the two countries’ common interests, and have made a contribution to the noble cause of strengthening peace and stability in the whole world.”

There is, however, a second or short-term explanation for the Moscow declaration of a new world order: the concerns of a steady and persistent encroachment of their vital national interests by the U.S. Exactly what was discussed in the late-night talks between Putin and Hu remains undisclosed. (The two had so much to talk during and after dinner that the party was not over until 11:00 pm.) The late-night talks, however, were said to be “of a strategic nature” covering “international problems of mutual interest.” Indeed, they did not have to look very far beyond their horizon to notice recent and ongoing alarming signs: the ever assertive foreign/defense

policies of the Bush administration despite the bloodiest “peace” in Iraq; steadily growing Japanese military power; the precarious Korean nuclear standoff; an almost unstoppable arms race across the Taiwan Strait; and a deluge of “color” revolutions across the former Soviet states (Georgia, 2003; Ukraine, late 2004; Kyrgyzstan, March 2005; and then Uzbekistan). The U.S.-Japan “2+2” meeting held Feb. 19, 2005 was seen as a major elevation of the military alliance between the two largest economies. For the first time, the U.S.-Japan alliance has clearly moved beyond its original goal of defending Japan to cover situations involving the Taiwan Strait and the Korean Peninsula.

In this regard, the “global reach” feature of the Sino-Russian joint declaration can also be considered as a means to defend the bottom-line of their core national interests – outside powers should not interfere in their internal affairs, including Chechnya and Taiwan. For these concerns and challenges, Russian and Chinese elites proceeded throughout the quarter in two major policy directions: strengthening the SCO and elevating military-military relations. For this, Putin was more straightforward by saying at the onset of his dinner with Hu that “military-technical cooperation and cooperation in the military sphere are expanding,” reported the Russian official news agency *ITAR-TASS*.

Beyond the seemingly endless Russian-Chinese summits, other high-level interactions included the visit by Russian Federation Council Speaker Sergei Mironov to China (late September), marking the initiation of regular parliamentary exchanges and the appointment of Sergei Razov as Russia’s new ambassador to China. Although he is 52 and a career diplomat (he served as Russian ambassador to Mongolia and Poland and, prior to his current appointment, as Russian deputy foreign minister), Razov is not a “China hand,” as was his predecessor Igor Rogachev, who had held the position for 13 years. His Chinese major from the elite Moscow State Institute of International Relations and service as a junior officer in the Russian Embassy in Beijing in the mid-1970s, however, are essential credentials for taking over from the 73-year old Rogachev, for whom the Chinese have developed much respect.

SCO: leaps and limitations

Both the spirit and words of the Moscow declaration were reflected in the workings of the Shanghai Cooperation Organization in the third quarter. The final declaration at the July 5 annual summit in Astana, Kazakhstan, states that the international community needs to go beyond the scope of ideology and different social systems, so as to create a new security concept based on mutual trust, mutual benefit, equality, and coordination; and that multilateral cooperation based on equality and mutual respect, non-interference in internal affairs of sovereign states, nonconfrontation thinking, and progressive movement toward democratization in international relations promote global peace and security.

Beyond this high-principled rhetoric, the SCO made during the third quarter the two most significant moves since its founding in 2001. The first was to officially admit India, Iran, and Pakistan as observers. Before this, only Mongolia was granted the status in 2004. With an additional 1 billion people, the SCO now boasts to cover about half the world’s population.

The enlarged scope of the regional security mechanism, however, may not contribute to operational efficiency, given the diverse national interests among members and observers. The decision to grant the three nations observer status without full membership, however, will minimize SCO “growing pains” while maintaining the momentum of development. In principle, SCO membership and observer status do not have geographical limits. The main criterion is that any applicant should be prepared to adopt a respectful attitude toward the SCO and be interested in cooperating with it. At the time of the Astana summit, even the possibility of forming an SCO-Afghanistan “contact group” was explored so as to link the organization with the troubled Central Asian state, which, despite the end of the Taliban regime and the heavy NATO presence, continues to be a major source of religious radicalism, instability, and illegal drug trafficking.

SCO enlargement was somewhat anticipated, which was approved in principle by the SCO foreign ministerial meeting in early June. It was quite “unexpected,” however, that the final declaration of the annual summit included a statement calling on the countries of the antiterrorist coalition in Afghanistan to set final deadlines for the temporary use of their infrastructure facilities and for the presence of military contingents on the territories of SCO countries. “Considering the completion of the active military phase of the antiterrorist operation in Afghanistan, the member states of the SCO regard it as essential that the relevant members of the antiterrorist coalition set final deadlines for the temporary use of the said infrastructure facilities and for the presence of military contingents on the territories of the member countries of the SCO,” said the final declaration by the SCO leaders.

The “consensus” to end U.S. military bases was reached after a rather “emotional” speech by Uzbekistan President Islam Karimov, who referred to the political chaos of his nation a few months before as “managed destabilization” with “a far-reaching geopolitical plan whose aim is the domination of Central Asia.” It was unclear how Karimov’s appeal was translated into the final declaration. President Hu seemed to endorse the SCO base-ending statement only in broad terms. “The peoples of Central Asia have the right to choose their own way of development according to the particularities of their countries,” Hu was quoted as saying. The day after the SCO summit, Moscow appeared to be distancing itself from the initiative as Kremlin officials “categorically” denied that Moscow took part in preparing this proposal. Furthermore, Russian officials at the summit pointed out that “no one is giving anybody ultimatums.”

The statement, therefore, emerged with SCO’s collective cover, presumably to free any member state from being “responsible” for initiating this “anti-American” move. Indeed, the same final declaration also makes clear that members of the regional security mechanism “support and will continue to support the efforts of the international coalition conducting the antiterrorist operation in Afghanistan. We currently note positive dynamics in stabilizing the internal political situation in Afghanistan.” The document also points out that SCO was to combine efforts in the campaign against new threats, but stressed that this did not mean that new blocs are appearing.

In hindsight, it is unclear just how binding the SCO’s “collective” decision to end U.S. basing in its member states’ territories is. Following a trip by U.S. Defense Secretary Donald Rumsfeld to central Asia in late July, Kyrgyzstan essentially reversed its position by continuing U.S. air basing arrangements (Manas Air Base outside the Kyrgyz capital). Uzbekistan, however, is

following through the SCO call with a six-month deadline for the U.S. to withdraw from its Karshi-Khanabad Air Base. Regardless, some Russian media went as far as to say that the demand, or proposal, for the U.S. to end their bases was “not serious.”

The SCO’s “bold moves,” however, may not necessarily mean strengthening its operational abilities. In many respects, the regional security forum seems to continue to suffer from a lack of real action and practical means in dealing with various issues. For instance, the seven documents signed in Astana this time included an antiterrorist “blueprint” defining the basic aims, tasks, principles, directions, and forms for cooperation, as well as a mechanism for implementation. This was done four years after its official founding in 2001 and one-and-a-half years after the two permanent bodies of the SCO – the Secretariat in Beijing and the Regional Anti-terrorist Structure (RATS) in Tashkent – were initiated in early 2004 with the very purpose of fighting terrorism, separatism, and extremism. Still, the blueprint does not specify what constitutes terrorism in practical terms. At the end of the quarter, SCO law enforcement institutions were still working on the issue. Thus far, action boils down to developing a “most wanted list” of specific individuals and groups so that security agencies of the SCO states can track them down with more efficiency.

As a result of these deficiencies, Chinese President Hu categorically stated that the SCO’s future depended on whether members could translate consensus into action and render plans into reality, and that members should strive to translate the organization’s potential into results. While referring to SCO’s main function of fighting terrorism, Hu appeared to focus more on the economic side of the organization by calling for deeper economic cooperation and integration. For this purpose, Hu pledged to offer even more preferential terms for the \$900 million in buyers’ export credits it promised SCO members at the Tashkent summit last year. Additionally, the Chinese president said that China had set aside a special fund for the training of 1,500 people from other SCO member countries within the next three years. Largely with China’s initiative and coordination, the SCO is close to making major decisions regarding setting up a development fund, a business council, and an inter-banking system.

The Chinese lost no time in following up Hu’s words. Deputy Prime Minister Wu Yi took a 10-day “working tour” of Kazakhstan, Uzbekistan, Turkmenistan, and Tajikistan July 12-22, leading to a number of loans and grants to these states: \$300 million to Kazakhstan; \$47.3 million to Uzbekistan, which already received \$1.5 billion of loans from China in late May; \$24 million to Turkmenistan; and \$19.3 million to Tajikistan.

For his part, Russian President Putin emphasized that the “pre-emptive principle” should be applied in the fight against terrorism. “I believe that the adoption of a concept like this is a very useful and timely move. The new threats are transnational...and that they are not faceless. There are contractors and executors and it is our task not only to find these people and neutralize them,” argued the Russian leader. The phrase “pre-emptive principle,” however, seemed not solely related to military measures. The final declaration of the SCO summit reads, “It is an urgent task to present unanimous methods and proposals as well as to adopt preventive measures [emphasis added] and conduct related explanations among the people in order to resist attempts to mislead the public opinions. The member states will actively expand cooperation in education, culture, sports, tourism and other fields within the framework of the SCO.” Russia’s thinking

about some military mechanism for the SCO, however, was rekindled during the Sino-Russian joint exercise in August. Russian sources were actively toying with the idea of a SCO with “military components” in the future. The Russian-China drill was conducted within the framework of the SCO and was observed by defense ministers of all SCO members.

War games and a war of nerves

The Sino-Russian military exercise, *Peace Mission 2005*, was the first ever between the two nations. Starting from Russia’s Pacific outpost of Vladivostok Aug. 18, nearly 10,000 Russian and Chinese troops went through an eight-day, three-stage war game along China’s northeastern coastline, which was not seen even in the Sino-Soviet “honeymoon” of the 1950s. In the last phase of the drill, Russian Defense Minister Sergei Ivanov joined his Chinese counterpart Gen. Cao Gangchuan in Qingdao, Shandong Province, together with defense ministers from SCO member states.

On the record, the joint drill was “antiterrorist” in nature, an all-purpose and convenient cover for almost all state activities in the post-9/11 world. The actual components of the Sino-Russian exercises – beach landings, parachuting, blockades at sea, dropping depth charges, firing anti-ship missiles from submarines, precision-guided bombing from strategic bombers, etc. – however, were certainly oversized and looked like overkill. One does not have to question the locations of the joint exercise, which were far removed from land-locked Central Asia where the SCO exercises jurisdiction. While some PRC commentators went as far as to suggest that the terrain of the exercise areas was similar to Taiwan’s coast, the Russian media toyed with the idea of a joint occupation of North Korea, if necessary.

Despite the repeated public statements from the two continental powers that their drills did not mean to imply a threat to any third party, few in the region believed them. Through diplomatic and military channels, the U.S. and its “littoral” allies urged Russia and China to reduce the scope of the exercise or even to cancel it altogether. China and Russia, nonetheless, went ahead. On Aug. 19, Secretary of State Condoleezza Rice delivered an unusually sharp criticism of China’s economic practices, while expressing concerns about China’s military buildup as “outsized for its regional interests.”

While the Chinese and Russians were synthesizing their units and hardware, the U.S. and its allies – declared (Japan and South Korea) and *de facto* (Taiwan) – were not only watching closely, but also matching the Sino-Russian drill with their own, and much larger, maneuvers. On Aug. 7-13, the U.S. Pacific Command held its *Joint Air Sea Exercise 2005 (JASEX ‘05)* by its forces in Okinawa and Guam. This largest joint exercise outside the U.S. of the year involved more than 10,000 troops, more than 100 warplanes, and the *USS Kitty Hawk* carrier strike group. On Aug. 22, South Korea and the U.S. kicked off the 12-day *Ulchi Focus Lens 2005* exercise, drawing 10,000 U.S. and an undisclosed number of South Korean troops. Just one day before the Sino-Russian exercise, Taiwan staged a “routine” exercise to “repel” a simulated invasion by the mainland. A joint U.S.-Japan exercise –*Yama Sakura* – is scheduled in early 2006.

The Russia-China *Peace Mission 2005* exercise was at the center of a war of words and nerves that drove East Asia apart along an emerging fault line between continental and maritime powers. India, another “continental” power, is said to be keenly interested in a trilateral exercise with Russia and China next year. And Chinese Defense Minister Cao Gangchuan, while visiting Russia in September, asked President Putin to have more exercises of this kind in the future. Other SCO member and observer states expressed their desire for more direct and more extensive participation in future multilateral exercises within the context of the SCO.

These developments, and others, occurred at a time when both China and Russia had traveled far from their communist legacies. Perhaps more than at any time in their respective histories, the two countries are closely integrated into the existing international system dominated by the West, particularly the U.S. Indeed, it is against the core interests of both nations to form a military alliance at the time when the rise and rebirth of China and Russia require continuous intercourse with the capitalist world market.

New and different phase of mil-mil relations?

In bilateral terms, the joint exercise was in many respects an outcome of a much expanded military-military (mil-mil) relationship, which, ironically, has been rather lopsided toward confidence building and Russian arms sales to China. The two militaries do not share much of their operating principles and military doctrines despite their “strategic convergence” at the highest level of their civilian leadership. Nor do the militaries of the two nations have any idea how their multi-service and high-tech units and weapon platforms would interface, let alone coordinate, with one another. Perhaps most of the officers and men of the two sides are more comfortable conferring in English than in each other’s language. With several smaller drills in the past few years along their border regions and within the SCO context, the two sides finally reached an agreement at the end of 2004 to stage an upgraded maneuver. The months leading to the drill, however, were by no means smooth as both sides bargained over the format, scale, components, locations, and sequences of the exercise. In contrast, the numerous maneuvers between the U.S. and its Asian allies are far more integrated. The U.S. dominance in alliance relations, too, ensures operational efficiency of those drills and interoperability of militaries in real time.

Beneath the publicized highly positive statements from both sides over the exercise were not-so-overlapping goals. Beijing is obsessed with Taiwan. Russian Defense Minister Ivanov, however, publicly stated during the exercise that Russia’s joint war game with China did not mean Russia “is prepared to be involved in joint combat operations with China.” If “weapons-but-no-war” is Moscow’s bottom-line, it makes sense for Russia to offer only “sufficient” forces (1,800 vs. China’s 7,000) and carefully chosen weapons systems. “We are not putting up everything we have for sale,” said a high-ranking source in the Russian Defense Ministry. “The main thing is not to damage one’s own security.” The choice of involving *Tu-95* and *Tu-22* strategic bombers in the drill was to turn these aging platforms into some profit rather than eventually scrapping them. Meanwhile, Russia’s newer *Tu-160* never showed up in the war games. It is unclear what exactly the Chinese would like to obtain from Russia. China may purchase a few relatively advanced *Tu-22 Backfire* strategic bombers as a step toward technology transfers for possible license-production of the *Tu-22* in China. That, however, may take a decade to start and cannot

be done without many Russian components. The optimal choice for the Chinese military is to have the *Tu-160*, the top of the line among Russian strategic bombers. Although this is almost impossible, the Chinese defense minister tossed out questions regarding specifics of the *Tu-160s* during his inspection of the *Tu-95* and *Tu-22* strategic bombers after the exercise.

The August drill was done when there was seemingly never-ending Russian weapon sales to China. The reality is that in the next few years, many of the large procurements from China will be delivered. The “bulk” sales – hundreds of *Su*-series fighter-bombers and dozens of naval surface and underwater weapon platforms such as *Kilo*-class submarines, which has been “normal” in Russian’s sales to China until recently – are unlikely to be repeated. Meanwhile, the end of the EU arms embargo against China appears to be a matter of time. Last if not least, China’s domestic arms industry is fast catching up, filling some obvious gaps between Chinese products and their more advanced foreign equivalents. The timing of the drill in August was therefore crucial for the transition toward a different type of weapons sale mechanism to China. The fact that many Russian weapon systems used in the exercises – including *Tu-95MC* and *Tu-22M3* strategic bombers, *A-50* radar aircraft, *Il-78* tanker, *Su-24MK* frontline bomber and *Su-27CKM* multipurpose single-seat fighter – were left for display in China for several days after the exercise served Russia’s commercial interests.

Moscow’s effort was paid off a few weeks after the drill when China placed a \$1 billion order for 40-some *Il-76* and *Il-78* (oil tanker) transport planes from Russia. The two sides reportedly also discussed the possibility of upgrading China’s *Su-27* to *Su-27SM*, which has characteristics equivalent to the latest *Su-30* fighter but is significantly cheaper.

The deals were made during Defense Minister Cao’s visit to Russia on Sept. 5-9 for the 12th regular session of the two countries’ commission on military-technical cooperation that was held in Moscow (Sept. 6 when the two sides discussed “strategic questions”) and the Black Sea resort of Sochi in southern Russia (Sept. 8 when they focused on “technical” issues). The Sochi session was clearly arranged as a weapons sale promotion party as Defense Minister Ivanov was accompanied by several Russian military-industrial heavyweight CEOs: Mikhail Dmitriyev, director of the Federal Military Cooperation Service, Sergei Chemezov, director general of the Rosoboronexport state-owned arms trading company, Mikhail Pogosyan, director general of the Sukhoi aircraft holding company, and Vladislav Menshchikov, director general of the Almaz-Antei air defense consortium.

To soften the atmosphere and “sweeten” the deal, a special “presidential” treat was arranged: the Russian-trained Chinese defense minister joined Putin in an informal session. The Russian-speaking Cao, who was trained in the early 1950s in Soviet military academy, is among a fast dwindling number of top officials in China. For his part, Putin tried to relax the Chinese defense minister by offering both beer and reciprocating his Chinese guest with the title of “comrade.”

It was not the first time that the Russians and Chinese referred to each other with the once ubiquitous title of “comrade.” No one at the Sochi party, however, believed that the “good/bad old days” of the former Soviet Union and Mao’s China would return. Ideology has ceased to be an operating factor between Moscow and Beijing. The familiar reference of “comrades” this

time, however, seemed to be somewhat more appropriate after the unprecedented military exercise, new military sales to China, and the prospect of more, and perhaps bigger, exercises.

Elevated relations between Moscow and Beijing also occurred against the backdrop of the 60th anniversary of the end of World War II. A series of commemorations in China and Russia in the third quarter joined by both sides not only marked the final fading away of the “greatest generation” in the two nations, but also, ironically, ushered in the old specter of the Cold War-style division between Russia and China on one side and Japan and the U.S. (and Taiwan?) on the other. It remains to be seen how the geostrategic games in East Asia will be played out.

Chronology of China-Russia Relations July-September 2005

July 1, 2005: Deputy Chief of the General Staff of the Chinese People’s Liberation Army Xu Qiliang meets in Beijing with Director Shertsev of the Russian Army’s Corps of Engineers and his party.

July 1-3, 2005: Chinese President Hu Jintao continues official visit to Russia with formal talks in the Kremlin July 1 after an informal dinner at Putin’s dacha on June 30.

July 5, 2005: The Shanghai Cooperation Organization (SCO) holds its annual summit in Astana, Kazakhstan, focusing on the issue of stability in Central Asia. India, Iran, and Pakistan are officially accepted as SCO observers.

July 6-11, 2005: Qian Qichen, honorary Chinese chair of the Sino-Russian Committee of Friendship, Peace and Development (SRCFPD), visits Russia. He meets Russian Security Council Secretary Igor Ivanov and attends a ceremony for publishing the Russian version of his book *Ten Accounts of Diplomacy* at the Chinese Embassy.

July 8, 2005: Wang Jiarui, head of the International Department of the Chinese Communist Party (CCP) meets Vladimir Zhirinovskiy, chairman of the Liberal Democratic Party of Russia and vice chairman of the State Duma. Zhirinovskiy also meets Wu Bangguo, chairman of the Standing Committee of the National People’s Congress.

July 20, 2005: Fifth session of the Russian-Chinese subcommission on health care held in Dalian. Vyacheslav Prokhorov, head of the Russian Federal Agency for Health Care and Social Development, leads the Russian group. Cooperation in areas of fighting fake medicines to Russia protocol is signed, attracting Chinese investment in the production of high-tech medical equipment in Russia, Russia’s role in medical service at the Olympic Games, and maintaining a stable epidemiological situation in border regions.

July 21, 2005: Russian Transport Minister Igor Levitin goes to Beijing to prepare for regular meetings between Russian and Chinese prime ministers. Issues include oil delivery to China, China’s investment in Moscow-St. Petersburg highway and port facilities, new cargo and passenger air routes, container shipments through Russia, etc.

Aug. 6, 2005: Gen. Zhang Li, deputy chief of the General Staff of the Chinese People's Liberation Army (PLA), meets in Beijing a Russian military goodwill delegation led by Commander of the Moscow Military District Gen. Pagin.

Aug. 9, 2005: Operations group of the Russian Defense Ministry, headed by first deputy commander of the Russian Ground Troops Col. Gen. Vladimir Moltensky arrives in Qingdao to organize the joint military exercise *Peace Mission 2005*. The group also includes Russian Pacific Fleet commander Adm. Vladimir Fedorov.

Aug. 12, 2005: China and Russia hold annual session of the sub-commission for trade and business cooperation responsible for the regular prime ministerial meeting.

Aug. 13-29, 2005: Chinese Academy of Sciences and the Irkutsk Center at the Siberian branch of the Russian Academy of Sciences conduct their first joint scientific expedition – the China-Russia Baikal Comprehensive Scientific Expedition 2005.

Aug. 18-25, 2005: China and Russia conduct their first joint military exercise, *Peace Mission 2005* in China's Shandong Peninsula with 2,000 Russian and 8,000 Chinese troops.

Aug. 20, 2005: New Russian Ambassador to China Sergei Razov arrives in Beijing.

Aug. 24, 2005: Russian-Chinese subcommission for research and technology cooperation hold ninth session in Moscow. A Russian press release said the program involves 172 joint projects.

Sept. 1, 2005: Chinese military delegation headed by the PLA Deputy Chief of the General Staff Ge Zhenfeng, starts official visit to Russia, Denmark, and Hungary.

Sept. 3, 2005: Russian President Putin makes phone call to Hu, congratulating him on the 60th anniversary of the end of World War II. Hu praised the Soviet Red Army's role in defeating Japan. They also discuss Russian-Chinese military exercises (Aug. 18-25).

Sept. 5-6, 2005: Chairman of the Russian Supreme Court Vyacheslav Lebedev visits Beijing to join the Congress on International Law. He meets President of China's Supreme People's Court Xiao Yang.

Sept. 5-9, 2005: Chinese Defense Minister Cao Gangchuan visits Russia for the 12th regular sessions of the intergovernmental commission on military-technical cooperation held in Moscow (Sept. 6) and Sochi in southern Russia (Sept. 8). Cao meets Russian PM Mikhail Fradkov in Moscow and Pres. Putin in Sochi on Sept. 7.

Sept. 6, 2005: The subcommission on nuclear issues of the Russian-Chinese commission preparing regular meetings between the Russian and PRC prime ministers holds its ninth session in Moscow.

Sept. 8, 2005: Wu Bangguo, chairman of the Standing Committee of the NPC, and Boris Gryzlov, president of the Russian State Duma, meet in New York City on the sidelines of the 2nd World Conference of Speakers of Parliaments.

Sept. 14, 2005: Presidents Putin and Hu meet in New York City during 60th UN General Assembly (UNGA).

Sept. 20, 2005: Russian Foreign Minister Sergei Lavrov meets Chinese counterpart Li Zhaoxing on the sidelines of UNGA.

Sept. 21, 2005: The Far Eastern Institute of Russia's Academy of Science holds a conference on the 40th anniversary of the founding of China's Tibet Autonomous Region.

Sept. 21-22, 2005: China's Deputy Chief of General Staff Xiong Guangkai and Deputy Chief of Russian General Staff Aleksandr Skvortsov hold ninth round of military consultations in Moscow. Xiong meets Chief of Russian General Staff Yuri Baluyevsky.

Sept. 23-26, 2005: Russian Federation Council Speaker Sergei Mironov pays official visit to China to mark the initiation of regular parliamentary exchanges.

Sept. 24, 2005: Law enforcement officials from the SCO member states meet in Tashkent to discuss compilation of a common database of terrorist, separatist, and extremist organizations.

Sept. 24-30, 2005: Former KMT Chairman Lien Chan conducts a six-day private visit to Russia.

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 most recently 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, news weeklies, 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.

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) (Columbia University Press, 2003).

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).

Ronald N. Montaperto is a visiting professor of Political Science at East Carolina University and a consultant on Asian affairs. He was dean of Academics at the Asia-Pacific Center for Security Studies. Previously, he was the senior research professor at the National Defense University. He has served on the faculty of the Political Science Department at Indiana University-Bloomington, director of East Asian Studies at Indiana University, the Henry L. Stimson Chair of Political Science at the U.S. Army War College, and the chief of Estimates for China at the Defense Intelligence Agency. He frequently appeared as a guest analyst of Chinese and Asian affairs, and was a professional lecturer in Political Science at the George Washington University. He has published four books and numerous articles on Asia security issues, Chinese foreign and national security politics, and Chinese domestic politics. Dr. Montaperto earned his PhD in Political Science from the University of Michigan.

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. 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 during 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 during 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.

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/>