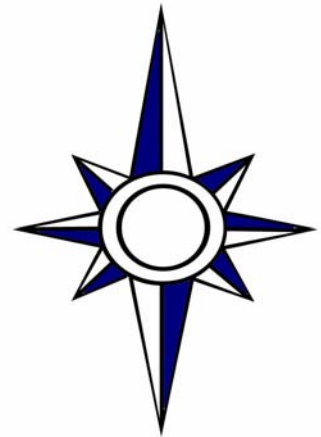




Pacific Forum CSIS



Comparative Connections



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

edited by

Brad Glosserman
Sun Namkung

2nd Quarter 2005
Vol. 7, No. 2
July 2005

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Pacific Forum CSIS

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

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A Quarterly Electronic Journal on East Asian Bilateral Relations

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

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

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

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by Brad Glosserman, Pacific Forum CSIS

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by Bonnie S. Glaser, CSIS/Pacific Forum CSIS and Jane Skanderup, Pacific Forum CSIS

America’s grievances with China mounted this quarter, signaling a likely end to the post-Sept. 11 honeymoon in Sino-U.S. relations. The Bush administration stepped up pressure on Beijing to appreciate its currency, hoping to fend off criticism that China is stealing U.S. jobs and unfairly creating a massive trade surplus with the United States. Washington leaned harder on Beijing to apply economic and diplomatic pressure on North Korea to rejoin the Six-Party Talks. China’s military buildup also came under sharper criticism, along with human rights abuses, suppression of political dissent, and foot-dragging on implementation of political reforms. Mindful of the benefits to the U.S. of cooperation with China and the dangers of full-blown strategic competition with China, President Bush and his Cabinet members attempted to keep the bilateral relationship on an even keel while urging Chinese leaders to make their policies more compatible with U.S. national interests.

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

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

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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

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by Scott Snyder, Pacific Forum CSIS/Asia Foundation

The torrid growth in China-ROK bilateral trade relations has slowed by half in the first part of 2005 after expanding by almost 40 percent to \$79.3 billion in 2004. Nonetheless, South Korean firms are working with their government to lobby for expanded access to China’s domestic market. Presidents Hu Jintao and Roh Moo-hyun met briefly on the sidelines of a ceremony commemorating the end of World War II in Moscow, and Foreign Ministers Ban Ki-moon and Li Zhaoxing also met on the side of an Asia-Europe Meeting for consultations on the North Korean nuclear issue, including a “balanced” rebuke to both the U.S. and DPRK for exchanging vituperative rhetoric instead of face-to-face negotiations. Despite extensive China-DPRK diplomatic activity in early April, including a visit to Beijing by Kim Jong-il’s trusted advisor Vice Minister Kang Sok-ju, the DPRK, at quarter’s end, had still not set a date for resuming its participation in the Six-Party Talks.

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

Throughout the quarter, history demonstrated its power over the Japan-China relationship. There were anti-Japanese riots, Vice Premier Wu Yi’s snub of Koizumi, and June debates over Yasukuni and China policy within the Liberal Democratic Party and governing coalition. The past influenced the present and future as sovereignty issues over the Senkaku islands and East China Sea were caught up in surging nationalisms in both countries. The Japanese prime minister’s visits to Yasukuni Shrine touched almost every aspect of the relationship. Even traditionally robust commercial and economic ties wobbled. At the end of the quarter, three Chinese residents of Guangzhou city were afflicted by poison gas leaking from shells abandoned by the Japanese Imperial Army and Chinese authorities in Dalian confiscated Japanese textbooks intended for the local Japanese school for inappropriate references to Taiwan.

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

North Korea and history dominated Japan-Korea relations this quarter. Little progress toward resolution was made on either issue. In dealing with North Korea, Japan continued to mull sanctions or other measures against the North, although the government did not take any actions toward that end and Prime Minister Koizumi publicly disavowed sanctions in early June. In mid-June, South Korean President Roh Moo-hyun and Koizumi met in Korea for a summit that failed to bring any progress on the range of issues, from the disputed Tokdo/Takeshima territory to Yasukuni Shrine visits and how Japan's middle-school textbooks treat the past. On the economic front, Japan and South Korea continued to deepen their relationship, but increasing economic interdependence has not dampened political disputes.

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by Yu Bin, Wittenberg University

Past, present, and prospect were played out in the second quarter of 2005 when Russian and Chinese leaders commemorated the 60th anniversary of Russia's victory (May 9, 1945) in World War II, mended fences in Central Asia in the wake of a surge of "color revolutions" in Ukraine and Kyrgyzstan, and toyed with the idea of a multilateral world order with a Russia-China-Indian trio in Vladivostok. The quarter ended with President Hu Jintao's state visit to Russia, which aimed to take the strategic partnership to a new height. Meanwhile, Russian and Chinese generals were hammering out details of their first-ever joint exercises in eastern China to be held in the third quarter. Meetings of the Shanghai Cooperation Organization provided opportunities for policy coordination and competition.

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Regional Overview:

Mixed Signals, Mixed Results

Ralph A. Cossa
Pacific Forum CSIS

The North Koreans stayed away from the Six-Party Talks again this quarter, citing “mixed” and “confusing” signals from Washington as their main reason for not resuming the dialogue. Meanwhile, Washington was sending mixed signals to Asia in general and to China in particular. Deputy Secretary of State Robert Zoellick had a successful trip through Southeast Asia, reassuring the ASEAN states about Washington’s continued commitment to the region, a message somewhat undercut at quarter’s end when it was revealed that his boss, Secretary of State Condoleezza Rice, would likely not make her scheduled first appearance at the ASEAN Regional Forum (ARF) ministerial meeting in Vientiane in late July. Secretary of Defense Donald Rumsfeld also sent mixed signals to China during his second appearance at the Shangri-La Dialogue in Singapore in early June, welcoming an emerging China “committed to peaceful solutions” as “an important new reality” while raising questions about the extent of its military build-up, since “no one threatens China.” There were also mixed signals from within ASEAN as to whether or not Burma/Myanmar would forego its chairmanship of ASEAN in mid-2006, amid mixed predictions as to the impact of Rice’s absence on this decision. Preparations also continued for this December’s first East Asian Summit (EAS) with more attention focused on who will attend than on what is to be accomplished.

North Korea: still ‘confused’?

At quarter’s end, all sides seemed hopeful that Pyongyang would soon return to the Six-Party Talks. But, then again, all sides were hopeful that this would take place this past quarter as well, only to once again be disappointed. On the plus side of the ledger, U.S. President George W. Bush and ROK President Roh Moo-hyun did have a successful summit meeting in Washington in early June, with the ROK president strongly echoing Washington’s long-standing call for Pyongyang to make a “strategic decision” to give up its nuclear weapons and rejoin the talks without preconditions and the U.S. president agreeing to tone down his rhetoric – he has since refrained from using the “T” word (“tyrant”). President Bush even referred to the North’s Dear Leader twice as Mr. Kim Jong-il, a modest symbol of respect (but probably the most one could hope for).

ROK Minister of Unification Chung Dong-young also reportedly advised Chairman Kim to make the “strategic decision” to give up his nuclear weapons during their long sought-after (by Chung) first face-to-face meeting during fifth anniversary celebrations of former ROK President Kim Dae-jung’s historic summit meeting with Kim Jong-il in Pyongyang in mid-June. Minister Chung has predicted that the talks will resume shortly . . . but, then again, various Seoul officials have made the same prediction almost weekly for the past 12 months.

Pyongyang continues to declare that it is ready to resume dialogue, once conditions are mature, but has yet to define just exactly what this means. Its demand that it be treated as an “equal” seems to be acceptable to Washington, if by equal it means as a sovereign state – Secretary Rice has gone out of her way to refer to Pyongyang’s sovereign status in recent months to underscore this point. Washington is not prepared, however, to treat Pyongyang as a nuclear weapons state or to enter into “disarmament talks” as demanded by Pyongyang, so treatment “as an equal” could still be problematic, depending on how Pyongyang chooses to define the term.

Even more troublesome are repeated calls for an apology from Secretary Rice for having the audacity to refer to North Korea as an “outpost of tyranny.” While many (myself included) have urged Washington to refrain from name-calling (as much to convince our partners that we are serious about negotiating as to avoid irritating the North), Dr. Rice has made it clear that she will not apologize for “telling the truth.” Pyongyang’s repeated demand that Japan be dropped from the mix also remains unacceptable to Washington. Unfortunately, it resonates somewhat more favorably in Seoul and Beijing, given their continued travails with Tokyo during the quarter. This represents another example of Pyongyang’s “divide and conquer” tactics aimed at creating or deepening schisms among its other five interlocutors.

By quarter’s end, Beijing seemed to be running out of patience as Pyongyang continued playing hard to get. As one Chinese official noted at a recent off-the-record track-two session on the North Korea nuclear crisis, the time has come for Pyongyang to more clearly and realistically explain just what it really wants; it needs to explain what would make conditions right for its return to the negotiating table. U.S. and Japanese interlocutors appear less patient, stressing that the time to return to talks, without preconditions, is long past due. While Washington remains committed to a diplomatic solution, it has made it clear that going to the United Nations Security Council (UNSC) remains one of the tools that remains in its diplomatic toolbox; how much longer Seoul and, more importantly, Beijing and Moscow (who can veto such an effort) oppose such a move remains to be seen.

In this author’s opinion, Pyongyang should not be too confused by the signals it is receiving from Washington. The signals have been clear and consistent. One message is “we don’t like you; we don’t like your system, your style of government, or the way you treat your people.” This is not likely to change, even if the name-calling stops. The other message is, “despite this fact, we are prepared to negotiate a settlement to the crisis and tolerate the existence of the current North Korean regime.” If North Korea is looking for a negotiated settlement which will swap its nuclear weapons programs for economic benefits and security assurances, the road ahead looks promising, provided Pyongyang makes the strategic decision to go in this direction. If it first wants Washington to like (or worse yet show admiration or respect for) its regime, leader, or way of government, it’s going to be a long, hot summer.

Sweeter carrots, stronger sticks needed

It seems clear to this author that if the other five dialogue partners (Washington, Seoul, Tokyo, Beijing, and Moscow) are serious about getting Pyongyang back to the negotiating table, they will need to more effectively speak with one voice in dealing with the North. All have sent one

consistent message this past quarter, which appears to have been heard: “do not conduct a nuclear test.” Without necessarily spelling out the consequences, all have made it clear that they will not tolerate a nuclear test and that there would be consequences (most likely including UNSC action). Rumors, predictions, and leaked intelligence reports of imminent tests notwithstanding, thus far Pyongyang seems to have taken the message on board (presuming of course that it is indeed capable of conducting a test and that it is political, not technical, considerations that are causing the restraint).

To date, however, there have been few if any consequences associated with Pyongyang’s decision, last quarter, to declare itself a nuclear weapons state or as a result of its continued refusal to come back to the talks. I would argue that both sweeter carrots and stronger sticks are needed to convince North Korea to return to the negotiating table and, more importantly, to give up its nuclear weapons once it returns to the talks. (Getting Pyongyang back to the table is an important, but by itself insufficient, first step in the denuclearization process; it is not an end in itself.) To get Pyongyang to seriously negotiate, it must be convinced that the benefits of cooperating outweigh the benefits of not cooperating and that the costs of not cooperating outweigh the costs of cooperating.

Washington and the others all seem to agree that rewards are in order if Pyongyang cooperates. All have signaled their willingness to provide significant economic benefits if and when North Korea starts down the path toward nuclear disarmament. Less recognized is the benefit Pyongyang sees in not cooperating. North Korea’s stonewalling continues to create tension between Washington and Seoul, with South Korea continually calling for increased U.S. “flexibility,” while generally resisting direct criticism of North Korea’s actions. A side benefit (from Pyongyang’s perspective) has been increased bickering between Washington and Beijing. As long as its refusal to negotiate continues to drive a wedge between Washington and Seoul/Beijing, it is in the North’s benefit not to cooperate.

The perceived cost of cooperating also needs to be lowered. Giving up its nuclear card deprives Pyongyang of its primary (perhaps only) bargaining chip – it will not do so without credible security assurances, including a U.S. commitment not to pursue regime change, since regime (read: personal) survival remains North Korean leader Kim Jong-il’s number one priority.

The area of greatest disagreement between Washington and the others (especially Seoul and Beijing) is over the costs (or lack thereof) of not cooperating. The prospect of even more benefits has not been sufficient to draw North Korea back to the table, especially since many of the benefits that it enjoyed prior to walking away have been sustained (if not increased) despite a year of stonewalling and unilateral escalation. To date, there have been little if any costs associated with North Korea’s decision to boycott negotiations or its even more egregious nuclear weapons declaration.

Sweeter carrots, by themselves, are not likely to persuade Pyongyang to return to the negotiating table, not when the benefits of not cooperating remain high and the costs of not cooperating remain so low. If the other five parties can agree both on sweeter carrots and stronger sticks, Pyongyang may finally conclude that it has more to gain from cooperating than from not cooperating . . .and something to lose if it continues to defy international norms of behavior.

Unless this occurs there is likely to be little progress, even if the Six-Party Talks themselves do resume next quarter. [For a more in-depth discussion on this issue, please see [PacNet No. 23, "North Korea: Cost Benefit Analysis,"](#) June 6, 2005] [Editor's note: On July 9, Washington and Pyongyang announced that the talks would resume on/around July 25.]

NPT review conference: no DPRK censure

Washington was also unsuccessful in its attempt to get a strong statement against North Korea's (and Iran's) nuclear aspirations during the May 2-27 Nuclear Non-Proliferation Treaty (NPT) 2005 Review Conference in New York. Participants failed to reach agreement on anything of substance; no final statement was issued. Many blamed a failure of U.S. leadership – Secretary Rice elected not to participate at all – and the double standards pursued by the U.S. (and the other nuclear weapons states), pushing for others to reject nuclear weapons without taking significant steps, in accordance with Article VI obligations, to eliminate existing nuclear arsenals. North Korea remains the only country to withdraw from the NPT, without penalty, after taking advantage of the NPT “loophole” to gain nuclear (including reprocessing) technology; another “no cost” venture by Pyongyang.

Zoellick's visit: reassuring ASEAN

In early May, Deputy Secretary of State Robert Zoellick traveled to Thailand, Vietnam, the Philippines, Indonesia, Malaysia, and Singapore to “lay the foundation for stronger ties with ASEAN in President Bush's second term.” In an effort positively described by the *Singapore Straits Times* as “a display of aggressive diplomacy,” Zoellick candidly, and by most accounts very effectively, laid out U.S. commitments and concerns, bringing with him new aid packages for tsunami relief and infrastructure development while underscoring “the need to continue to have intense efforts against terrorism” in the region. Not surprisingly, given his economic orientation and his former role as head of the U.S. trade representative office, he placed special emphasis on economic development and cooperation and the promotion of free trade. “I think if there is any core theme,” Zoellick explained in describing the purpose of his trip, “it's that we believe that it is in the broader Asian interest to have a strong, healthy, dynamic ASEAN.” The visit was covered widely throughout the region (if barely noticed by the Western press).

Zoellick demonstrated a degree of diplomatic finesse in dealing with the contentious issue of Burma/Myanmar's scheduled assumption of the ASEAN (and, by extension, ARF) chair in mid-2006. (Laos, as current chair, will host the July 2005 ARF meeting in Vientiane before handing the chairmanship to Malaysia, which would host the summer 2006 meeting before yielding the chair to Burma/Myanmar, alphabetically next in line.) While emphasizing Washington's desire to work closely with ASEAN, he noted that “If Burma is the chair next year, it will obviously tie our hands.” But, Zoellick noted, this was an issue “for the ASEAN countries to obviously decide,” demonstrating his understanding that much was being done behind the scenes and that overt U.S. pressure was likely to prove counterproductive.

While Zoellick's trip to Indonesia and the Philippines followed closely in the footsteps of visits there by Chinese President Hu Jintao, he denied that he was there to counter Chinese diplomacy, explaining that it was only natural for Washington to have its own “activist engagement with

Southeast Asia.” When asked directly if the U.S. wanted to check China’s growing economic and political influence, Zoellick responded that “it is entirely natural that China has grown and become more open in trade and finance. It will play a larger role in the region. It is wrong to suggest that this could be limited.” But he noted the “different dimensions” between the U.S. and China, pointing out, for instance, that “the U.S. demonstrated during the Dec. 26 tsunami that no country has the same global reach in our humanitarian and reconstruction contribution.” The U.S. remains the big kid on the block, Zoellick seemed to be implying, regardless of how big a shadow China may sometimes cast. As one senior Asian commentator noted, “in assessing Mr. Zoellick’s carefully-planned trip, the conclusion is that it definitely succeeded in raising the U.S. profile in the region.”

Condi an ARF no-show?

During his trip, Deputy Secretary Zoellick reportedly gave assurances that his boss, Secretary of State Condoleezza Rice, would emulate her predecessor’s perfect attendance record at the region’s premier security gathering, the annual ministerial-level ASEAN Regional Forum meeting involving the 10 ASEAN States (Brunei, Cambodia, Indonesia, Laos, Malaysia, Burma/Myanmar, the Philippines, Singapore, Thailand, and Vietnam) and their dialogue partners (Australia, Canada, China, the European Union, India, Japan, South Korea, North Korea, New Zealand, Mongolia, Pakistan, Papua New Guinea, Russia, and the U.S.). Apparently, he spoke too soon. On June 29, Dr. Rice reportedly informed ASEAN representatives in Washington that she would not be attending the late July meeting but would be represented instead by Mr. Zoellick.

The initial reaction was predictable. “Condoleezza Rice: Too busy to care about Southeast Asia?” read one news service headline. “The country’s top diplomat, Secretary of State Condoleezza Rice, apparently doesn’t consider the region important enough to warrant her personal attention,” cited one news report, opining that “for her to stay away in her first year as the top U.S. diplomat could even damage U.S.-ASEAN relations at a time when there are concerns about China’s growing influence in the region.” Another regional paper described the decision as “an unnecessary snub from America’s top diplomat during her first year in office.”

A senior policy analyst at the Heritage Foundation in Washington, a staunch Bush administration supporter, said, “ASEAN likes Zoellick, but if he can’t get Rice to attend the ARF, it will demonstrate that she doesn’t care much about Southeast Asia.” Making matters worse, from a Southeast Asian perspective, were reports (since confirmed) that Dr. Rice would be visiting Northeast Asia earlier in the month (with a side trip to Thailand being her only Southeast Asia stop). ASEAN Secretary-General Ong Keng Yong tried to put a positive spin on the news, stating that “Bob Zoellick knows the region well and he will do an excellent job.” He acknowledged, however, that “the Lao hosts are still trying to persuade her to attend,” further opining that her failure to appear “will be seen as unfortunate.” Unfortunately, the prospects of a decision reversal seem slim.

Rumsfeld's message: China is not a threat, but . . .

While Secretary Rice has yet to make her first trip to Southeast Asia, her Pentagon counterpart, Defense Secretary Donald Rumsfeld made his second visit to the annual Shangri-La Dialogue in Singapore this quarter. A quick read of the headlines would lead one to the conclusion that his remarks focused on the China threat. A review of his actual text would reveal a much more nuanced message, however. (Ironically, one senior diplomat in the audience asked Rumsfeld how he would respond to the predictable headline that his message was that China, not terrorism was the region's primary threat. He responded that "such a headline would be flat wrong." This did little to deter the headline writers, however.)

Rumsfeld noted that "China's emergence is an important new reality in this area. Indeed, the world would welcome a China committed to peaceful solutions and whose industrious and well-educated people contribute to international peace and mutual prosperity." He said that the U.S., and many others, "seek to cooperate with China in many fields – diplomacy, economics, global security." He even threw in a good word for multilateralism, noting that "multilateral engagement is vital" and that "China can be an important part of that cooperation." But he also noted that "a candid discussion of China, however, cannot neglect to mention some areas of concern." Among these areas of concern were China's continued military modernization program, its expanding missile capabilities, and its improved power projection capabilities, all made possible by "the third largest military budget in the world, and clearly the largest in Asia."

"Since no nation threatens China," Rumsfeld noted, "one must wonder: Why this growing investment? Why these continuing large and expanding arms purchases? Why these continuing robust deployments?" When asked point blank by a Chinese participant if he considered China to be a threat to the U.S., however, Rumsfeld said "no." He then repeated a phrase from his speech that reinforced one of the central messages of the Bush administration's second term: "Ultimately, China likely will need to embrace some form of more open and representative government if it is to fully achieve the political and economic benefits to which its people aspire."

In addition to promoting democracy, Rumsfeld also advocated open markets and free trade, spending almost as much time on the threat posed by "the specter of trade barriers" as he did on the North Korean threat. He did spend some time contrasting the "dynamism of free people and free markets" in the Republic of Korea with the "living hell" in the North, while urging Pyongyang to "embrace the openness and freedom that have helped so many of its neighbors thrive." Not surprisingly, he cited the U.S.-led Proliferation Security Initiative (PSI) and Maritime Security Initiative as among the important activities in which the U.S. and its regional partners were engaged.

All in all, Secretary Rumsfeld acquitted himself well during a spirited question and answer session, although his answers to several tough questions – (paraphrased) "If China's rate of military development is not right, what is the right rate?" "If China's military budget is too large, what does that say about the (10 times larger) U.S. military budget?" "How does one respond to the charge that the U.S. appears hypocritical when it tells others not to pursue nuclear weapons

while it conducts research on a new generation of ‘usable’ nuclear weapons?’ – were less than fully satisfactory.

China-Taiwan: the drama continues

Rumsfeld’s presence, along with that of at least 14 ministers/deputy ministers of defense helped to make the fourth Shangri-La Dialogue a resounding success. The annual event, arranged by the International Institute for Strategic Studies (IISS) in London, brings together, in an unofficial setting, senior-most defense officials who meet in plenary session with leading scholars and security specialists and privately with one another. Twenty-one countries sent official delegations to the 2005 Shangri-La Dialogue. China boycotted the 2004 dialogue due to the presence of one Taiwan academic. (Scholars from Taiwan, as elsewhere, participate in conference sessions in their private capacity, but are excluded from the separate “officials only” side meetings and working lunches.) This year, Beijing did send a five-person official delegation (along with two scholars), headed by Cui Tiankai, the very articulate but relatively junior director general of the Asia Department of the Ministry of Foreign Affairs, even though there were four Taiwan scholars present at the plenary sessions (listed as “other IISS members/guests” on the program).

Some hoped that this was a signal of some loosening of China’s diplomatic isolation campaign against Taiwan in the wake of the high-profile visits by two prominent Taiwan opposition leaders to Beijing, Koumintang (KMT) leader and former Vice President Lien Chan and People’s First Party (PFP) chief James Soong, this quarter. Opinions about the meeting varied deeply within the ruling Democratic Progressive Party (DPP), but Taiwan President Chen Shui-bian cautiously endorsed the visits, reportedly asking Soong to carry a personal note to Chinese President Hu Jintao. Washington initially applauded this cross-Strait initiative, but with the caveat that it should lead to dialogue with the elected government in Taiwan as well. As it became clear that Beijing seemed more interested in manipulating Taiwan domestic politics than in demonstrating the “flexibility” hinted at in last quarter’s Anti-Secession Law, Chen responded predictably, publicly inviting Hu to visit Taiwan “to see for himself whether Taiwan is a sovereign, independent country.” Beijing rejected the invitation and said it would have no exchanges with the DPP “because its party constitution advocates the separation of Taiwan from the motherland.”

Providing another signal that it was “business as usual” as far as cross-Strait flexibility was concerned, Beijing once again successfully pressured the World Health Organization to deny Taiwan long-sought-after observer status. China also continued to boycott the ASEAN ISIS Asia-Pacific Roundtable in Kuala Lumpur, presumably because ISIS refused to respond to what was considered an extremely condescending and arrogant note laying out the “rules” under which Beijing might be prepared to “allow” Taiwan participation in the region’s longest standing track-two security conclave.

U.S. military transformation continues; details remain sketchy

During Secretary Rumsfeld’s Shangri-La address, he also acknowledged that U.S. military transformation was still underway in the region and globally, “to confront the distinct threats of a

new and dangerous era.” He asserted that the benefits of transformation were made clear during the tsunami relief efforts: “the U.S. Navy’s emphasis on improving its surge capabilities, landing troops amphibiously, and supporting them indefinitely from the sea proved critical to sustaining the relief effort across the region and in saving lives.”

While transformation efforts on the Korean Peninsula have been spelled out previously – and involve the reduction of 12,500 ground troops between now and 2008 (with 3,500 already departed) and the consolidation of other forces in strategic hubs south of Seoul – details of moves elsewhere in the Asia-Pacific region have been less clear. Rumsfeld provided few new details, pointing only to “a repositioning of U.S. forces worldwide that will significantly increase our capabilities in support of our friends and allies in this region.” However, a long-time defense correspondent, Richard Halloran (formerly at the *Washington Post* and *New York Times*, and currently a freelance journalist and Pacific Forum adjunct fellow), citing U.S. defense officials in Washington, at the Pacific Command in Hawaii, and in Asia, reported this quarter that DoD has fashioned a plan “intended to strengthen the operational control of the Pacific Command, enhance forces in the U.S. territory of Guam, tighten the alliance with Japan, and streamline the U.S. stance in South Korea.”

While noting that “no firm decisions have been made,” Halloran described the planned realignment as follows:

ARMY: The U.S. Army headquarters in Hawaii will become a war-fighting command to devise and execute operations rather than one that merely trains and provides troops to other commands. The U.S. four-star general’s post in Korea will be transferred to Hawaii. The 1st Corps at Fort Lewis, Washington, will move to Camp Zama, Japan, to forge ties with Japan’s ground force. In South Korea, the U.S. plans to disband the 8th Army, to relinquish command of Korean troops, and to minimize or eliminate the United Nations Command set up during the Korean War. A smaller tactical command will oversee U.S. forces that remain in Korea, which will be down to 25,000 (from 37,500) in 2008. (Halloran opined that this currently agreed upon number may be cut even further since Seoul “has denied the U.S. the ‘strategic flexibility’ to dispatch U.S. forces from Korea to contingencies elsewhere.”)

MARINE CORPS: The Marines will move the headquarters of the 3rd Marine Expeditionary Force (III MEF) to Guam from Okinawa to reduce the friction caused by the U.S. “footprint” on that Japanese island. How many Marines would move was not clear, but combat battalions will continue to rotate to Okinawa. Halloran noted that some U.S. officers were displeased with this move “because local politics rather than military necessity dictated the move,” although others saw some advantage, in terms of operational flexibility, to having III MEF in Guam.

AIR FORCE: In May, the 13th Air Force moved to Hawaii from Guam as part of the effort to transform the Pacific Air Forces into “an air operations center and war-fighting headquarters that serves the entire Pacific region.” The Air Force reportedly also plans to establish a strike force on Guam that will include 6 bombers and 48 fighters rotating there from U.S. bases. In addition, 12 refueling aircraft essential to long-range power

projection will be stationed in Guam, along with three Global Hawk unmanned reconnaissance aircraft. In Japan, the USAF appears willing to share Yokota Air Force Base, west of Tokyo, with Japan's Air Self-Defense Force but has resisted opening the base to civilian aircraft, despite demands from Tokyo Gov. Ishihara Shintaro for such rights.

NAVY: Three Pacific fleet attack submarines have already moved from Pearl Harbor to Guam to put them closer to the Western Pacific. Plans apparently remain afoot to transfer an additional aircraft carrier from the Atlantic to the Pacific, although its home base has not been decided – Hawaii and Guam are reportedly both in the running. It is still not clear if the *Kitty Hawk*, the conventionally powered aircraft carrier currently based at Yokosuka, Japan, will be replaced by a nuclear-powered carrier when it is retired in 2008 – some Japanese politicians would prefer the last of the conventionally powered carriers, the *John F. Kennedy*.

Halloran cautioned that these long-term (three-to-five years) moves are not yet etched in stone and could change; some are subject to continued negotiation and agreement with host nations. Defense officials have not publicly confirmed this reporting. However, they have also refused to refute or discount it, with one senior official telling me it was “pretty darn close” to what is currently being contemplated.

ARF preparations continue, as does debate over China's rise, the EAS, and Burma/Myanmar

The ARF Senior Officials Meeting (SOM) was held in Vientiane in late May to prepare the groundwork for the July 29 ministerial. Assistant Secretary of State for East Asian and Pacific Affairs Christopher Hill led the U.S. delegation. This was his first official trip to Southeast Asia as assistant secretary – as noted last quarter, the former U.S. Ambassador to South Korea made a “listening and learning” trip to the region in late March after being confirmed in his position but before being sworn in. While the affable Hill was well-received and reportedly made a good impression on his Southeast Asian colleagues, many have expressed concern privately about his Northeast Asia and European orientation – he was previously ambassador to Poland and is currently dual-hatted as senior U.S. representative to the Six-Party Talks and thus chief negotiator with North Korea.

China's Rise. These concerns were reinforced, no doubt unintentionally, when Hill rushed off after the Vientiane meeting to Brussels for an “EU-U.S. Strategic Dialogue on East Asia” which focused, not surprisingly, on the nuclear stand-off on the Korean Peninsula and the implications for the U.S. and Europe of the rise of China and its relations with Taiwan. While the arms sales issue was downplayed in public, it was undoubtedly discussed behind closed doors and Washington was clearly delighted when the EU subsequently decided to postpone its decision to lift its arms sales embargo against Beijing.

While noting that the rise of China and its economic integration “dominate the landscape” in East Asia, Hill was careful not to sound a “contain China” theme, stressing that “we welcome China's rise, we welcome China's success.” But he reminded his European colleagues that

“what China is to become in the next generation will to some extent depend on how we interact with China, how we deal with not only the opportunities posed but also some of the challenges as well.”

Whither EAS? In response to a question in Brussels about U.S. attitudes toward multilateralism and regional integration in East Asia (which implied the U.S. was not supportive since this “might reduce its bilateral leverage with some of the countries involved”), Hill asserted that “we are very, very much supporting multilateral structures in Asia.” He said the U.S. and its ARF partners were “doing a lot . . . to create a better sense of community in East Asia.” In what could be seen as a note of caution about the impending East Asia Summit (EAS), however, he cautioned that “we have been very supportive of creation of [multilateral] structures with the caveat that we want them to have a sort of open architecture and be inclusive rather than exclusive.”

Washington appears to be taking a “wait and see” approach toward this December’s inaugural EAS to see how it differs from or builds upon the ASEAN Plus Three (APT) initiative (involving ASEAN, China, Japan, and the ROK) from which it is evolving. An EAS was originally proposed by the APT East Asia Vision Group in 2001 as part of its transformation process. While the APT leaders agreed last December to convene the first EAS in December 2005 in Malaysia, neither the agenda nor participants list has yet been fixed. Criteria for full participation has been established: countries have to become full dialogue partners of ASEAN, have substantial relations with ASEAN, and have acceded or have agreed to accede to the ASEAN Treaty of Amity and Cooperation (TAC). The TAC criteria was seen as an effort, led by Malaysia, to keep Australia out of the EAS, although Australian Prime Minister John Howard has said that his government is seriously considering joining the TAC. New Zealand and India, two other prospective EAS participants, have also agreed to sign the TAC. The U.S. has not.

Secretary Hill, without specifically mentioning the EAS, did say “I think there is a sense that [East Asians] want to create community. I think the issue for us is that we want to be a part of it. . . . as a matter of our national interests, we want to make sure those structures are open.” This may yet turn into a case of “be careful what you wish for.” What are the odds that President Bush, if he were to be invited, would return to Asia for a second trip within a month of the Asia Pacific Economic Cooperation (APEC) Leaders’ Meeting in Busan?

East Asia community building, with or without Washington, is not going to be easy – witness rising nationalism in Japan, China, and South Korea, which has caused tensions in all three sets of bilateral relations and especially between Japan and its neighbors. This quarter saw repeated demonstrations in China against Japan, protesting Japan's bid for a permanent UN SC seat and a recent middle school textbook that “whitewashed Japan's militaristic past.” South Koreans lodged similar protests as President Roh’s “diplomatic war” continued unabated, despite a late June summit between Roh and Japanese Prime Minister Koizumi.

Dealing with Burma/Myanmar. The ARF SOM Chairman’s Statement expressed concern about “the pace of the democratization process” in Burma/Myanmar and called for “the lifting of restrictions and for effective dialogue with all parties concerned.” It did not address the issue of who would succeed Malaysia as ARF Chair in mid-2006. Informal discussions with ASEAN

officials indicate that a deal has already been reached with Rangoon to skip its turn. However, this has yet to be announced.

Some have speculated that Secretary Rice's decision to skip this year's ARF ministerial is aimed at putting pressure on ASEAN to culminate this agreement. If this is so – and there is no firm evidence that it is – this is likely to backfire. Regardless of its intent, the decision by Rice not to go, if not reversed, may deflate the U.S. threat not to attend future meetings or encourage wavering ASEAN members to reduce or retract their pressure on Burma/Myanmar. At a minimum, Secretary Rice's decision not to attend undermines the Zoellick/Hill message that the U.S. is committed to East Asia multilateralism and wants to stay engaged in Southeast Asia.

Regional Chronology April-June 2005

April 1, 2005: DPRK says it wants Six-Party Talks to be regional disarmament talks now that it is a “nuclear state.”

April 2-3, 2005: Anti-Japanese demonstrations in Chengdu, Shenzhen, and Chongqing, express opposition to Japan's efforts to secure permanent UNSC seat.

April 3, 2005: Pope John Paul II dies.

April 5, 2005: Japan approves new junior high school history textbooks; Seoul and Beijing protest the “whitewashing of Japan's militaristic past.”

April 5, 2005: State Department issues a statement of concern over avian flu, which has killed 50 people in Southeast Asia to date, and offers bilateral technical and epidemiological help to affected countries.

April 5, 2005: Over 20 million Chinese signed an internet petition to block Japan's UNSC bid.

April 6, 2005: PRC voices support for South Korea's plan to play the role of a “balancer” in Northeast.

April 7, 2005: Dalai Lama begins 11-day visit to Japan.

April 7, 2005: Japanese FM Machimura and ROK FM Ban hold a side meeting at the Asian Cooperation Dialogue; discuss the Tokdo/Takashima dispute.

April 8, 2005: U.S. and China agree to hold regular senior-level talks on political and economic issues. Deputy Secretary of State Robert Zoellick will lead U.S. side.

April 8, 2005: U.S. and Thailand conclude third round of FTA negotiations.

April 9, 2005: Thomas Schieffer takes up post as new U.S. ambassador to Japan.

April 9, 2005: Japan and ROK agree to step up efforts to complete an FTA by year's end.

April 9-10, 2005: In Beijing, Guangzhou, and Shenzhen, thousands protest Japan's bid for UNSC seat, new textbook, and dispute over energy deposits in the East China Sea.

April 11, 2005: Assistant Secretary of State Christopher Hill says no deadline has been set for Six-Party Talks and no concessions will be offered to Pyongyang to return to the talks.

April 13, 2005: Tokyo announces deep-sea gas exploration rights will be awarded to private companies in disputed East China Sea area.

April 13-14, 2005: In Germany, ROK President Roh says that "serious aid" to North Korean will only be possible when the nuclear problem is resolved; says "the possibility of North Korea's collapse is very low" and he "has no intention to encourage it."

April 13, 2005: Former Indonesian President Megawati visits Pyongyang, carrying a "reconciliatory" message from President Roh.

April 13, 2005: U.S. and China hold inaugural U.S.-China Global Issues Forum in Washington.

April 13-16, 2005: Jakarta and Free Aceh Movement (GAM) hold peace talks.

April 16-17, 2005: More anti-Japanese protests in 10 Chinese cities.

April 17, 2005: North Korea is reported to have shut down its five-megawatt reactor at Yongbyun to remove spent fuel rods for the purpose of reprocessing.

April 18, 2005: U.S. threatens to refer the nuclear issue to the UNSC should Pyongyang refuse to restart six-party process.

April 18, 2005: G8 finance ministers meet in Washington.

April 18-19, 2005: Australian PM Howard visits Premier Wen Jiabao, signs memorandum of understanding to work on an FTA.

April 20-28, 2005: Chinese President Hu visits Brunei, Indonesia, and Philippines; attends the Asia-Africa Summit (AAS).

April 22, 2005: 80 Japanese lawmakers visit Yakusuni Shrine.

April 22, 2005: DPRK Kim Young-nam and ROK PM Lee Hae-chan meet twice on the sidelines of the AAS; agree to resume inter-Korean talks.

April 22, 2005: In his AAS keynote address, Japanese PM Koizumi offers apologies for Japanese aggression before and during World War II.

April 22-24, 2005: Over 1,200 senior politicians, scholars, and businessmen attend the annual Boao Forum.

April 23, 2005: President Hu and PM Koizumi meet on the sidelines of AAS to discuss anti-Japanese sentiment in China.

April 23, 2005: *Wall Street Journal* reports that North Korea is planning a nuclear test.

April 26, 2005: Indonesian President Yudhoyono and President Hu signs joint declaration on strategic cooperative partnership.

April 26-May 3, 2005: KMT Chairman Lien Chan visits China and meets with President Hu, the first meeting of Nationalist and Communist leaders since the 1949 split.

April 27, 2005: DPRK is kept on State Department's state sponsors of terror list.

April 27, 2005: President Hu and Philippine President Arroyo discuss bilateral relations and regional issues.

April 28, 2005: FM Machimura leaves for an eight-day trip to the U.S., to discuss Japan's bid for permanent UNSC seat and the DPRK nuclear program.

April 28, 2005: In a press conference, President Bush calls North Korean leader Kim Jong-il a "tyrant" and a "dangerous person."

April 29, 2005: Rob Portman is appointed new USTR, calls beef trade issues top priority.

April 30, 2005: North Korea responds, calling Bush a "hooligan bereft of any personality as a human being."

May 1, 2005: Japan extends Maritime Self-Defense Force refueling mission in the Indian Ocean for another half year.

May 1, 2005: DPRK launches short-range missile into the Sea of Japan.

May 2, 2005: USFK Gen. LaPorte says any military action against DPRK requires U.S. and ROK consensus.

May 2-11, 2005: Deputy Secretary Zoellick travels to Thailand, Malaysia, Vietnam, Indonesia, Singapore, and the Philippines.

May 2-13, 2005: *Cobra Gold* disaster response military exercises with U.S., Thai, Singapore, and Japan open in Chiang-Mai, Thailand.

May 2-27, 2005: 2005 NPT Review Conference is held at the UN. No official statement is released.

May 3, 2005: President Chen reiterates there was no 1992 consensus; invites Hu to come and observe Taiwan's sovereignty.

May 5, 2005: President Bush speaks with Chinese President Hu by phone on the North Korean nuclear impasse, the fate of the Six-Party Talks, and cross-Strait relations.

May 5-12, 2005: Taiwan's People's First Party Chairman James Soong travels to China.

May 6-7, 2005: Asia-Europe Meeting (ASEM) takes place in Kyoto.

May 8, 2005: State Dept. reaffirms U.S. backing for Japan's UNSC bid.

May 9, 2005: World leaders, including Pres. Bush celebrate in Moscow the 60th anniversary of victory over Nazi forces. Numerous side meetings occur.

May 9, 2005: U.S. negotiator for the Six-Party Talks Joseph DeTrani meets with North Korean officials at Pyongyang's mission to the UN.

May 11, 2005: DPRK spokesman states 8,000 fuel rods were removed at Yongbyon nuclear complex.

May 11, 2005: Japanese Vice FM Yachi tells visiting ROK lawmakers that Tokyo is unwilling to share all intelligence on North Korea due to a distrust between Washington and Seoul.

May 12, 2005: Hu and Soong make joint statement mentioning "two sides, one China."

May 12, 2005: John R. Bolton nomination for UN Ambassador sent to full Senate without recommendations.

May 13, 2005: U.S. and North Korea meet for secret working-level talks in New York.

May 13, 2005: U.S. announces imposition of temporary quotas on three categories of clothing from China after deciding that a surge in imports is disrupting the U.S. market.

May 15, 2005: U.S. warns Group of Four (Germany, Japan, Brazil, and India) that it will not support their UNSC bid unless they agree not to ask for vetoes. Japan's ambassador to U.S. Kato Ryoza says the "Security Council is not like an aircraft, with first class, business, and economy seat."

May 16-17, 2005: North and South Korea meet in Kaesong, North Korea to discuss inter-Korean issues. South Korea agrees to send 200,000 tons of fertilizer.

May 18, 2005: U.S. adds four more categories of Chinese textile and apparel products to temporary quotas list.

May 19, 2005: Negotiators conclude details on customs procedures and reductions in import tariffs on 5,000 items under the ASEAN-China FTA.

May 20, 2005: ARF Senior Officials Meeting held in Vientiane, Laos.

May 20, 2005: China announces new export tariffs on 74 types of goods.

May 23, 2005: Chinese Vice Premier Wu Yi cancels meeting with Koizumi due to “sudden duty” in China.

May 23, 2005: Nambariin Enkhbayar of the People’s Revolutionary Party is elected president of Mongolia.

May 23, 2005: WHO Assembly refuses Taiwan’s application for membership.

May 24-26, 2005: Senior Japanese and U.S. officials meet in Washington for talks on base realignments, defense cooperation, and cost sharing.

May 25-26, 2005: President Yudhoyono visits U.S., meets with President Bush.

May 26, 2005: Team of scholars and civic organizations from China, Japan, and South Korea jointly publish middle school history textbook.

May 26-31, 2005: Jakarta and GAM meet in Helsinki for another round of peace talks.

May 27, 2005: Pentagon confirms deployment of 15 stealth fighters to South Korea and suspension of joint U.S.-North Korea program to recover remains of U.S. service men from the Korean War.

May 27, 2005: South Korea and Japan sign bilateral agreement on currency swaps worth \$3 billion.

May 28-June 4, 2005: U.S. Commerce Secretary Gutierrez travels to Russia and China.

May 31, 2005: Russian oil magnate Khordorkovsky is sentenced to nine years in prison by a court in Moscow; Bush calls the verdict “unfair.”

June 1, 2005: China scraps export tariffs on 81 categories of clothing, in response to the EU’s decision to impose quotas as well as U.S. decision to re-impose restrictions on Chinese imports.

June 1, 2005: Russian FM Lavrov meets FM Machimura in Tokyo, discusses proposed Putin visit to Japan in late 2005.

June 1-3, 2005: APEC ministers responsible for trade meet in Cheju.

June 2, 2005: Foreign ministers of Russia, China, and India meet in Vladivostok to discuss multipolar approaches to global problems.

June 3-4, 2005: SCO holds annual foreign ministerial meeting in Astana. The decision is made to admit Iran, India, and Pakistan as SCO observers.

June 3-5, 2005: IISS “Shangri-La Dialogue” held in Singapore.

June 7-12, 2005: Japanese FM Machimura travels to Brunei, Vietnam, and Cambodia to secure help in UNSC bid.

June 10, 2005: President Roh visits Washington for summit with President Bush.

June 10, 2005: A full-scale report of Japan-ROK Joint History Research, launched at a summit between PM Koizumi and President Kim Dae-jung in October 2001, is released, showing a perception gap on key historical events.

June 13, 2005: Kang Chol-hwan, a DPRK gulag survivor and author, meets President Bush.

June 16, 2005: U.S. announces alternative UN reform package, which calls for addition of two permanent seats.

June 17, 2005: ROK Unification Minister Chung meet with Kim Jong-il for five hours to mark the 2000 intra-Korea summit. DPRK states that it is ready to go back to the talks and give up short- and long-range missiles, as soon as Washington shows Pyongyang some respect.

June 19-26, 2005: Vietnamese PM Phan Van Khai visits U.S., meets President Bush (June 21).

June 20, 2005: PM Koizumi and President Roh hold summit to discuss relations between Tokyo and Seoul.

June 21, 2005: Donald Tsang appointed Hong Kong’s new chief executive.

June 21-24, 2005: North and South Korea meet for Cabinet-level talks in Seoul; DPRK delegation leader Kwon meets President Roh; talks close with a 12-point joint statement, pledging to resume most previous channels of North-South cooperation and set up new ones.

June 22, 2005: China National Offshore Oil Corporation (CNOOC) offers unsolicited bid of \$18.5 billion for Unocal, ninth largest U.S. oil firm.

June 23, 2005: FM Downer says Australia will decide by August whether to sign ASEAN's Treaty of Amity and Cooperation, thus making it eligible to attend the inaugural East Asia Summit in December.

June 27, 2005: President Arroyo admits a “lapse in judgement” by phoning an election’s official during May 2004 vote count.

June 28, 2005: India and U.S. sign 10-year defense agreement that covers cooperation in weapons production and technology transfers.

June 28, 2005: Japan's Emperor Akihito visits WWII memorials in Saipan.

June 28, 2005: Chinese customs officials seize 128 Japanese history textbooks over the color of Taiwan and depiction of contested Senkaku/Daiyotai islands.

June 28, 2005: The 18th ASEAN-U.S. Dialogue held in Washington, D.C.

June 29, 2005: Minister Chung briefs VP Cheney and other officials in Washington on his meeting with Kim Jong-il.

June 29, 2005: PM Koizumi expresses willingness to keep SDF in Iraq beyond the December deadline.

June 29, 2005: U.S. authorities are given new powers to freeze assets of companies believed to be helping North Korea, Iran, and Syria pursue WMD programs.

June 30, 2005: North Korea restarts construction on two nuclear reactors halted under the 1994 Agreed Framework.

June 30, 2005: U.S. House of Representatives votes 333-92 to block the Bush administration from approving CNOOC takeover of Unocal.

June 30, 2005: U.S. envoy DeTrani speaks with senior North Korean diplomat Ri Gun at an academic conference in New York.

June 30, 2005: Dalai Lama's envoys and Chinese officials meet in Bern, Switzerland; fourth meeting since the two sides renewed contact in September 2002.

June 30-July 2, 2005: Thailand PM Thaksin makes an official visit to China.

June 30-July 3, 2005: Presidents Hu and Putin meet at the start of a four-day visit to Russia.

U.S.-Japan Relations: Tokyo's Trials

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Two issues dominated U.S.-Japan relations this quarter. The first, Tokyo's bid for a permanent seat on the United Nations Security Council (UNSC), is a high-profile diplomatic contest that could strain the alliance even though it is not about the alliance. The second is the continuing effort to transform the U.S. military presence in Asia and how the resulting deployments in Japan will look. There was no resolution to either issue, nor will there be one in the immediate future: the interests and constituencies involved are so large that it will take considerable time to work out a solution acceptable to both countries. Smaller trade issues – beef and apples – were also back on the bilateral agenda. Dealing with all these items will test the alliance management skills of the new team in the State Department, one that is increasingly depleted of senior Japan hands.

The 60th anniversary of the end of World War II poses challenges of its own. Many people, in Japan and elsewhere, see the 60th anniversary as especially significant, signaling the end of an era. Optimists see this as the moment that Japan emerges from its postwar slumber to assume a new role in Asia and the world; pessimists worry that part of the reckoning could focus on the U.S.-Japan alliance, and that the accounting of history that has so roiled Tokyo's neighbors, will soon engulf the bilateral relationship.

The G4 vs. the P5

Japan's campaign to win a permanent seat on the UNSC has jumped into high gear. The UN has long been a pillar of Japan's national security strategy – along with self defense and alliance with the U.S. – but the accelerating debate over UN reform, triggered by the contretemps over the invasion of Iraq, provided Tokyo with the opening to push for a permanent seat. Every official Japanese visitor to the U.S. raised the topic and solicited – and got – U.S. support.

On May 16, Japan, along with Germany, India, and Brazil, unveiled a proposal that would expand the UNSC by six permanent members and four non-permanent seats. The G4 (as they are now known) wanted to claim four of the new permanent seats, with the other two going to African nations. On June 9, the four countries modified their plan and agreed to drop their demand for a veto for 15 years, a move that Japanese officials called “a minor adjustment.” (Originally, Japan had complained that a permanent seat without a veto was “second-class citizenship.”)

Tokyo apparently felt that nestling its bid within a group of deserving governments would garner additional support and help fend off some of its critics, such as China. That strategy seems to have backfired. China still opposed Japan's claim, arguing that Tokyo has not properly dealt with history and therefore does not have the moral authority to have a permanent UNSC seat, its contribution of 20 percent of the UN budget notwithstanding.

More troubling was the U.S. response. Washington responded to the G4 draft by saying that it was ready to back Japan and one other member of the G4 for permanent membership and would also agree to two or three new nonpermanent members. (The U.S. has long supported a permanent seat for Tokyo.) Japan apparently did not anticipate U.S. resistance to other members of the G4, however. Reportedly, Washington opposes Germany's claim to a seat, a legacy of Berlin's opposition to the Iraq war and the anti-Americanism that animated Chancellor Gerhard Schroeder's re-election campaign in 2002.

Whether the problem is antipathy toward Mr. Schroeder or skepticism about the UN in general, the bottom line is the U.S. is less than enthusiastic about UNSC expansion. Nicholas Burns, undersecretary of state, said enlargement of the UNSC should not overshadow more broad-based reform of the UN. "We see this debate as only one of the issues that has to be put forward. And we'd like to see progress on all the other issues before we turn our full attention to the UN Security Council debate itself." This is pragmatic. Congress has to eventually back any reform – it signs the U.S. check to the UN – and Acting U.S. Ambassador Anne Patterson explained it is doubtful "whether we would accept Security Council reform before we had a package of reforms that was acceptable to the United States and to our Congress." That may well be a way of letting nature take its course: knowing that every country has a grievance against some UNSC claimant, the U.S. can remain noncommittal and above the fray, and let some other government take the blame for blocking reform. In fact, U.S. officials several times called on China to reconsider its opposition to Tokyo's seat.

Yet Tokyo found itself on the horns of a dilemma. It could take the U.S. endorsement and give up the G4 package or stick with the group, knowing that the U.S. would not back the proposal. Prime Minister Koizumi Junichiro chose the latter option, saying after the U.S. declared itself, that "We have to focus on our cooperation with Germany, Brazil, and India [and] seek the understanding of the U.S. on that point." On June 22, the G4 foreign ministers released a statement reiterating their resolve to introduce their proposal for consideration by the General Assembly (GA). On June 27, Secretary of State Condoleezza Rice and Foreign Minister Machimura Nobutaka discussed the subject – among others – in a phone call, but the U.S. position remains unchanged.

Experts believe the proposal can win a majority in the GA, but not the two-thirds vote required to change the charter. Moreover, the P5 national legislatures have final say over any changes, and it is unlikely that China would currently agree to any proposal that gives Tokyo a permanent seat. The joint statement from the July G8 meeting that will be held in Gleneagles, Scotland will likely mention UN reform, but the fundamental obstacles to UNSC membership – the deep and bitter antagonism between P5 members and G4 aspirants – will remain.

Back to bases

Questions surrounding the future of the U.S. military presence in Japan remain unanswered. As usual, there was ample speculation even though facts were few. News media in Japan and the U.S. provided weekly fodder as various parties leaked proposals, floated balloons, or tried to maintain pressure on the two governments.

What is known is that the two governments have held councilor-level talks since March, including two days of senior-level talks in May, that have focused on key issues identified in the February Security Consultative Committee (SCC or “2+2”) meeting: interoperability, roles and missions, and the joint use of bases. Japan’s logistical support in the event of contingencies has been a priority.

At a June 4 meeting on the sidelines of the Singapore Shangri-La Dialogue, U.S. Defense Secretary Donald Rumsfeld and Japan Defense Agency (JDA) Director General Ohno Yoshinori agreed to reach a deal on the realignment of U.S. forces in Japan by the end of this year. They also agreed to release an interim report on the two countries’ security roles “as soon as possible.” According to Ohno, the report could be issued in a month or two.

As always, the Japanese continue to push the U.S. to lighten the burden of the U.S. presence in Okinawa. Ohno asked Rumsfeld for action, and Prime Minister Koizumi was later reported to have instructed the JDA chief to “clearly convey” the need to reduce the stress caused by the U.S. presence. In his speech commemorating the 60th anniversary of the end of the war in Okinawa, Koizumi highlighted the need to reduce the U.S. burden on the island.

And as always, the U.S. responded by saying that arrangements need to be the product of a consultative process. The U.S. will not commit to relocation plans in general, but Japan cannot commit to specifics because, as Ohno told Rumsfeld, more time is needed to gain understanding and support from affected communities. Time will soon tell whether this is a vicious circle or a downward spiral. Either way it poses another dilemma for Tokyo: which constituency should it appease first?

The quarter closed with another senior-level defense and foreign secretaries meeting. Another SCC meeting is anticipated to be held in the next quarter. Publication of the interim report by then would be a sign of tangible progress as well as some indication of how the revamped alliance just might look.

The BIG picture

Transformation of the U.S. military presence is part of a broader agenda for the alliance. In congressional testimony in May, Deputy Assistant Secretary of Defense for Asia and Pacific Affairs Richard Lawless explained that “Our relationship is in the process of being transformed, and it is transforming itself from its traditional regional focus to a focus that reflects more closely the global interests that we share with Japan.” The result, said Lawless, “will be an updated and truly transformed security relationship with Japan that both countries will see as clearly encompassing their respective visions of their national interests in the 21st century.”

His views were echoed by U.S. Assistant Secretary of State for East Asian and Pacific Affairs Christopher Hill, who also testified that the Bush team wants “a fuller, more global partnership with Japan.” “With each passing year we are finding more ways to have a positive impact on the world by acting in concert with Japan,” Hill said. “Whether it is helping the victims of disasters, like the Indian Ocean tsunami, rebuilding Afghanistan and Iraq, or countering terrorism and proliferation, we find common interests taking us toward common goals.”

Unfortunately, this transformation may not be constitutional. While Prime Minister Koizumi has said he sees the bilateral alliance as global in nature, and the SCC joint declaration outlines the two countries’ global interests, it is unclear what action the Japanese constitution, Article 9 in particular, permits in pursuit of those interests. The danger is that constitutional questions foreclose serious discussion of this issue between the two governments or within Japan.

Food fights

As the quarter began, it looked like the U.S. and Japan had found a way to lift the ban on U.S. beef imports, which was costing U.S. exporters more than \$3.8 billion annually and was becoming an ever-larger issue on the bilateral agenda. (Japan banned imports of U.S. beef and beef products after a case of Bovine Spongiform Encephalopathy, BSE or “mad-cow” disease, was detected in the U.S. in December 2003.)

As detailed last quarter, an experts panel of the Food Safety Commission (FSC) came up with recommendations to ease inspection standards for all domestic beef, which would also apply to imported beef and permit resumption of imports from the U.S. The new standard would exempt cattle 20 months and younger from blanket testing. The decision was officially reported to the FSC on March 31 and the FSC sought public opinion about the new regulations for a month. During that time, numerous U.S. officials, including Ambassador Thomas Schieffer and new U.S. Trade Representative Robert Portman, kept the pressure on Japan to lift the ban.

On May 6, the FSC approved the new testing system. Then, at the end of June, the United States Department of Agriculture (USDA) announced that a second U.S. cow had BSE. The animal, a 12-year-old beef cow from Texas, originally tested positive in rapid screening tests last November, but investigation was called off after a later test came back negative. The USDA inspector general subsequently ordered additional tests that proved the animal had BSE. It is unclear why it took seven months to get the proper results.

Prime Minister Koizumi opined on June 30 that the discovery would not change Japanese policy. The *Asahi Shimbun* countered in a July 1 editorial that “recent events have shaken our faith in the reliability of U.S. anti-BSE measures.” With Taiwan closing the door to U.S. imports in the wake of the second BSE finding, Tokyo may find itself under growing pressure from consumer lobbies to rethink the new testing protocols while U.S. beef interests step up their demand for renewed imports.

U.S. apple growers had better luck this quarter. Officially, Japanese markets have been open to U.S. apple exports for more than two decades. In fact, however, Japanese agriculture officials had demanded restrictions on the way the fruit was grown, arguing that a bacterial infection

known as fire blight could infect domestic crops. The restrictions required U.S. apples headed for Japan to be grown in special orchards surrounded by buffer zones, that the orchards be inspected, and that U.S. apples be treated with chlorine. Not surprisingly, the restrictions were especially burdensome and effectively closed the market to U.S. exports.

The U.S. filed suit with the World Trade Organization (WTO), arguing that the restrictions were an illegal restraint of trade. A WTO dispute resolution panel agreed with the U.S. position in December 2003, but then gave Tokyo time to amend its procedures. On June 23, the WTO ruled the revised regulations were still in violation of international law because there was insufficient scientific evidence to justify the restrictions. The U.S. has asked for the right to impose \$143 million in sanctions. Japan has the right to appeal the ruling again, but Tokyo has not yet decided what it will do next.

The ‘real’ history issue?

Officials in both countries will be absorbed with all these issues throughout the summer. Another question could overwhelm them, however. This August marks the 60th anniversary of the end of the Pacific War and the attention given to celebrations elsewhere in the world – especially in Moscow – could be the prelude to a similar spotlight on V-J day. Japanese officials have suggested that the 60th anniversary is an especially meaningful one, marking the beginning of a new era.

While this is usually cast in positive terms – Japan casting off the self-imposed burdens of World War II and contributing more to international society – this could have a damaging impact on the alliance. For example, thus far controversies about history have focused on Japan’s relations with its Asian neighbors. But part of this new historical perspective – plainly visible at the Yasukuni Museum – reassesses how Japan entered into war with the U.S., arguing that Washington forced Tokyo to launch an attack. To date, the U.S. has largely stayed out of the fray as Tokyo’s relations with Seoul and Beijing have deteriorated. It is unclear what will happen if revisionists take aim at the U.S. – as appears to be happening as some Japanese officials challenge the validity of the Tokyo Trials – and the basis of much of the postwar order in Japan and East Asia. The disputes of this quarter could nurture those grievances more widely throughout Japan

Chronology of U.S.-Japan Relations April-June 2005¹

April 1, 2005: Japan-U.S. Joint Committee on the Status of Forces Agreement agrees to new guidelines allowing Japanese police to maintain control near civilian sites when U.S. military aircraft crash in Japan.

April 2, 2005: Japan’s Food Safety Commission makes public proposal to partially lift domestic requirement on cattle testing for mad-cow disease; public feedback will be available until April 27, 2005.

¹ Compiled by Lena Kay, 2004 Pacific Forum CSIS Vasey Fellow and Claire Bai, 2005 Vasey Fellow.

April 8, 2005: *Yomiuri Shimbun* cites government officials as saying that Japan and U.S. agree to name commercial airports and harbors for U.S. military operations in the event of emergencies in areas surrounding Japan. (The agreement complements laws governing operations to assist crises in East Asia.)

April 9, 2005: Thomas Schieffer takes up post as new U.S. ambassador to Japan.

April 14, 2005: *Asahi Shimbun* reports that Japan plans to accept U.S. military plan to relocate to Camp Zama; U.S. tells Japan operations will be limited to the Far East.

April 15, 2005: *Asahi Shimbun* reports that U.S. Air Force will retain command functions at Yokota rather than move them to Guam.

April 19, 2005: Ambassador Schieffer expresses concern over relations between Japan and China, says Washington is willing to help resolve dispute.

April 22, 2005: Japan extends Self Defense Forces (SDF) deployment by six months (until Nov. 1, 2005) in support of “Operation Enduring Freedom.”

April 28-May 2, 2005: FM Machimura visits New York for UNSC reform meeting and meets Secretary Rice in Washington D.C. to exchange views on Japan-U.S. relations. They agree that crisis over North Korea’s nuclear programs should be taken up by the UNSC if the threat cannot be resolved through the Six-Party Talks.

April 29, 2005: Robert Portman appointed new U.S. trade representative and sees beef trade issues as top priority.

May 1, 2005: Japan extends Maritime Self-Defense Force refueling mission in the Indian Ocean for another half year.

May 2, 2005: Former U.S. Deputy Secretary of State Richard Armitage opposes creation of East Asian Community that excludes U.S. in *Asahi Shimbun* interview.

May 2, 2005: FM Machimura and Secretary Rice meet in Washington to discuss the alliance and regional problems in Northeast Asia.

May 5, 2005: U.S. firm Liberty Square Asset Management acquires 8.2 percent stake in Asahi Broadcasting Corp., and becomes second-largest shareholder after *Asahi Shimbun*.

May 5, 2005: Liberal Democratic Party Acting Secretary General Abe Shinzo meets Vice President Cheney in Washington and discusses North Korea’s nuclear ambitions, anti-Japan moves in China, and Japan’s bid to become a permanent member of the UNSC. Abe meets Secretary Rumsfeld. They agree to strengthen security alliance for “East Asian peace and prosperity” and discuss realignment of U.S. forces in Japan.

May 6, 2005: Japan’s Food Safety Commission okays easing of testing for BSE.

May 8, 2005: Undersecretary of State for Political Affairs Nicholas Burns reaffirms U.S. backing for Japan's bid to become a permanent member of the UNSC, while Japanese UN delegation chief Nukaga Fukushima says U.S. urges China not to block Japan's bid.

May 9, 2005: *Kyodo News* reports U.S. panel proposed relocating Futemma base to Kadena or Iwakuni.

May 15, 2005: U.S. warns four nations, including Japan, that it would not support their UNSC bid unless they agree not to ask for vetoes. Japan's ambassador to U.S. Kato Ryojo says the "Security Council is not like an aircraft, with first class, business, and economy seats."

May 24-26, 2005: Senior Japanese and U.S. officials meet in Washington for talks on base realignments, defense cooperation, and cost sharing.

May 30, 2005: DASD Richard Lawless tells Congress that the U.S.-Japan relationship is "being transformed, and it is transforming itself from its traditional regional focus to a focus that reflects more closely the global interests that we share with Japan." At the same hearing, Assistant Secretary of State Christopher Hill echoes that message.

June 4, 2005: At a side meeting during the IISS Shangri-La Dialogue, Japan Defense Agency head Ohno Yoshinori and Rumsfeld agree to have a realignment agreement by the end of the year as well as a contingency plan for a Korean Peninsula emergency.

June 5, 2005: Defense Agency chief Ohno says sea-based missile defense system jointly developed with the U.S. will be entering the production phase.

June 7, 2005: Secretary Rice requests in phone conversation with FM Machimura that Japan not submit a resolution to expand the UNSC.

June 7, 2005: *Washington Post* reports the Bush administration has approved \$104 million sale of 40 naval surface-to-air missiles to Japan.

June 16, 2005: U.S. State Department announces UN reform package, which calls for addition of two permanent seats instead of G4 proposed six seats to the Security Council.

June 17, 2005: Japan rejects U.S. proposal over G4 plan for UN reform.

June 19, 2005: PM Koizumi attends memorial service at Iwo Jima, where more than 28,000 soldiers on both sides died during WWII.

June 20, 2005: Senior officials of Japanese and U.S. financial regulatory bodies hold first regular talks in Tokyo and discuss corporate governance of listed companies.

June 21, 2005: U.S. International Trade Commission decides to extend import duties on Japanese stainless steel.

June 23, 2005: FM Machimura and Secretary Rice hold 15-minute side conference at G8 foreign ministers' meeting in London, but fail to bridge gap over UNSC reform.

June 23, 2005: World Trade Organization compliance panel announces Japan's quarantine restrictions on U.S. apple imports are scientifically unfounded.

June 23, 2005: PM Koizumi says during ceremony for the 60th anniversary of the end of the Battle of Okinawa the need to reduce the burden posed by U.S. forces in Okinawa.

June 24, 2005: *Asahi Shimbun* reports that during working-level talks, the State Department asks Japan's Foreign Ministry to extend the deployment of Ground Self-Defense Forces in Iraq beyond the current December deadline.

June 27, 2005: Vice Minister of Agriculture, Forestry, and Fisheries Ishihara Mamoru notes in press conference that he will ask the U.S. to provide data on the second BSE case; PM Koizumi says the case is unrelated to resuming imports of U.S. beef.

June 28, 2005: Senior Japanese and U.S. officials begin two-day meeting in Washington to discuss the realignment of U.S. forces in Japan and the sharing of defense roles.

June 29, 2005: *Kyodo News* reports PM Koizumi expresses willingness to consider keeping Japanese troops in Iraq beyond the mission's current deadline of December.

June 29, 2005: *Kyodo News* reports that envisioned meeting between PM Koizumi and Bush on the sidelines of the G8 summit in Gleneagles, Scotland, is unlikely to take place.

June 30, 2005: PM Koizumi says the recent discovery in the U.S. of a U.S.-born cow with mad-cow disease will not change Japanese policy over U.S. beef imports.

June 30, 2005: Nicholas Burns, undersecretary of state for political affairs, says the U.S. believes that China ought to be open-minded about Japan's candidacy for UNSC.

U.S.-China Relations:

Disharmony Signals End to Post-Sept. II Honeymoon

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America's grievances with China mounted this quarter, signaling a likely end to the post-Sept. 11 honeymoon in China-U.S. relations and the beginning of a rocky phase. On a range of trade and economic issues, the Bush administration adopted a harsher stance, increasing pressure on Beijing to appreciate its currency to fend off criticism from Congress and domestic groups that blame China for stealing U.S. jobs and unfairly creating a massive trade surplus with the United States. Trade officials began taking action to curtail the flood of Chinese textiles and punish China for widespread violations of intellectual property rights. A takeover bid for Unocal Corporation by the PRC's state-owned China National Offshore Oil Company (CNOOC) raised cries in some quarters that Beijing's offer was part of a long-term national plan to gain strategic advantage over the U.S.

Washington leaned harder on Beijing to apply economic and diplomatic pressure on North Korea to rejoin the Six-Party Talks aimed at eliminating its nuclear weapons programs. U.S. officials openly declared that they hold China largely responsible for reining in the nuclear ambitions of its formerly "close as lips and teeth" ally, North Korea.

China's military buildup also came under sharper criticism. Defense Secretary Donald Rumsfeld bluntly warned Beijing that its military spending and procurement programs are unjustified by any threat it faces. And China's human rights abuses and suppression of political dissent and religious freedom figured prominently in U.S. official statements and reports issued this quarter.

Mindful of the benefits to the U.S. of cooperation with China where the two countries' interests overlap and the dangers of engaging in full-blown strategic competition with China, President Bush and his Cabinet members attempted to keep the bilateral relationship on an even keel, while urging Chinese leaders to modify their policies to make them more compatible with U.S. national interests.

Much talk, but no breakthrough on North Korea

Growing frustration in Washington about North Korea's refusal to set a date for resuming Six-Party Talks to discuss eliminating its nuclear weapons programs prompted greater pressure on Beijing this quarter to use the full range of its leverage over Pyongyang to compel North Korean leader Kim Jong-il to return to the negotiating table. U.S. officials continued to highlight shared interests with China in peacefully resolving the impasse through diplomacy and regularly praised Beijing for playing a constructive role, but at the same time efforts were stepped up both publicly and privately to lean on Beijing to bring North Korea around.

Amid signs that North Korea might be preparing to conduct a nuclear weapons test, newly appointed Assistant Secretary of State for East Asian and Pacific Affairs Christopher Hill traveled to Seoul, Tokyo, and Beijing in late April. While in China, Hill reportedly asked Chinese officials to cut off North Korea's oil supply, presumably for several days as many believe Beijing did in March 2003 to signal its displeasure with Pyongyang's policies and its refusal to negotiate. The Chinese rebuffed Hill's request, contending that a shutdown would damage the pipeline running from China's northeastern province of Liaoning to North Korea because the fuel has a very high paraffin content that can quickly build up and clog the oil flow. A Chinese Foreign Ministry official complained to *The New York Times* that the United States is focused on too narrow a range of tools for China to influence Pyongyang.

A month later, Hill unequivocally assigned China responsibility for bringing North Korea back to the multilateral talks. At a hearing on U.S. relations with Northeast Asia held by the House Committee on International Relations, Subcommittee on Asia and the Pacific, Hill maintained that as the host of the six-party process, China "ought to deliver participants to the table." Hill asserted that the Chinese have "enough influence" to enable them to convince a country "that they call a close friend" to come to the table, and "they haven't done it." On May 30, the administration's message was reinforced by Vice President Dick Cheney who bluntly stated on *CNN's* "Larry King Live" "The Chinese need to understand that it's incumbent upon them to be major players here."

North Korea was a central topic of discussion in phone calls between Presidents George Bush and Hu Jintao on May 5 and between Secretary of State Condoleezza Rice and counterpart Li Zhaoxing on June 2. President Bush publicly admitted in his May 31 press conference that the U.S. and China are spending a great deal of time discussing North Korea. Moreover, he lauded China's role as a partner in "helping to secure" the Korean Peninsula from nuclear weapons.

Nevertheless, senior Bush administration officials continued to urge the Chinese to supplement their carrots to Pyongyang with threats of negative consequences for failing to rejoin the multilateral process. Undersecretary of State Robert Joseph intensified public pressure on Beijing in late June when he told reporters "China has to make a decision how to influence North Korea," adding that "It has a number of tools." Joseph then went further and threatened "very significant consequences for U.S.-Chinese relations" if China fails to take more action. The shot across the bow undoubtedly irritated Beijing. It remains unclear, however, whether this harsher stance represents Joseph's personal view or broader administration thinking and policy.

As Washington blamed China for not doing enough to persuade the North Koreans to join in a sixth round of the Six-Party Talks, Beijing pointed the finger at the U.S. for not addressing Pyongyang's concerns and failing to provide sufficient inducements that China can use to more effectively engage North Korea. "China has done a very good job. But China alone is not enough," Foreign Minister Li told reporters in early May while attending a meeting in Tokyo. Beijing continued to even-handedly call for both the U.S. and North Korea to show greater flexibility. This was demonstrated during Hu's meeting with South Korea's Prime Minister Lee Hae-chan in late June in which Lee's spokesman quoted Hu encouraging close cooperation between China and South Korea to get North Korea and the U.S. to be "more flexible" so that the early resumption of the Six-Party Talks could be realized.

Reports that Washington was considering taking up the North Korea nuclear weapons issue in the UN Security Council provoked warnings from Beijing that it would not support such an effort. China's UN Ambassador Wang Guangya bluntly criticized any attempt to get the Security Council to impose sanctions on North Korea as "likely to destroy the whole process" of seeking a diplomatic resolution through the Six-Party Talks. Privately, the Chinese admitted their growing discontent with North Korea's policies, but insisted that exerting pressure by curtailing energy and food supplies would not likely result in Pyongyang's compliance and would be potentially dangerous for Chinese interests. From China's perspective, the benefits of applying pressure are uncertain, while the risks are apparent. The already tenuous relationship between China and North Korea would likely be damaged, perhaps irreparably; Beijing's influence over North Korea would diminish; and North Korea could be destabilized, unleashing a flood of refugees across the border into northeast China. Moreover, North Korea might still refuse to resume the multilateral talks and might even proceed with a nuclear explosion or test its *Taepodong 2* intercontinental ballistic missile.

Sounding the alarm on China's military

Rising U.S. concern about China's military buildup, already apparent in the early months of 2005, gained steam this quarter. Assistant Secretary of Defense Peter Rodman testified that although China's overall capabilities lag far behind the U.S., the PLA has already achieved "a significant asymmetric capability that raises the risks to U.S. forces." He described China not only as a future challenge, but also "a problem here and now."

In a keynote address at an Asian security conference in Singapore sponsored by the London-based International Institute for Strategic Studies in early June, Defense Secretary Rumsfeld maintained that China's military spending, particularly its investment in missiles and advanced military technology, pose a threat not only to Taiwan and to American interests, but also to nations across Asia. He questioned the purpose of China's growing investment in its military, claiming that "no nation threatens China." Rumsfeld called for China to match its economic liberalizations with domestic political freedoms. If China fails to move toward a freer political system, he predicted that it would "grow less fast and be a less influential country." To an audience largely composed of defense ministers and other senior officials from Asia, the message seemed out of step with the increasingly cooperative relationships that China has forged with its neighbors in recent years and heightened fears about a possible U.S.-Chinese confrontation in Asia.

Although prospects for lifting the EU arms embargo against China this year have dimmed, in part due to Bush administration lobbying to keep the restrictions in place, worries persist that removing those restrictions anytime soon could negatively affect Asia-Pacific stability. In mid-April, senior U.S. officials from the Departments of State, Commerce, and Defense addressed the dangers of lifting the EU arms embargo at a joint hearing of the House Armed Services Committee and International Relations Committee. The issue of Israeli arms sales to China, a major irritant between Washington and Jerusalem, may have been finessed with an agreement hammered out in late June that would effectively give the U.S. veto power over Israeli arms sales to China and allow upgraded technological cooperation between Israel and the United States.

The Pentagon's annual report to Congress on the Military Power of the People's Republic of China, due last March, has yet to be delivered, but its contents were foreshadowed in Rumsfeld's Singapore speech and numerous media reports. The report apparently maintains that China is pursuing an ambitious, long-term transformation of the PLA to develop the capability to fight and win short-duration, high intensity conflicts along its periphery. Double-digit increases in military spending for the past 15 years are credited with producing steady improvements across force structure, doctrine, organization, and personnel. China is improving its ability to project power and is shifting the cross-Strait military balance in its favor. Drafts of the document have been circulated and rewritten during the quarter as officials try to strike the right balance between criticizing China's military buildup and praising its cooperation on security issues such as North Korea and counterterrorism.

Human rights and democracy remain on the radar screen

China's human rights abuses and the systematic suppression of political dissent were highlighted by Susan W. O'Sullivan, a senior adviser for Asia in the State Department's Bureau of Democracy, Human Rights, and Labor, in a statement before the U.S.-China Economic and Security Review Commission. Addressing China's increased control over the Internet, O'Sullivan underscored the Chinese government's heavy investment in new technology to selectively block offending material temporarily or permanently, or edit it electronically, as well as the common practice of closing down websites. In addition, O'Sullivan expressed U.S. disappointment about the slow pace of political reform under the fourth generation of leaders. President Bush emphasized the need for greater religious freedom in China in an interview with *Reuters* in which he revealed that he is constantly reminding Chinese leaders that "a great society is one that welcomes and honors human rights, for example, welcomes the Catholic Church in its midst, doesn't fear religious movements."

In an interview with *Bloomberg News*, Secretary Rice drew a contrast between the lack of democratization in China and the situation in India, which she termed a "quite remarkable democracy." In an implicit reminder to Beijing that the establishment of mutual trust is hampered by China's socialist political system, Rice noted that "our view is that democracies tend to be stabilizing in their activities and behaviors." Addressing the Commonwealth Club of San Francisco in late May, Rice expressed hope that China would conclude from the experience of other Asian countries that political openness is a prerequisite for lasting success.

Shaping China's rise

In a comprehensive statement on China policy to the House Subcommittee on East Asian and Pacific Affairs on June 7, Assistant Secretary Hill addressed the economic and security consequences for the U.S. of China's emergence in the Asia-Pacific. Hill reiterated Secretary Rice's assertion in Tokyo earlier this year that the U.S. "welcomes the rise of a confident, peaceful, and prosperous China...[and wants] China as a global partner, but one that is "able and willing to match its growing capabilities to its international responsibilities." China's rise is a "logical evolution," and is not a zero-sum game for the United States, he maintained. As for the litany of differences between the two countries, including human rights, nonproliferation,

Taiwan, and some aspects of trade and finance, Hill emphasized that they should be dealt with in a way that advances U.S. values and national interests.

Hill appraised China's economic emergence as largely positive, but warned that China's growing needs for energy and other resources "could make China an obstacle to U.S. and international efforts to enforce norms of acceptable behavior." In addition, he cited China's willingness to invest in and trade with "problem states" such as Iran, Sudan, and Burma as exerting the "biggest impact" on U.S. national interests. In closing, Hill said that the U.S. must work with China, and with our partners around the world, "to ensure that its emergence takes place within strong regional and global security, economic and political arrangements."

President Bush continued to engage with President Hu by phone this quarter to cultivate a good working relationship with China's leader and encourage him to adopt policies that mesh more closely with American interests. To make up for Bush's decision to not meet with any foreign leaders apart from host Russian President Vladimir Putin at the commemoration of the 60th anniversary of the allies' victory over Nazi Germany – and to avoid a loss of face for Hu – Bush placed a phone call to Hu on the eve of his departure for Moscow. The call was deliberately highlighted in the White House press briefing that day to underscore the importance that Bush attaches to Sino-U.S. relations. North Korea topped the agenda, with the two leaders reiterating their commitment to work together toward a nuclear-free peninsula, but not agreeing on specific ways to achieve that goal. Bilateral trade and economic issues were also discussed, and Bush again urged Hu to move toward a freely floating currency. After listening to a short briefing by Hu on the historic visits to the mainland by Taiwan's opposition leaders Lien Chan and James Soong, Bush urged China's leader to continue working on ways to reach out to President Chen as the duly elected leader of Taiwan.

Economic diplomacy in high gear

Bilateral economic issues sharpened this quarter, as the administration sought to assuage an increasingly restive Congress and interest groups about a slew of issues ranging from the U.S. trade deficit, textile quotas, currency issues, intellectual property rights, and as the quarter ended, energy issues. Perhaps E. Anthony Wayne, assistant secretary for economic and business affairs, best summed up the complexity of the economic relationship when he said in a June 6 speech to the Executives' Club of Chicago that he and his staff spend most of their time dealing with "fears, legitimate complaints, and misperceptions" about trade issues with China. China's rise as a global economic power is not in dispute, he said, "but people's feelings about it run from admiration to uneasiness and even hostility."

Events throughout the quarter reflected the deepening challenge of distinguishing fact from fiction in how China's economic rise affects American interests. Chinese officials and media, meanwhile, pointed toward separating "politics from economics," and the importance of negotiating trouble spots in the interest of overall bilateral relations. "Don't be afraid of floating clouds covering up the eyes," intoned a *People's Daily Online* editorial, arguing that "it is essential to handle economic and trade frictions...from a strategic height."

While many analysts have observed an increasingly harsher U.S. stance toward China this quarter, speeches and actions by officials from both countries suggest an acute awareness of the strategic implications of letting rhetoric derail cooperation needed to solve problems. There are serious disputes across a range of issues, but a technocratic, pragmatic approach has tended to prevail. Officials must also handle domestic political pressure to more actively defend interests.

Currency issues

Domestic political pressure was most evident in the question of the yuan's peg to the dollar, and the quarter began with an April 7 nonbinding vote in the U.S. Senate to raise U.S. tariffs on imports from China by 27.5 percent unless it revalues its currency within six months (the figure is mid-point in the 15 to 40 percent range some economists say China's currency is undervalued.) The vote on the "China Free Trade Act," cosponsored by Senators Graham and Schumer passed by a two-thirds majority, revealing a surprising level of angst in Congress with China's undervalued currency, viewed to be the cause of a host of U.S. economic problems, from a surging trade deficit to the loss of manufacturing jobs. "This amendment says to the Chinese, enough already," Schumer said April 6. "It says to the Chinese, this is a shot across your bow. Reform – because, if you don't, there are going to be dramatic consequences throughout the world, in our country, and in your country as well."

Chinese officials were not pleased with this rhetoric, and blamed it for sparking speculation frenzy on the yuan that would only further delay reform. Speaking on the sidelines of an Asian Development Bank meeting in Istanbul May 6, Chinese Finance Minister Jin Renqing said, "We will actively and prudently push forward this reform, but I believe under the current situation that speculation on the renminbi exchange rate is very hot, that pushing forward this reform is very difficult." On May 12, People's Bank of China Vice Governor Wu Xiaoling complained that external pressure – specifically pending legislation in the U.S. Congress – was prompting a flood of hot money into Chinese assets, especially property. "Originally there was a pretty good environment" for reform of the exchange rate, Wu said. "It is not proper to say that the reform direction of the Chinese government is being carried out under pressures from outside." This comment came a day after billions of dollars of speculative money was let loose on foreign exchange markets worldwide following an erroneous report that the government would revalue the currency by May 18. On June 23, Chinese Premier Wen Jiabao argued in a keynote speech at the Sixth ASEM Finance Minister's meeting in Tianjin that it is China's right to choose its own currency regime "suitable to its own national conditions."

Meanwhile, on May 26, the U.S. Treasury released its "Report to Congress on International Economic and Exchange Rate Policies," which addressed a range of problems with current global imbalances, including China's fixed peg. The report concluded that while China's currency value is highly distortionary, it does not meet the "technical qualifications" of a currency manipulator. Testifying before the Senate Committee on Banking, Housing, and Urban Affairs, Treasury Secretary John Snow added that this should not be interpreted as acquiescence to the status quo; "If current trends continue without substantial alteration," he warned, "China's policies will likely meet the statute's technical requirements for designation" as currency manipulation. When committee members – including Schumer – grilled Snow on what this meant, Snow reluctantly opined that China would need to make a "significant" move and that it

would need to do so before the next exchange rate report is due to Congress in mid-October. Snow reiterated his position in June 23 testimony to the Senate Finance Committee, saying “I believe that the risks associated with delaying reform far outweigh any concerns with immediate action,” he said. “The current system poses a risk to China’s economy, its trading partners, and global economic growth.”

In truth, while Chinese officials have repeatedly said that they intend to eventually adopt a flexible currency, there is no consensus among officials or economists on how to get there from here. Some argue China should wait several years until its financial system is strengthened, others argue that the opportune time has already passed. “The economic and social price of yuan revaluation is climbing higher by the day,” senior economist Liang Hong wrote in the *China Economic Times* in June. “As more hot money flows into the country and the trade surplus grows worse, the task at hand becomes more complicated,” he asserted. An Asian Development Bank study released June 1 concluded that a 10 percent revaluation would “stabilize China’s overheating economy by suppressing inflationary pressure, and reducing investment and GDP growth. On the other hand,” the report went on, “a 20 percent appreciation nearly halves GDP growth, risking a hard landing for China.” The impact on the U.S. trade deficit would “hardly make a dent,” the report adds, because a reduction of imports from China would be replaced with an increase of imports from other countries. Federal Reserve Chairman Alan Greenspan agreed in testimony before the U.S. Senate Finance Committee on May 23, saying that only a higher savings rate in the U.S. would alter the trade deficit picture. Both the IMF and World Bank echoed this view, arguing in separate opinions that China’s exchange rate was not the sole problem of global imbalances and asserting Beijing’s legitimate right to set monetary policy.

As the quarter ended, the Bush team was able to buy some more time from Congressional action, as Secretary Snow and Chairman Greenspan emerged from side meetings with Senators Schumer, Graham, and other key congressional leaders June 30 with an agreement to postpone a scheduled July 27 vote until the fall. No doubt Snow’s new special envoy to China, Olin L. Wethington – appointed May 19 and taking over the portfolio of Ambassador Mark Speltz – has his work cut out for him. Wethington has a long history of financial diplomacy, including currency talks with Japan and Korea and most recently assisting in Iraq reconstruction.

Textile tariffs

On two occasions in May, Secretary of Commerce Carlos Gutierrez announced that the Committee for the Implementation of Textile Agreements (CITA) had concluded that “considerable market disruption” existed for a total of seven textile products, and imposed a 7.5 percent quota above the moving average of the 12 months prior to when the complaint was made late last year. (CITA said that three of the seven were self-initiated actions, and four were brought by the National Association of Manufacturers, among other groups; CITA has yet to rule on eight more cases currently pending). If a satisfactory solution cannot be reached within 90 days, the quota will remain in place through the end of 2005.

China takes the textiles issue very seriously and argues it is World Trade Organization (WTO) compliant. On May 30, Commerce Minister Bo Xilai conducted a press conference with Chinese and international media in which he argued that the U.S. action is based on “insufficient

evidentiary grounds,” and argued that the specific conditions laid out in Paragraph 242 of China’s WTO succession agreement have not been met. He defended China’s textile trade as a “take to compensate for other areas of gives in market opening,” and while he agreed that there has been an increase in China’s textile exports to the U.S. (and EU) since January 1, the fault lies with the developed countries that failed to phase out textile quotas, keeping 90 percent of them until “the last minute” – the bulk of these in products for which developing countries have greater advantage. The textile industry employs 19 million people in China, Bo pointed out, many in the low-income population, and the Chinese government has a responsibility to protect the legitimate rights of Chinese industries. Bo further explained that the May 20 action to impose export duties on 74 textile products was not in reaction to the U.S. move, but had been under study for some time. China will continue to exclude from that list textile products subject to U.S. (or EU) restrictions, he added. In concluding, he urged the EU and the U.S. to spend more energy on the development of high-technology and on Airbus and Boeing, “rather than quarrel with us on socks and trousers.” (This may have been a reminder that China Southern Airlines had just announced on May 12 it would buy 45 Boeing planes in a deal worth about \$3 billion.)

The issue was a focal point of the June 2-4 visit to Beijing by Commerce Secretary Gutierrez, with USTR Rob Portman joining him June 4. The two met with Chinese Vice Premier Wu Yi and Commerce Minister Bo. In addition to negotiations on textile quotas, intellectual property rights (see below), and currency issues, they were preparing for the next annual meeting of the Joint Commission on Commerce and Trade (JCCT) in July 2005 in Beijing. The last 2004 JCCT meeting successfully resolved a whole host of issues, both sides agree, so officials have only their own success to improve upon.

Intellectual property rights (IPR)

China’s infringement of IPR provoked harsh criticism from U.S. officials this quarter that Beijing could not ignore. Echoing a phrase coined by former USTR Bob Zoellick – “If we make it, they can fake it” – Assistant Secretary of State for East Asian and Pacific Affairs Christopher Hill pointed to IPR as a priority in a June 7 hearing before the Subcommittee on East Asian and Pacific Affairs of the Senate Foreign Relations Committee. The issue is far from confined to knock-off CDs and DVDs; Hill listed “automobile brakes, even entire passenger cars, electrical switches, medicines, marine pumps, processed foods, and other items that create health and safety risks in China and abroad because of poor product quality regulation.” For U.S. businesses, IPR infringement is “really the solution to the bigger problem – the trade deficit,” argued Charles Martin, president of the American Chamber of Commerce in China, because fake goods crowd out imports of legitimate products.

Chinese officials do seem to grasp the enormity of the problem. On April 21, the Information Office of the State Council issued a white paper entitled “New Progress in China’s Protection of Intellectual Property Rights,” the first IPR white paper since 1994. Citing a number of areas of progress, the paper also pledges that China will “enhance its cooperation with various countries and international organizations with a more active, open attitude.” In addition, more than 20 government agencies collaborated in a “public information week” that sought to educate businesses, students, and broader society on the importance of IPR. U.S. officials acknowledged progress is being made, but nevertheless the USTR placed China on the Priority Watch List on

April 29 after concluding its “Out of Cycle” review of China’s IPR regime – a step that is sometimes a precursor to applying sanctions. This issue will definitely be addressed at the July JCCT meeting; U.S. officials are seeking a range of specific measures such as increased criminal penalties and more budget outlays for enforcement at the local level.

Energy issues

Conflicting competitive and cooperation pressures on bilateral energy issues were revealed late in the quarter, kicked off by the June 23 takeover bid by China National Offshore Oil Corp. Ltd. (CNOOC) to acquire Unocal Corp., putting back into play Chevron’s \$16.7 billion offer that it thought was locked up. On June 30, Congressional suspicions about CNOOC’s \$18.5 billion cash bid were expressed in a House vote of 311-92 to ban Treasury from using any funds to “recommend approval” of the sale, and a second nonbinding resolution, adopted 398-15, that expressed concern the sale “would threaten to impair” U.S. national security. (Earlier in the week, the House had also voted overwhelmingly to bar the Export-Import Bank from proceeding with a \$5 billion credit package to support a bid by Westinghouse Electric Co., a unit of British Nuclear Fuels PLC, to build nuclear power plants in China.) Ultimately, the Committee on Foreign Investment in the U.S. (CFIUS), chaired by Treasury Secretary Snow, has responsibility for deciding the national security question, and it has rarely blocked a sale of a domestic company to a foreign one. In this case, many energy industry analysts argue that because two-thirds of Unocal’s assets are in Asia, and due to its long-term supply contracts to Thailand and Indonesia, for example, the acquisition does not pose a challenge to U.S. interests. Unocal does provide a small percentage of the U.S. strategic petroleum reserve from its deep-water wells in Mexico, but CNOOC officials have pledged to either sell these or put the assets in a trust. Many business analysts argue that the real significance of the CNOOC bid is China’s determination to build world-class companies that can compete internationally, and that it recognizes it needs foreign help to do so.

For others, however, Beijing’s offer provided further evidence of a Chinese plan to translate its immense trade surpluses into strategic advantage that would redound to the detriment of the U.S. The takeover bid comes on the heels of China’s acquisition of oil and natural gas fields in Kazakhstan, Venezuela, Sudan, Iran, Iraq, Peru, Azerbaijan, and Indonesia. Many of those countries are considered unsavory or even rogue states by Washington and China’s business dealings with them have aroused suspicions that Beijing’s economic inroads will not only provide China with secure access to energy, but also new sources of political leverage. The CNOOC bid also brought into relief U.S. energy vulnerability. In the House of Representatives, Richard W. Pombo (R-CA), chairman of the House Committee on Resources, who spearheaded the House bill and whose district includes Unocal’s headquarters, said “This should be a wake-up call for America to get as serious about energy as China appears to be.” The Unocal board meets Aug. 10 to vote on the CNOOC and Chevron bids.

On the cooperation front – ironically, on the same day as the House voted on June 30 – U.S. Secretary of Energy Samuel Bodman announced in Beijing the establishment of the first DOE office in China to support cooperative efforts on energy and nuclear security issues, and back in Washington, the first U.S.-China Energy Policy Dialogue was convened. “The United States and China have a constructive relationship on a variety of issues, including energy security and

nuclear security,” Secretary Bodman said. “Through the U.S.-China Energy Policy Dialogue, and with on-site assistance from the new DOE office, we can enhance our cooperation to promote energy efficiency, diversify our energy supplies, expand the use of clean energy technologies, as well as continue our mutual efforts to increase nuclear security in both our nations.”

Are U.S.-China ties headed for retrogression?

It is premature to predict a downward slide in U.S.-China relations, but current trends are on balance more negative than positive. Opportunities will be presented in the second half of the year that, if actively seized, could put the relationship on a more positive trajectory. Both countries are looking to the July meeting of the Joint Commission on Commerce and Trade to make progress in the economic realm. An important venue for discussions of geo-strategic issues will be the Global Dialogue that will be launched in late July, led by Deputy Secretary of State Robert Zoellick and Executive Vice Foreign Minister Dai Bingguo. The list of thorny international issues on which the U.S. and China are on opposing sides or are partially at odds keeps growing: UN reform, U.S. presence in Iraq, Iran’s nuclear programs, Uzbekistan’s crackdown, East Asian regionalism, the Proliferation Security Initiative, genocide in Sudan, North Korea’s nuclear programs, the U.S.-Japan alliance, Taiwan, and the militarization of space.

Summits and other high-level meetings will also provide a chance to inject new momentum into the bilateral relationship. Hu Jintao will make his first visit to the United States as China’s president in September. Bush will stop in Beijing in November when he travels to Asia to attend the Asia Pacific Economic Cooperation summit. High-level military exchanges are also on the agenda, including a visit by Secretary Rumsfeld to China and Central Military Commission Vice Chairman Guo Boxiong to the U.S.

Chronology of U.S.-China Relations April-June, 2005¹

April 4, 2005: U.S. Committee for the Implementation of Textile Agreements, chaired by the Department of Commerce, initiates safeguard proceedings on imports of Chinese textile and apparel products to determine whether quotas should be re-imposed.

April 6, 2005: U.S. textile and clothing industry asks the government to re-impose quotas on 14 categories of clothing to protect U.S. manufacturers after the Bush administration brought its own cases on different clothing products.

April 8, 2005: State Department announces that the U.S. and China agree for the first time to hold regular, senior-level talks on a wide range of political and economic issues.

April 13, 2005: China’s State Council issues a white paper on China’s human rights progress in 2004 in response to criticism from U.S. human rights groups and outlines “significant progress” in 2004.

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

April 13, 2005: U.S. and China hold the inaugural U.S.-China Global Issues Forum in Washington, D.C. The sessions focus on clean energy and sustainable development, humanitarian assistance, poverty alleviation, development financing, law enforcement, and public health.

April 14, 2005: Congressional policy advisors and academics testify before the U.S.-China Economic and Security Review Commission that Chinese protests against Japan raise concerns that China could one day unleash popular wrath on the U.S. Susan O'Sullivan, senior adviser for Asia in the State Department's Bureau of Democracy, Human Rights, and Labor, cites lagging political reform and repression of human rights as systematic problems.

April 14, 2005: Under Secretary of State R. Nicholas Burns testifies before the House Committee on International Relations and the House Armed Services Committee that the U.S. strongly opposes a lifting of the EU arms embargo on China as it threatens peace and security in the region and would send the wrong signal. Assistant Secretary of Defense Peter Rodman and Acting Undersecretary of Commerce Peter Lichtenbaum also testify.

April 15, 2005: During an appearance before the American Society of Newspaper editors, President George Bush calls for China to float its currency, welcome all religions, cooperate in the war on terror, and keep peace with Taiwan. He also attributed the surge in oil prices partly to China's growing demand for energy.

April 18, 2005: Treasury Secretary John Snow says after a G7 meeting of finance ministers that China has had long enough to prepare its financial system and is ready now to adopt a more flexible exchange rate.

April 19, 2005: As a result of a joint U.S.-China investigation to enforce intellectual property laws, two Americans are sentenced in Shanghai for selling pirated DVDs on the Internet.

April 19, 2005: Secretary of the Navy Gordon England, nominated as the new deputy defense secretary, says during his confirmation hearing that the U.S. must be prepared to meet any challenge from China.

April 21, 2005: Federal Reserve Chairman Alan Greenspan says at a Senate Budget Committee hearing that China's fixed exchange rate is taking a toll on the Chinese economy and must be eased sooner rather than later.

April 21, 2005: Rep. Robert Portman, nominated as the next U.S. trade representative, vows during his confirmation hearing to order "a top-to-bottom review" of U.S. trade relations with China if confirmed.

April 26, 2005: Senate passes a bill calling for the administration to address the lack of intellectual property protection in China and Russia and ensure that action is taken against any country in violation of its WTO commitments.

April 26, 2005: Assistant Secretary of State Christopher Hill arrives in Beijing from Seoul and meets with Chinese vice foreign ministers Dai Bingguo, Yang Jiechi, and Wu Dawei to discuss bilateral relations, the Korean Peninsula nuclear crisis, and other issues.

April 27, 2005: Chinese Customs puts forward a container security cooperation proposal with the U.S. to guard against terrorists hiding arms of mass destruction in containers. The two countries will post customs officers in each other's ports.

April 29, 2005: Deputy Defense Secretary Paul Wolfowitz meets at the Pentagon with Lt. Gen. Xiong Guangkai as part of annual defense policy talks. The Chinese military continues to object to a proposal to set up a hot line between the Pentagon and its Beijing counterpart.

April 29, 2005: U.S. trade representative's office releases its special "Out-of-Cycle Review," or OCR, of the IPR situation in China, concluding that the efforts to date, while serious, have not significantly reduced IPR crime across China.

May 5, 2005: In a telephone conversation, Chinese President Hu Jintao and President Bush discuss North Korea, trade and economic ties, and Taiwan.

May 9, 2005: Treasury Department and Chinese central bank officials hold talks on financial issues, including currency flexibility, and will hold more talks this summer.

May 13, 2005: Chinese Vice Premier Wu Yi tells U.S. Ambassador to China Clark Randt that China hopes to resolve trade disputes through consultation and cautions against "mixing economic and trade problems with politics."

May 13, 2005: Chinese FM Li Zhaoxing talks with Secretary of State Rice on the phone on exchanging presidential visits within the year and other issues.

May 13, 2005: Department of Commerce announces the imposition of temporary quotas on three categories of clothing from China after deciding that a surge in imports of those products from China is disrupting the U.S. market.

May 16, 2005: U.S. Chamber of Commerce and American Chamber of Commerce-China announce plans to cooperate in monitoring China's enforcement of intellectual property rights laws.

May 17, 2005: Department of Treasury says in its *Report to Congress on International Economic and Exchange Rate Policies* that China's exchange rate is a substantial distortion to world markets and a source of large risk to the Chinese economy, but falls short of designating China for currency manipulation.

May 18, 2005: Department of Commerce adds four more categories of textile and apparel products from China to the list subject to temporary quotas.

May 19, 2005: China's Commerce Minister Bo Xilai calls quotas "unwise" and says that China will not adopt additional measures to curb its textile exports.

May 19, 2005: Treasury Secretary Snow appoints Olin Wethington special envoy on China, responsible for issues related to exchange rate and financial market reform.

May 20, 2005: China announces new tariffs on 74 types of goods, an increase of up to 400 percent, to begin on June 1.

May 25, 2005: China threatens to renege on a promise to impose tariffs on textile products if the same items are subject to quotas overseas.

May 26, 2005: Deputy Assistant Secretary of Defense Richard Lawless warns the House International Relations Committee on the dangers of China's military buildup and its potential impact on the security of Taiwan. Assistant Secretary Hill also testifies.

May 26, 2005: Treasury Secretary Snow defends his department's report that stops short of branding China a currency manipulator in front of the Senate Banking Committee. He expresses confidence in U.S. policies and expects China to revalue the *yuan* before October.

May 27, 2005: Office of the U.S. Trade Representative says that a Section 301 action is not appropriate or productive way to achieve the goal of changing China's currency regime.

May 30, 2005: Chinese Minister of Commerce Bo Xilai says that China is willing to handle the textile trade issues through consultations. He notes that the Chinese government hopes to maintain friendly economic cooperation with the U.S. and EU.

May 30, 2005: Vice President Dick Cheney urges China to do more to revive the stalled Six-Party Talks on *CNN*'s "Larry King Live."

June 1, 2005: China scraps export tariffs on 81 categories of clothing, in response to the EU's decision to impose quotas as well as U.S. decision to re-impose restrictions on seven kinds of Chinese textile and clothing imports.

June 1, 2005: Secretary of Commerce Carlos Gutierrez in Beijing urges China to speed progress on bilateral trade issues or risk an outbreak of protectionism that will hurt both countries' economies and stresses the protection of intellectual property rights.

June 2, 2005: Secretary Rice and FM Li hold a phone conversation and agree to enhance cooperation between the two countries in major global and regional affairs.

June 3, 2005: U.S.-China Business Council, in its 2005 scorecard on China's WTO commitments, finds that, despite demonstrable progress, many Chinese trade policies still violate WTO rules.

June 4, 2005: Defense Secretary Donald Rumsfeld says in Singapore that China's defense expenditures are much higher than published figures and its ability to project power is growing.

June 4, 2005: On the 16th Anniversary of the Tiananmen Square protests, the U.S. government issues a statement calling on the Chinese government to account for its actions, reexamine the event, and allow its citizens to assemble, speak, and worship freely.

June 7, 2005: Assistant Secretary Hill testifies before the Senate Foreign Relations Committee that China's growing influence is a result of its economic success and not a zero-sum game for the U.S.

June 7, 2005: In a meeting with Sheng Huaren, vice chairman and secretary general of the Standing Committee of China's National People's Congress, Bush says that he is looking forward to meeting with Hu later this year.

June 8, 2005: U.S. and Chinese parliamentary groups hold second work meeting since 2003 and exchange opinions on Sino-U.S. relations, Taiwan, parliamentary contact, economic and trade issues, and international and regional situations.

June 10, 2005: Chinese Vice FM Yang Jiechi holds talks with Deputy Secretary of State Robert Zoellick and other senior U.S. officials.

June 10-17, 2005: China and U.S. inter-parliamentary exchange groups hold the sixth round of regular meetings to discuss China-U.S. relations, Taiwan, parliamentary exchanges, trade issues, China's peaceful development, and the DPRK nuclear issue.

June 13, 2005: Secretary Rumsfeld, in an interview with *BBC News*, argues that China's communist system will cause tension with the fast growing economy in the future and expects a loosening of the political system.

June 16, 2005: China announces temporary anti-dumping measures against imported Furan phenol, a chemical raw material, from Japan, the U.S., and the EU.

June 18, 2005: China test-fires a new long-range, submarine-launched ballistic missile, believed to be the *Ju Lang-2*, according to reports by the Japanese government.

June 20, 2005: Haier, a Chinese appliance maker, joins two private equity firms in an offer to acquire all Maytag's outstanding stock for \$16 a share.

June 22, 2005: CNOOC, China's third-largest oil producer, offers to buy Unocal, a U.S. oil and gas company, for \$18.5 billion in cash, topping the \$16.6 billion Chevron bid.

June 23, 2005: Acting Under Secretary of Commerce for Industry and Security Peter Lichtenbaum testifies before a U.S.-China Economic and Security Review Commission hearing that "China poses particular challenges for U.S. dual-use export control policy, because there are immense potential benefits from expanding trade, but there are also serious security concerns."

June 23, 2005: Federal Chairman Greenspan warns members of the Senate Finance Committee that proposed tariffs against Chinese goods and other forms of protectionism would significantly lower U.S. living standards and would not save U.S. jobs.

June 23, 2005: Kelly Ryan, deputy assistant secretary of state for the Bureau of Population, Refugees and Migration, urges the executive board of the UN Population to end its family planning program in China until Beijing stops using coercion, forced abortions, and punishment to enforce its one-child policy.

June 30, 2005: Secretary of Energy Samuel Bodman announces establishment of a Department of Energy office in Beijing to support cooperative efforts with China on energy and nuclear security issues. On the same day, the first meeting of the U.S.-China Energy Policy Dialogue was held in Washington.

June 30, 2005: Treasury Secretary Snow announces a compromise with authors of the Schuman/Grassley bill to postpone the July 27 vote on imposing a 27 percent tariff on Chinese goods until the fall.

June 30, 2005: House International Relations Committee unanimously passes The East Asia Security Act of 2005, a bill that would impose a wide array of sanctions against countries and firms that sell arms to Beijing.

June 30, 2005: House of Representatives votes 333-92 to block the Bush administration from approving CNOOC from acquiring U.S. oil and gas producer Unocal Corp. In a separate nonbinding resolution, the House votes 398-15 in favor of an immediate review of the possible takeover. The resolution states that a CNOOC takeover of Unocal “would threaten to impair the national security of the United States.”

U.S.-Korea Relations:

Good News Summit Kicks Disputes Down the Road

Donald G. Gross
Atlantic Council of the United States

Speculation about a possible North Korean nuclear test spiked tensions on the Korean Peninsula this quarter as Pyongyang continued to refuse to return to the Six-Party Talks. Pyongyang underscored its status as a nuclear weapons state by removing spent fuel rods from its five-megawatt reactor, and then testing a short-range missile in the direction of Japan.

If North Korea's purpose was to heighten differences between South Korea and the U.S, and thus weaken the alliance, its efforts proved successful through May. The U.S., as a veiled threat, moved 15 stealth fighters to South Korea, broke off talks on recovering Korean War remains, and considered seeking sanctions against North Korea at the UN.

After Seoul openly rejected seeking UN sanctions, South and North Korean diplomats met for the first time in 10 months on May 15 to discuss "inter-Korean issues." Seoul promised North Korea large-scale aid if it returned to the Six-Party Talks, but gained no commitment from Pyongyang on the nuclear issue.

With Washington and Seoul far apart on how best to deal with North Korea, President George W. Bush and President Roh Moo-hyun held a one-day summit June 10. Rather than resolving their tactical differences, the two leaders emphasized strategic agreement on the importance of the U.S.-Korea alliance and a peaceful settlement of the nuclear issue.

A few days after the summit, South Korea's Unification Minister Chung Dong-young met with North Korean leader Kim Jong-il who declared his country would rejoin the six-party process in July if the U.S. "recognizes and respects" his regime. Although U.S. officials remained skeptical since North Korea did not provide a firm date for attending the negotiations, it appeared Pyongyang might make a concrete commitment before or during a visit by Chinese President Hu Jintao in July.

The U.S. and South Korea settled a dispute this quarter over OPLAN 5029, a contingency plan laying out responses to cataclysmic events in North Korea, including regime collapse or a refugee crisis. South Korea had objected to putting its forces under U.S. command pursuant to this plan. The two governments agreed to further develop the *concept* of the contingency plan without deciding its *operational* components.

Incoming U.S. Trade Representative Rob Portman said this quarter the U.S. would not negotiate a free trade agreement with South Korea until “additional progress” is made on outstanding trade disputes. His position put pressure on Seoul to allow greater access for Hollywood films to the South Korean market and to end its import ban on U.S. beef.

North Korea emphasizes its nuclear credentials

At the outset of the quarter, North Korea continued to tout its status as a nuclear weapons state. In a Foreign Ministry statement, Pyongyang said “now that the DPRK has become a full-fledged nuclear-armed state, the Six-Party Talks should serve as disarmament talks where the participating countries negotiate the issue on an equal footing.” North Korea’s UN Ambassador Han Song-ryol, reinforced the ministry statement by further demanding the U.S. apologize for Secretary of State Condoleezza Rice’s remark calling North Korea an “outpost of tyranny,” before the country would return to the Six-Party Talks. Not surprisingly, the U.S. rejected both demands.

Meetings that U.S. North Korea expert Selig Harrison held with senior officials during his April 5-9 visit to Pyongyang provided insight into North Korean motivations. After discussions with North Korea’s number-two leader, Kim Yong-nam, chairman of the Supreme People’s Assembly, and Vice Foreign Minister Kang Sok-ju, Harrison concluded that Pyongyang, *at this stage*, is only willing to freeze its nuclear program at current levels and “will not negotiate the complete dismantlement of nuclear weapons.”

Harrison observed that “they are not willing to discuss dismantling *unless and until the U.S. agrees to normalize relations with them*. Their logic...is that at this point the U.S. and North Korea are in a state of war. There’s no peace treaty ending the Korean War.”

In other words, Pyongyang intends to resist U.S. pressure to give up its nuclear arsenal so long as the fundamental confrontation on the Korean Peninsula continues. If the U.S. takes steps to normalize relations and give up what Pyongyang sees as its policy seeking “regime change,” North Korea, in that context, could agree to end its nuclear program.

Practically speaking, the North Korean view reflects its dismay over the sequencing of reciprocal measures proposed by the U.S. in the last round of Six-Party Talks in June 2004. North Korea wants the U.S. to provide security assurances, economic assistance, and significant steps toward normalizing diplomatic relations either before or as Pyongyang fully dismantles its nuclear weapons program. The U.S., on the other hand, has been unwilling to provide this *quid pro quo* until North Korea’s dismantlement is completed or well underway. South Korea has tried to bridge the gap with a three-stage approach of choreographed reciprocal steps, but Seoul’s proposal has not yet gained traction in Washington or Pyongyang.

In a further exercise of brinkmanship, North Korea sharpened its position in mid-April by shutting down its five-megawatt reactor at Yongbyun so it could remove spent fuel rods. Once reprocessed, the plutonium in the fuel rods would be sufficient to build approximately six to eight more nuclear bombs. This action triggered a tough U.S. response, with the White House spokesman saying on April 18 the U.S. intended to seek sanctions against North Korea at the UN

Security Council, if Pyongyang did not return to the Six-Party Talks. (Pyongyang has repeatedly stated it would treat UN sanctions as an “act of war”).

The U.S. position, in turn, highlighted a major difference with South Korea on appropriate tactics to bring North Korea back to the bargaining table. Two days after the White House statement, South Korean Foreign Minister Ban Ki-moon said that Seoul opposes seeking UN sanctions against North Korea or taking other punitive measures.

U.S. sticks and South Korean carrots

From this point, until the summit meeting between President Roh and President Bush on June 10, tensions between the allies increased sharply over how to deal with North Korea’s nuclear threat and its unwillingness to rejoin the Six-Party Talks. In response to Pyongyang’s aggressive declarations, the U.S. ratcheted up various pressures. For its part, South Korea insisted on avoiding all mention of punitive measures against Pyongyang in the belief that they would only harden North Korea’s resolve. The difference in approaches – and attitudes – raised questions about the medium- and long-term resiliency of the alliance both in Seoul and Washington.

On April 23, *The Wall Street Journal* reported the U.S. had evidence that North Korea was planning a nuclear test. Though South Korea’s National Security Advisor Kwon Jin-ho downplayed U.S. concerns, the alleged test preparation drew international media attention. Anger about a possible nuclear test and North Korea’s earlier move to reprocess spent fuel seemed to motivate President Bush’s rhetorical attacks on Kim Jong-il at a televised press conference a week later.

Bush termed the North Korean leader “a dangerous person” and a “tyrant,” leading to speculation in Seoul the U.S. had decided on unilaterally compelling North Korea to dismantle its nuclear program. Pyongyang did not waste time in firing back, saying “Bush is a hooligan bereft of any personality as a human being...He is a half-baked man in terms of morality and a philistine whom we can never deal with.”

After this rhetorical exchange, North Korea continued its hardline tactics by firing a short-range missile on May 1 into the East Sea in the direction of Japan, perhaps in lieu of the nuclear weapons test it did not to carry out this quarter. Both Washington and Seoul were quick to downplay the test’s significance. White House Chief of Staff Andrew Card said it was “not surprising,” while Deputy Foreign Minister Song Min-soon called the missile “far from the one that can carry a nuclear weapon. This isn’t a case to be linked to the nuclear dispute.”

The missile test nevertheless achieved its presumably intended effect of heightening South Korean public speculation about the likelihood of war and thus increasing alliance tensions. U.S. Forces Korea Commander Gen. Leon LaPorte reassured South Korea that any military action against North Korea would require allied consensus.

Throughout May, the U.S. and South Korea took diverging approaches toward North Korea’s brinkmanship tactics. The U.S. continued to warn of a possible North Korean nuclear test, which seemed increasingly imminent after Pyongyang announced it had finished removing 8,000 fuel

rods for reprocessing from its five-megawatt reactor. The U.S. reminded Pyongyang it has a “robust deterrent capacity” to deal militarily with the DPRK should that become necessary.

On May 9, U.S. negotiator for the Six-Party Talks Joseph DeTrani traveled to New York and met with North Korean officials at Pyongyang’s mission to the UN. The Bush administration did not publicly discuss the purpose of the meeting in which DeTrani reportedly explained that North Korea’s desire for the U.S. to show “no hostile intent” before Pyongyang rejoined the talks had clearly been met by a series of U.S. statements.

U.S. psychological pressure on North Korea reached a peak at the end of May when the Pentagon confirmed it had deployed 15 stealth fighters to U.S. air bases in South Korea, allegedly as part of routine rotation. At the same time, the Defense Department announced it was suspending the one cooperative activity the U.S. has carried out with North Korea during the last several years – a joint effort to recover the bodies of U.S. servicemen still missing from the Korean War. An unidentified “senior official” traveling with Defense Secretary Donald Rumsfeld also threatened to bring the North Korean nuclear issue to the UN Security Council in the immediate future.

On June 30, U.S. negotiator DeTrani met for the second time with North Korean officials in New York. The meeting took place in the context of an academic conference and likely centered on a U.S. request that North Korea provide specific dates when it would send a delegation to a new round of Six-Party Talks.

South Korea took a far more conciliatory tack during May. Seoul initially downplayed North Korea’s announcement on fuel rods to dampen any sense of crisis. Vice Unification Minister Rhee Bong-jo said “we regard the removal of the spent fuel rods as a step in line with North Korea’s previous moves to strengthen its negotiation power by aggravating the situation. But it does not build up a crisis right away.”

South Korea focused instead on the meeting of South and North Korean negotiators concerning “inter-Korean” issues scheduled for May 15. Likely for the sake of reducing peninsular tensions while increasing U.S.-South Korean differences, Pyongyang agreed to a new round of these ministerial-level talks for the first time in 10 months.

Meeting at Kaesong, site of a joint pilot industrial complex just north of the demilitarized zone, diplomats mainly took up North-South issues, including reunions of families separated during the Korean War, opening of cross-border rail links, and fertilizer aid to North Korea. However, Vice Minister Rhee also urged North Korea to return to the Six-Party Talks, and said Seoul would offer an “important proposal” – said to be the equivalent of a Marshall Plan for North Korea – at the new round. The North Korean delegates gave no commitment on rejoining the talks.

Bush administration officials were reportedly frustrated with the outcome of the mid-May inter-Korean meeting: 200,000 tons of fertilizer shipped to North Korea, Pyongyang’s successful objection to any mention of the nuclear issue in the meeting’s communiqué, and no North Korean agreement on the date of a new round of Six-Party Talks. The unilateral U.S. decision to

send stealth fighters to South Korea (with the capability of carrying out a military strike against North Korea's nuclear reactors) and suspending joint recovery efforts expressed the administration's frustration.

U.S.-South Korea summit stresses strategic agreement

A noticeable shift in the Bush administration's approach toward Pyongyang began on May 31, shortly after it began planning for the June 10 U.S.-South Korea summit that Seoul requested to realign the two government's positions on North Korea. Apparently to lay the groundwork for a successful summit, President Bush called for a peaceful diplomatic solution to the nuclear crisis and referred respectfully to the North Korean leader as "Mr. Kim Jong-il." South Korea had urged just such an approach to overcome President Bush's earlier slights of the North Korean leader.

Five days before the summit, Secretary Rice pulled back on the earlier threat by an unidentified senior defense department official when she said the U.S. has no immediate plans to bring the nuclear issue to the UN Security Council. She observed, "The idea that within weeks we are going to decide one way or another is a little forward-leaning."

The positive outcome of President Roh's summit meeting with President Bush in Washington exceeded expectations. Most observers predicted tough bargaining over the U.S. preference for punitive measures and South Korea's emphasis on incentives to bring Pyongyang back to the Six-Party Talks. Instead, both sides reaffirmed the U.S.-South Korea alliance and their mutual desire for a diplomatic solution to the nuclear issue. The joint expression of these fundamental principles overshadowed major tactical differences for moving diplomacy with North Korea forward. While Presidents Roh and Bush did not make any new proposals to Pyongyang, Bush pledged "more normal relations" with North Korea if it moves to resolve the nuclear issue.

Soon after the summit meeting, President Bush met with noted North Korean defector Kang Chol-hwan in the White House to underscore the president's concern about terrible human rights conditions in North Korea. Kang, author of "The Aquariums of Pyongyang" which describes his years in a North Korean concentration camp, has been marginalized in South Korea by concerns that too much attention to human rights might disrupt relations with Pyongyang.

After a mid-June meeting between U.S. Assistant Secretary of State Christopher Hill and Deputy Minister Song, South Korean officials attempted to clarify the relation of the human rights issue to the Six-Party Talks. One unidentified official stated definitively that human rights "is not an agenda item for the Six-Party Talks." He remarked that Seoul nonetheless has "grave concern" for the human rights situation in North Korea and is considering ways to "effectively improve" it. Hill said the U.S. would not remain silent on human rights abuses and suggested that a more "normal" relationship with North Korea would depend in part on how it addresses this issue.

Negotiations with North Korea on the nuclear issue culminated this quarter when South Korea's Unification Minister Chung met Kim Jong-il at the end of a celebration marking the historic North-South summit in June 2000. Chung delivered a message from President Roh urging North

Korea to make a “strategic decision” to abandon its nuclear program in exchange for security guarantees, economic aid, and improved relations with the U.S.

After five hours of talks at a guest house in Pyongyang, Kim Jong-il reportedly told Chung that North Korea would rejoin the Six-Party Talks in July if the U.S. “recognizes and respects” his regime. Kim expressed a willingness to give up North Korea’s nuclear arsenal, once again become a member of the Nuclear Nonproliferation Treaty, and allow international inspectors to verify North Korea’s compliance. After Chung returned to Seoul, he also reported Kim Jong-il’s offer to “abolish all medium- and long-range missiles” if the U.S. formally establishes diplomatic relations with North Korea.

Commenting on the Chung-Kim meeting, Assistant Secretary Hill said while it was “very positive and important,” the U.S. expects North Korea to “give a date” for participating in the Six-Party Talks and commit itself to serious negotiation: “We don’t want to come to the talks just to talk, but to make progress.”

At the end of the quarter, Unification Minister Chung flew to Washington to brief senior U.S. officials on the content of his meetings with Kim Jong-il. Chung also discussed in detail the elements of the “important proposal” Seoul is prepared to offer Pyongyang once North Korea returns to the Six-Party Talks. Observers await the visit of Chinese President Hu Jintao to North Korea in July, when North Korea is expected to propose specific dates for rejoining the nuclear negotiations.

U.S. officials strive to prevent further anti-American protests

At the outset of his summit meeting with President Roh, President Bush offered the “deepest sympathies” of the United States for the tragic death of a 51-year-old Korean woman who was killed the day before by a U.S. military truck. This accident coincided with the third anniversary of the death of two schoolgirls, run over by a U.S. armored vehicle, which sparked anti-American protests throughout South Korea.

Beyond the president’s apology, Gen. LaPorte, commander of the Combined Forces Command, visited the victim’s family as did Maj. Gen. George Higgins, commander of the U.S. 2nd Infantry Division. These official actions effectively demonstrated sincere U.S. concern to demonstrators holding candlelight vigils and to the public at large.

Allies settle their dispute on a contingency plan

In mid-April, Seoul newspapers reported that South Korea’s National Security Council halted consultations in January 2005 between the ROK Defense Ministry and U.S. Forces Korea over the so-called “OPLAN 5029,” a contingency plan for responding to internal conflicts in North Korea, including regime collapse or a massive refugee crisis. The NSC objected specifically that the OPLAN draft allowed the U.S. to take command of the U.S.-South Korean Combined Forces Command in an emergency that occurred during “peacetime.” Under previous understandings, the U.S. exercises control over South Korea’s military only during “wartime.” The NSC argued

that if put into effect, the OPLAN 5029 draft could infringe on the country's national sovereignty and capability for keeping peace on the Korean Peninsula.

This disagreement over contingency planning occurred against a broader backdrop of South Korean suspicion about U.S. intentions to take unilateral military action against North Korea. In early May, U.S. Forces Korea Commander Gen. LaPorte told South Korean lawmakers that the U.S. has "no intention" of taking unilateral action and is committed to achieving "consensus" with South Korea on necessary military steps.

The controversy over OPLAN 5029 appeared to be resolved at a one-on-one meeting between U.S. Secretary of Defense Rumsfeld and South Korean Defense Secretary Yoon Kwang-ung on the sidelines of the fourth IISS Asia Security Conference in Singapore in early June. The officials reportedly agreed on cooperating to "improve and develop" the *concept* of a contingency plan for dealing with potential internal conflict in North Korea, without specifying the *operational* components of such a plan.

U.S.-South Korea trade issues

U.S. Trade Representative Rob Portman made it clear in early June that working-level meetings in February and March 2005 to discuss a U.S.-Korea FTA were purely preliminary and that the U.S. has not yet decided whether to initiate formal FTA negotiations. Speaking at the closing of an Asia Pacific Economic Cooperation (APEC) trade ministers meeting in Seoul, Portman said that "additional progress" on outstanding trade issues between the two countries had to occur before substantive FTA discussions got underway.

Among the most controversial bilateral trade issues now on the table are South Korea's film quota protecting domestic filmmakers against Hollywood blockbusters and South Korea's current import ban against U.S. beef. U.S. efforts to hold a FTA negotiation hostage to progress in lowering the screen quota reflect the influence of the U.S. Motion Picture Association in Washington.

South Korea was prepared to lift the import ban on U.S. beef imposed after a case of "mad-cow" disease occurred in the U.S. in late 2003. But plans to do so during June bilateral trade meetings went awry after a new case of the disease was publicized in the U.S. South Korean consumer, civic, and agriculture groups joined forces in pressing the government to keep the import ban in place.

In late June, the World Trade Organization (WTO) reversed on appeal a ruling that barred the U.S. from imposing tariffs on Hynix Semiconductor. The U.S. previously put those tariffs in place after alleging that the South Korean government's assistance to Hynix amounted to illegal subsidies. Although Hynix will now once again face 44.71 percent tariffs on its semiconductor chip exports to the U.S., the company downplayed the impact of the decision. Hynix argued the WTO ruling would not have a significantly adverse effect because much of the company's semiconductor production for the U.S. market occurs at a plant in Eugene, Oregon where the chips are not subject to a U.S. tariff.

Prospects

Until the U.S.-South Korea summit in early June, the two allies appeared to be on a collision course over negotiating tactics with North Korea. In the months leading up to the summit, President Roh argued that peaceful diplomacy is the only acceptable means of ending North Korea's development of nuclear weapons. But his government often undercut diplomatic efforts to bring North Korea back to the bargaining table by rejecting pressures against Kim Jong-il's regime.

Seoul appeared unwilling to accept a short-term setback in relations with Pyongyang even if that was necessary to get the Six-Party Talks back on track. South Korea's intransigence deeply frustrated Bush administration officials who have been preparing to seek sanctions against North Korea at the United Nations.

For its part, the Bush administration frequently reiterated its desire to see the Six-Party Talks succeed, but its actions belied its words. Instead of taking determined steps to advance the negotiations, the United States appeared all too willing to let them fail and then blame North Korea. The U.S. has refused to offer sufficiently large and tangible incentives to Pyongyang to dismantle its nuclear program. Senior U.S. officials fear domestic political criticism that they are "appeasing" North Korea, as they previously accused the Clinton administration of doing. They seem to lack the political will to offer necessary incentives, even if their reluctance means continuing impasse and failure to achieve a diplomatic settlement.

Going into the summit meeting in early June, both governments were aware that to reduce alliance tensions, they had to align their policies on North Korea and overcome their differences. Instead of trying to achieve consensus on a combination of tactical pressures and incentives, however, Presidents Roh and Bush emphasized their strategic agreement on the importance of the U.S.-South Korea alliance and the need for peaceful resolution of the nuclear dispute. This approach worked brilliantly for the short-term – and bought time for Seoul's diplomatic outreach in mid-June to Kim Jong-il – but it also papered over the real differences between the two countries.

If North Korea rejoins the Six-Party Talks in late July, as now appears likely following the visit of China's President Hu, the summit strategy of reaffirming areas of agreement while avoiding areas of dispute will prove wise and far-sighted. If, however, Pyongyang continues to resist negotiations, the U.S. and South Korea will once again have to confront, more openly than ever before, the differences over dealing with North Korea that have traumatized relations between the allies.

Chronology of U.S.-Korea Relations April-June 2005

April 1, 2005: North Korea says Six-Party Talks should be transformed into regional disarmament talks now that it is a nuclear weapons state; North Korean UN ambassador says U.S. apology is necessary for North Korea to return to Six-Party Talks.

April 2, 2005: North Korea calls for the exclusion of Japan from the Six-Party Talks.

April 5, 2005: U.S. and South Korean military officials begin two days of Security Policy Initiative talks on the state of the alliance in Hawaii.

April 17, 2005: North Korea is reported to have shut down its five-megawatt reactor at Yongbyun to remove spent fuel rods for the purpose of reprocessing.

April 18, 2005: White House spokesman says the U.S. will refer the nuclear issue with North Korea to the UN Security Council if Pyongyang refuses to return to the Six-Party Talks; Seoul confirms that North Korea has shut down its five-megawatt reactor at Yongbyon, but says it may have been for “technical” reasons.

April 20, 2005: Foreign Minister Ban says Seoul opposes seeking U.N. sanctions against North Korea or taking other punitive measures.

April 23, 2005: *The Wall Street Journal* reports U.S. has evidence that North Korea is planning a nuclear test.

April 26, 2005: South Korea announces agreement with U.S. on military burden-sharing with an 8.9 percent reduction in South Korea’s annual contribution.

April 28, 2005: In a news conference, President Bush calls North Korean leader Kim Jong-il a “tyrant” and a “dangerous person.”

April 29, 2005: Ambassador Christopher Hill meets South Korean officials in Seoul.

April 30, 2005: North Korea retorts President Bush is a “hooligan bereft of any personality as a human being.”

May 1, 2005: North Korea test launches short-range missile into the East Sea.

May 2, 2005: U.S. Forces Korea Commander Gen. Leon LaPorte says any military action against North requires U.S. and South Korean consensus; U.S. downplays North Korean missile test, saying it is “not surprising.”

May 5, 2005: Foreign ministers of Japan, South Korea, and China, meet in Tokyo to urge North Korea to make a “strategic decision” and return to the six-party process.

May 7, 2005: *ABC News* reports the U.S. has prepared contingency measures to prevent a North Korean nuclear test; at a meeting in Moscow, President Roh and Chinese President Hu Jintao urge North Korea to return to the Six-Party Talks.

May 9, 2005: U.S. negotiator for the Six-Party Talks Joseph DeTrani travels to New York to meet with North Korean officials at Pyongyang’s mission to the UN to show U.S. has “no hostile intent.”

May 11, 2005: North Korea claims it has finished removing 8,000 spent fuel rods from the five-megawatt reactor at Yongbyon.

May 12, 2005: State Department spokesman condemns North Korea's "provocative statement and actions" for allegedly removing 8,000 spent fuel rods. Former South Korean President Kim Dae-jung says the Six-Party Talks are entering an "ominous stage" and urges direct U.S.-North Korea talks.

May 13, 2005: Japan calls for reconvening the Six-Party Talks, even in the absence of North Korea; U.S. and North Korean diplomats meet in New York.

May 16-17, 2005: South Korea and North Korea resume inter-Korean talks in Kaesong after a 10-month hiatus.

May 26, 2005: North Korea denies planning to conduct a nuclear test.

May 27, 2005: Pentagon confirms deployment of 15 stealth fighters to South Korea and suspension of joint U.S.-North Korea program to recover remains of U.S. soldiers from the Korean War.

May 31, 2005: At a press conference, President Bush calls for peaceful solution to North Korea nuclear issue and refers to North Korean leader as "Mr. Kim Jong-il."

June 5, 2005: Secretary Rice says the U.S. is unlikely to bring the North Korea nuclear issue before the UN Security Council soon.

June 8, 2005: North Korean Ambassador Kim Gye-kwan tells *ABC News* that his country has enough nuclear weapons to defend against a U.S. attack.

June 9, 2005: Deputy Assistant Secretary of Defense Richard Lawless meets with Korean defense officials to discuss "strategic flexibility."

June 10, 2005: Presidents Bush and Roh meet in Washington and jointly call for North Korea to return to the Six-Party Talks; President Bush apologizes for accidental death a day earlier of a Korean woman killed by a USFK truck.

June 17, 2005: Kim Jong-il says North Korea will join the Six-Party Talks as early as July if the U.S. "recognizes and respects" North Korea's sovereignty.

June 20, 2005: South Korean media report that Kim Jong-il told Unification Minister Chung that North Korea might abolish all medium- and long-range missiles if the U.S. establishes normal relations.

June 27, 2005: World Trade Organization overturns on appeal its previous ruling and leaves in place U.S. punitive tariffs against Hynix Semiconductor; major Korean agricultural groups call for maintaining import ban against U.S. beef after new U.S. finding of "mad cow" disease.

June 29, 2005: FM Ban says South Korea will strive to reconvene a new round of Six-Party Talks in July.

June 30, 2005: After meeting with Unification Minister Chung in Washington, Assistant Secretary Hill says the U.S. will not object to South Korea's proposal of a massive aid program for North Korea, if it rejoins the Six-Party Talks.

June 30, 2005: U.S. negotiator DeTrani meets, though informally, for second time with North Korean officials in New York, while attending an academic conference.

U.S.-Russia Relations: Further Strategic Disconnect

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Since the outbreak of the global war on terror in late 2001, leaders in Moscow and Washington have crafted a policy designed to minimize political differences in order to maximize the effectiveness of the “strategic partnership” in its struggle against terrorism. But by late 2004 and early 2005, the limits of this partnership were becoming apparent. The series of mini-revolutions or coups in the former Soviet republics along Russia’s border over the past quarter may have marked the beginning of the end of this so-called strategic partnership. Moscow now has serious concerns about the penchant for Washington to “export” revolution to Eurasia. Washington, meanwhile, continues to view political developments in Russia with great displeasure, calling each successive move by President Vladimir Putin to consolidate his power a step backward for Russian democracy. As in Eurasia, U.S.-Russian cooperation in East Asia seems to have reached its limit, as Moscow looks more and more to Beijing as a partner, potentially along with New Delhi.

Revolution in Central Asia and rumblings in both capitals

The second quarter of 2005 witnessed a number of events that marked a significant setback for political relations between Moscow and Washington. Following the Ukrainian presidential election in late 2004, pundits across Russia warned of an ominous trend in which the U.S. was looking to unseat rulers across the former Soviet republics and replace them with more “suitable” leaders. The earlier transfer of power in Georgia in 2004 seemed to presage a further changing of the guard in post-Soviet Eurasia. These warnings gained further credence in Russia at the end of March 2005 when the president of Kyrgyzstan, Askar Akayev, was ousted by the opposition in the so-called “tulip revolution.” Akayev was quickly given asylum in Moscow. The media and political analysts in Russia denounced this “naked” grab for power by the U.S. “neo-cons.” Well-known political pundit Gleb Pavlovsky (supposedly connected to the Kremlin) suggested on the state television station *Rossiya* that the U.S. was merely using Kyrgyzstan as a testing ground for techniques to be tried later against Russia. Another Kremlin ally, Vyacheslav Nikonov – also speaking on state television – suggested that U.S. NGOs operating in Kyrgyzstan fomented the coup. Several Russian media outlets purportedly held in hand copies of a letter from the U.S. ambassador in Kyrgyzstan (Stephen Young), urging a strategy of maximizing U.S. influence in the region, while minimizing the influence of Russia and China.

At the same time that this outcry was underway, Ukrainian President Viktor Yushchenko was receiving red-carpet treatment in Washington and elsewhere in the U.S. during his three-day

state visit. Yushchenko was also given the honor of addressing a joint session of Congress, something normally reserved for only the closest partners of the U.S. There was also talk from the Pentagon that Ukraine could participate in U.S. ballistic missile defense plans. The Ukrainian issue has been the most sensitive area in the former Soviet republics for Russians, as they feel that this nation is, more than any other part of the former Soviet or Russian empire, a true part of Russia and of the Russian soul – culturally, historically, and spiritually. Additionally, this spring saw a great deal of squabbling between Russia and Ukraine over naval basing rights and the territorial waters around the Crimean Peninsula. The Moscow daily *Nezavisimaya Gazeta* speculated that one day Russians will wake up and find that Ukraine has joined NATO, and U.S. ships will become daily sights at centuries-old Russian naval bases on the Crimean Peninsula, and in Georgia, as well.

Russian angst about U.S. strategic designs in Central Asia moved to an even higher level when it was revealed that in early April Secretary of Defense Donald Rumsfeld made a quick, unpublicized visit to Azerbaijan, where he reportedly (*RIA Novosti*) discussed with the Azeri government the possibility of setting up at least one U.S. military base. The report was given further credence when Gen. James Jones, commander in chief Allied Forces Europe, publicly voiced his interest in establishing bases and special forces training centers in Azerbaijan. Meanwhile, at the end of April, the Georgian and Russian governments reached a tentative agreement for the withdrawal of all remaining Russian troops from Georgia by the year 2008, another sign of the Russian retreat from former areas of influence.

State visits prove to be no balm

The visit by Secretary of State Condoleezza Rice to Moscow later in April did nothing to improve the worsening atmospherics. In Moscow, Rice gave a series of interviews to both independent and state media outlets, and her message was crystal clear: the U.S. is unhappy with the state of democracy, civil society, and human rights in Russia. In an interview with the liberal *Ekho Moskvy* radio station, Rice stated that Putin had amassed too much power. Rice was quite conciliatory in her private meetings with Russian leaders (including Putin), but the strains in the relationship were becoming clearly evident, as they have been for several months. In response to Rice's thinly veiled criticism, Russian Foreign Minister Sergei Lavrov gave an interview on the state-owned *Rossiya* television network and said that as the U.S. was interested in the democratic development of Russia, "Russia is interested in a democratic U.S. that works with other governments on the basis of international law." Interestingly, however, throughout Rice's visit no mention was made whatsoever of the situation in Chechnya, a familiar pattern in U.S.-Russia relations over the past several years.

President George Bush visited Moscow in May to celebrate the 60th anniversary of the end of World War II in Europe. He met amiably with Putin and the two left most political issues out of their talks, preferring to enjoy the celebrations – perhaps to honor their own fathers who had fought in this struggle. But in the run-up to the trip, the U.S. media was highly critical of Russia and called for tough words from the White House. Bush preferred to do his tough talking in front of an audience with presidents of neighboring republics – before his Moscow visit in Riga, and in Tbilisi with the young president of Georgia – when he wasn't in Russia. This strategy has left many observers (U.S. and Russian) with the impression that the U.S. leadership is critical of the

Russian leadership, but it is hesitant to voice this criticism in private dialogue. *The Wall Street Journal* chastised the Bush administration for its failure to take a strong stand against the Kremlin, and exhorted the West to “liberate” Moscow (in reference to the “liberation” of the Baltic states by Soviet forces in 1944).

U.S.-Russian cooperative efforts in preventing nuclear proliferation have moved in fits and starts so far this year. Funding for these programs (known widely as the Nunn-Lugar nonproliferation programs) is always under threat in the U.S. Congress. And many Russians are still hesitant to allow U.S. experts access to the more sensitive nuclear sites across Russia. It is a testament to the increasingly fragile nature of the U.S.-Russian partnership when arguably the most successful foreign policy program for the U.S. since the end of the Cold War is in danger of being cut.

Diplomatic maneuvering in Eurasia

The uprising and subsequent bloody suppression in Uzbekistan in mid-May also cast a shadow on U.S.-Russian relations. For the same reasons in Ukraine and Kyrgyzstan, many Russians see U.S. machinations behind the events in Uzbekistan. U.S. and European criticism of Uzbek President Islam Karimov led Russia to move closer to Karimov. This was done with an eye on circumventing U.S. influence in that country, where a U.S. airbase was established in late 2001. Relations between Russia and Uzbekistan were rocky through the 1990s, but now Karimov (and other Central Asian leaders) are looking to Russia as a potential balancer against the tremendous U.S. presence in the region, and against growing Chinese influence as well. Russia has also moved to negotiate with the new regime in Kyrgyzstan for rights to another military base (a Russian airbase was established there in 2004).

The completion of the Baku-Ceyhan, trans-Caucasus pipeline in late May also served as further rationale for Russian angst about U.S. strategic designs for post-Soviet Eurasia. Prominent Duma deputies denounced the pipeline and suggested it was a way for the U.S. to carry “revolutionary” ideas to the Caspian states. In early June the daily *Rossiiskaya Gazeta* (known as a Kremlin organ) suggested that the current U.S. leadership was a modern-day version of the Bolsheviks: “The revival of the Bolshevik practice of exporting revolutions threatens both the moral and political health of modern European civilization, the principle of the rule of law and the establishment of democratic values in former Soviet republics. Most importantly, it threatens the sovereignty and political stability of the new Russia.”

On May 31 Russian oil magnate and political opposition figure Mikhail Khodorkovsky was declared guilty (after a lengthy trial) of a number of counts of corruption and was sentenced to nine years in jail. This trial has been followed closely by the U.S. government and by political analysts in the West, and is seen by some as the benchmark for democracy in Russia. Most of these analysts feel that Khodorkovsky was given an unfair trial. The fact that he was also given such a harsh sentence was noted with displeasure by Washington, and by George Bush personally. Bush immediately commented that he thought the trial “unfair.” Interestingly, as anxious as the U.S. government has been about the Khodorkovsky affair, U.S. businesses and investors seem – on the whole – much less concerned about the investment climate in Russia. They are prepared to obey the Kremlin maxim: stay out of politics and we will stay out of your business. Vladimir Putin met with a group of U.S. and German business executives at the end of

June and personally assured them of the stability of the investment climate in Russia. Robert Kraft perhaps best personified the goodwill of some Western executives toward Putin – who is recognized by business leaders as having introduced at least some stability in the Russian market. Kraft – owner and CEO of the New England Patriots football team – gave Putin his Super Bowl ring as a personal gift during the Petersburg meeting.

Primakov redux?

Over the past few months the Kremlin and top political analysts in Moscow have brought up the idea – first floated by then-Foreign Minister Yevgenii Primakov in 1996 – of a Russo-Sino-Indian strategic triangle, or partnership. At one point earlier this year Putin declared that trilateral cooperation between Beijing, Delhi, and Moscow “would make a great contribution to global security.” An unprecedented meeting took place in Vladivostok between the foreign ministers of China, India, and Russia on June 2. There the ministers discussed not only joint economic cooperation, but also the need to be wary of “unilateralism,” a catch phrase for the U.S. How viable or even realistic such trilateral cooperation could be remains to be seen, but Moscow is certainly more wary of the U.S. in Central Asia than anytime since 2001.

Meanwhile, there has been some activity in Japanese-Russian relations over the past few months, though not necessarily of a positive nature. In May Japanese Prime Minister Koizumi Junichiro attended the 60th anniversary V-E Day celebrations in Moscow, where he did manage to have a brief talk with Vladimir Putin. Prior to the meeting both governments had traded barbs about the territorial dispute and there was a question whether Koizumi would even attend the V-E Day celebrations. Additionally, it was unclear whether Moscow would ever agree on a date for a long-expected Putin visit to Japan in 2005. Both Putin and his influential chief of staff made public comments during the spring questioning the viability of the Siberian oil pipeline project and the commitment of the Japanese to see this project through. But the cordial talk between Koizumi and Putin seemed to pave the way for improved atmospherics between the two governments.

In early June, Russian Foreign Minister Lavrov visited Tokyo and met with his counterpart Machimura Nobutaka. The two agreed that Putin would visit Japan sometime in 2005, but no date was fixed. Later at a meeting between Putin and former Prime Minister Mori Yoshiro (visiting St. Petersburg at the invitation of Toyota, which is building a factory in Russia’s “northern capital”), a date for Putin’s visit to Japan was announced – probably after the APEC summit scheduled to take place in Pusan, South Korea. More Japanese investment is moving into Russia, according to the *Nikkei Shimbun*, led by the Toyota plant which is the largest single Japanese investment project undertaken in Russia (outside of the energy sector). It was also announced during this quarter that Japanese-Russian two-way trade figures in 2004 were up 50 percent from 2003, reaching \$9 billion.

As difficult as relations between Moscow and Tokyo have been, the Russian leadership seems to have given up all hope that the Korean nuclear impasse can ever be resolved. In April, Alexander Losyukov, Russia’s ambassador in Tokyo, expressed his doubts that the Six-Party Talks on North Korea’s nuclear development would ever reach a successful conclusion. He is recognized

as Moscow's top DPRK diplomat. Moscow appears prepared to sit on the sidelines and await the other players' moves.

Moscow and Washington appear united – on the surface – in their determination to see through the “partnership” in the war on terror. But Moscow's strategic angst toward U.S. policy in Central Asia and the Caucasus, combined with the rising concern in Washington about the progress of democracy in Russia could together come to trump the carefully crafted strategy that has guided bilateral relations over the past four years. Strategic necessity has thus far outweighed whatever political disagreements the two capitals have had over the last few years. Now that Russia sees strategic reasons to balance against the U.S. in Central Asia, we could see the crumbling of the edifice of cooperation between Washington and Moscow.

Chronology of U.S.-Russia Relations April-June 2005

April 4, 2005: Ukrainian President Viktor Yushchenko arrives in the U.S. for a three-day visit. Besides meeting separately with George Bush, Condoleezza Rice, and Donald Rumsfeld, Yushchenko addresses a joint session of the U.S. Congress.

April 7, 2005: A delegation from the Japanese Association for Trade with Russia and Western Europe (ROTOBO) arrives in Vladivostok to discuss the Siberian oil pipeline project. The delegation includes executives from the Japanese Bank for International Cooperation (JBIC), Itochu Corp., Nippon Steel Corporation, and Tokyo Gas Co. Ltd.

April 12, 2005: Defense Secretary Rumsfeld departs on an unannounced visit to Azerbaijan and Kyrgyzstan.

April 13, 2005: Mikhail Margelov, chairman of the Russian Federation Council's (Upper House) Foreign Affairs Committee visits Washington and meets with Senate leaders, including Richard Lugar, to discuss economic cooperation.

April 18, 2005: Russian Finance Minister Alexei Kudrin visits Washington to attend a meeting of G8 finance ministers, and to attend sessions of the IMF and the World Bank. Kudrin also has a separate meeting with Treasury Secretary John Snow and Acting Trade Representative Peter Algeier.

April 19, 2005: Secretary of State Condoleezza Rice starts a two-day visit to Moscow. There she meets with Russian President Vladimir Putin and Foreign Minister Sergei Lavrov. From Moscow she travels to Vilnius, Lithuania for a meeting of NATO foreign ministers.

April 22, 2005: Japanese METI Minister Nakagawa Shoichi meets with Russian Energy Minister Viktor Khristenko in Tokyo to discuss the Siberian oil pipeline project.

May 5, 2005: Former Russian Nuclear Power Minister Yevgenii Adamov is arrested in Switzerland. He is wanted in the U.S. on fraud and money-laundering charges.

May 7, 2005: President Bush meets in Riga, Latvia with the presidents of the three Baltic Republics, and expresses his discontent with the state of democracy and the rule of law in Russia. He also refers on several occasions to the “occupation” of the Baltic States by the Soviet Union after World War II.

May 9, 2005: President Putin hosts world leaders in Moscow (including George Bush and Japanese Prime Minister Koizumi) to celebrate the 60th anniversary of the defeat of Nazi Germany.

May 10, 2005: President Bush travels to Tbilisi, Georgia to meet President Mikheil Saakashvili. Bush expresses support for Georgia’s democratic development.

May 13, 2005: Protestors storm key government buildings and free more than 2,000 prisoners in the eastern Uzbekistan city of Andijan. The Uzbek government quickly and violently suppresses the protestors, killing several hundred people.

May 21, 2005: Senate passes a resolution urging the Russian government to issue “a clear and unambiguous statement” admitting to the illegal occupation until 1991 of Estonia, Latvia, and Lithuania.

May 25, 2005: Energy Secretary Sam Bodman visits Moscow to discuss U.S.-Russian energy ties and to declare U.S. concerns about the recent “upheavals” in the Russian oil sector.

May 25, 2005: Baku-Tbilisi-Ceyhan pipeline linking the Caspian Sea oilfields with a Mediterranean port in southern Turkey is officially inaugurated.

May 30, 2005: Russia agrees to shut two military bases in Georgia and pull out 3,000 troops from that republic by 2008.

May 31, 2005: Russian oil magnate Mikhail Khodorkovsky is sentenced to 9 years in prison by a court in Moscow. George Bush calls the verdict “unfair.”

May 31, 2005: Commerce Secretary Carlos Gutierrez arrives in Moscow to discuss the investment climate in Russia and potential WTO membership for that country. He meets with Russian Prime Minister Mikhail Fradkov.

June 1, 2005: Russian FM Lavrov visits Tokyo, meets counterpart Machimura Nobutaka and discusses political relations and a proposed Putin visit to Japan in late 2005.

June 2, 2005: FM Lavrov hosts Chinese FM Li Zhaoxing and Indian FM Natwar Singh in Vladivostok for talks on multipolar approaches for global problems.

June 5, 2005: U.S. officials complete inspection of a missile base in Bryansk where Russian stockpiles of strategic weapons are dismantled in compliance with the START-1 treaty.

June 10, 2005: In an interview, Russian Defense Minister Sergei Ivanov says that Russia cannot prevent former Soviet republics from joining NATO, but warns that the establishment of NATO bases in any neighboring country would be viewed by Moscow as a threat.

June 15, 2005: Putin attends groundbreaking ceremony in St. Petersburg for a Toyota auto plant. Also attending is former Japanese PM Mori Yoshiro. In a private meeting with Mori, Putin affirms that he will visit Japan in November 2005.

June 25, 2005: Putin meets with U.S. and German corporate executives, and assures them of the stability of the investment climate in Russia. Executives include representatives from Alcoa, Citigroup, ConocoPhillips, Intel, and IBM.

June 26, 2005: A poll released by the Pew Center shows that more than half of Russian citizens interviewed feel that Americans are a rude, immoral, and greedy, but hard-working people.

U.S.-Southeast Asia Relations: Summitry Hints of a More Activist Approach

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As the new State Department team settled in, the U.S. attempted to maintain the heightened momentum in relations with Southeast Asia created by the tsunami relief effort earlier this year. In May, Deputy Secretary of State Robert Zoellick travelled to Singapore, Thailand, the Philippines, Vietnam, Indonesia, and Malaysia, using the trip to proclaim a new policy of greater attention to the region. President George Bush hosted Indonesian President Susilo Bambang Yudhoyono (SBY) in May and Vietnamese Prime Minister Phan Van Khai in June, inaugural visit to Washington for both leaders. Also in June, Defense Secretary Donald Rumsfeld attended the Shangri-La security meeting in Singapore and used the spotlight to criticize Beijing's presumed expansionist aims. Rumsfeld's choice of Singapore as a venue for the remarks, combined with Zoellick's listening tour, signaled growing interest in Washington in China's increasing influence in Southeast Asia.

Indonesia was of two minds about the U.S. A recent Pew survey reported improvement of the U.S. image there because of tsunami aid, but demonstrations in Jakarta over the *Newsweek* story on Islamic prisoner abuse at Guantanamo Bay showed fresh resentment. U.S. military cooperation moved incrementally toward a more regional approach, while several rounds of bilateral trade talks were held. Human rights remained central to U.S. policy in Burma as Washington prepared to renew sanctions and made clear its opposition to Rangoon's chairmanship of ASEAN in 2006.

Marking China's rise in Southeast Asia

U.S. analysts have noted China's growing political, economic, and security role in Southeast Asia over the past decade, but U.S. policymakers are only now pointing to it overtly. Prior to his departure for his Southeast Asia trip, Zoellick linked the visit to the need for Washington to take a more activist role in Southeast Asia in the face of growing Chinese influence. Paraphrased in the *Washington Post*, he emphasized that the U.S. was not competing with China in the region – a slogan that would become official boilerplate – but that China's growth challenged the U.S. to remain engaged in the region. As the former U.S. trade representative (USTR), Zoellick was no doubt mindful that ASEAN's trade with China is expected to eclipse trade with the U.S. in 2005. This point was echoed at Senate Foreign Relations Committee hearings in June, on China's role in Asia.

Ironically, given Zoellick's implied concern about gains China has made in Southeast Asia, his itinerary reflected one of the drawbacks of U.S. policy in the region. It left out the three countries

in which Chinese influence is strongest: Burma, Laos, and Cambodia. Sanctions against the Burmese government severely restrict U.S. activity in the country, which Beijing has capitalized on with large aid and military equipment packages. Although Congress finally granted normal trade relations to Laos late last year, U.S. aid levels there are easily overshadowed by Chinese contributions to build and upgrade Laotian infrastructure. Congress continues to restrict assistance to the Cambodian government. In this quarter, UN Secretary General Kofi Annan announced that the requirements for a tribunal to prosecute Khmer Rouge leaders had been met and that the trials would go forward. Despite the critical role the U.S. played in negotiating the formula for cooperation between Cambodian and international jurists in the tribunal, the U.S. now refuses to contribute funds for it. If U.S. policymakers give further attention to Beijing's influence in Southeast Asia, they will have to consider whether they are ceding these poorer countries to China.

Secretary Rumsfeld implicitly contributed to this new official wariness over China's role in Southeast Asia when he sharply criticized Beijing at the IISS Asia Security Conference in Singapore, The Shangri-La Dialogue. Although Rumsfeld did not dwell on China's role in the region, his remarks were not lost on Southeast Asian participants. He asked, "Since no nation threatens China, why these continuing large weapons purchases?" He also faulted Beijing for its political processes, in tacit comparison to the more democratic India, which the U.S. hopes will help keep China in check. Although Southeast Asian governments would probably not disagree with Rumsfeld on some of the facts, they are uneasy at the prospect of being asked to "choose" between Washington and Beijing at some point of political conflict between the two powers.

Creeping multilateralization in security

After the U.S. was rebuffed on an overt Regional Maritime Security Initiative (RMSI) for the Strait of Malacca by the Southeast Asian littoral states last year, the Pentagon and the U.S. Pacific Command have been quietly pursuing bilateral maritime cooperation in the region. The highlight of this quarter was the joint naval exercise with Singapore in the South China Sea. Last year the U.S. also conducted bilateral maritime exercises with Malaysia. Throughout the year, the littoral states pursued *ad hoc* joint maritime exercises, which arguably would not have occurred without the catalyst of the ill-fated RMSI. At this stage, these activities are primarily confidence-building measures. Comprehensive exercises that bring the littoral states together with external powers at a future point are neither inevitable nor automatic, and will require greater political will all around.

In the meantime, the *Cobra Gold* exercises are gradually expanding and may offer the best basis for multilateral security cooperation in Southeast Asia. They were held in May in Chiang Mai, Thailand, far away from the troubled south where Bangkok has made clear that it wants no foreign troops. This year Japan was inducted as a partner, joining the U.S., Thailand, and Singapore, with several other nations observing the exercises.

Friction over Mindanao

The U.S. continues to have a strong interest in negotiations between the Philippine government and the Moro Islamic Liberational Front (MILF) in the southern province of Mindanao, although Washington maintains an arms-length distance from the talks, which are facilitated by Malaysia. During his trip to the Philippines in May, Zoellick implied that progress on this front could result in an increase in U.S. aid levels for the Philippines – Washington has had a longstanding offer to help reintegrate MILF insurgents in Mindanao into civilian occupations.

However, management of this issue on a daily basis can be difficult because of Philippine perceptions that U.S. counterterrorism policy conflicts with the negotiations. In this quarter, the U.S. embassy had to address blowback from the Philippine press on the visits to the Philippines earlier this spring of U.S. Pacific Command Chief Adm. William Fallon and Assistant Secretary of State for East Asian and Pacific Affairs Christopher Hill. The embassy denied reports that Fallon and Hill had told the Philippine government that the U.S. wanted negotiations to stop because of links between the MILF and members of the Jemaah Islamiyah (JI) and the Abu Sayyaf. They also refuted reports that the U.S. would declare the MILF a terrorist group. The issue of linkage has been sensitive in the relationship, since the U.S. believes that personal links exist between MILF and JI members, an assertion that is supported by many nongovernmental analysts, although Washington does not allege that there are institutional ties between the groups.

In the meantime, in this quarter the Philippine government peace panel completed its “roadmap” for negotiations with the MILF. Jesus Dureza, the panel chair, noted that the plan used several reference points from peace agreements signed with the Moro National Liberation Front (MNLF) in 1976 and 1996. However, the MILF has long made clear that it would only accept a plan that granted the MILF greater autonomy than that given to the MNLF.

Symbolic gains, and hits

The Indonesian and Vietnamese heads of state visit to Washington were each historic in their own way. SBY was the first Indonesian president to have been directly elected, and the summit implicitly celebrated that democratic milestone. Moreover, he was one of the last IMET graduates before Congress suspended the program in 1991, which gave particular resonance to the administration’s announcement during the visit that Indonesian participation in the IMET program would be restored. Meetings between heads of state are carefully scripted, with “deliverables” negotiated well ahead of time, and there were few surprises with the SBY visit. The underlying theme was good governance and anti-corruption, opportune issues as the United States pledged \$647 million to Indonesia for tsunami relief, and with debt rescheduling announced in June. U.S. emphasis in this area is only likely to strengthen, since anti-corruption and related enforcement issues presently deny Indonesia access to Millennium Challenge Account funds and will impede any movement toward a bilateral free trade agreement in the future.

Although the U.S. does not play an explicit role in resolving the conflict in Aceh, it strongly supports peace negotiations. Talks between Jakarta and the separatist group, Free Aceh Movement (GAM), jumpstarted earlier in the year when the tsunami brought international

attention to Aceh, are slowly progressing but have yet to produce a comprehensive agreement. Even if they do, expectations are tempered by the fact that the 2003 ceasefire and peace accords collapsed in the early stages of implementation.

Although the Bush-Yudhoyono meeting went smoothly, it was conducted against a backdrop of tension in Jakarta, ratcheted up by a *Newsweek* report on desecration of the Koran at the Guantanamo Bay detention site. The U.S. embassy was forced to close at the same time as the Bush-Yudhoyono meeting, and the juxtaposition was embarrassing for both countries. A month later, a Pew survey of the Muslim world reported encouraging, if qualified, progress. Anti-Americanism in Indonesia had abated modestly, although the U.S. remains “broadly disliked” in the Muslim world as a whole. Approval of the United States in Indonesia rose to 38 percent, more than double the figure in 2003 (15 percent). The gain was attributed to U.S. aid during the tsunami, which underscored what ASEAN ambassadors in Washington had been quietly telling U.S. policymakers since 2001: a single-minded focus on terrorism in policy toward Southeast Asia would reduce support for the U.S. in the region and impede counter-terrorism, while U.S. aid in non-sensitive areas would show benefits across the board. However, the tsunami relief effort was not sufficient to bring Indonesian approval of the U.S. anywhere near pre-2001 levels, when support was as high as 75 percent.

The White House meeting with Prime Minister Khai was even more significant, since it marked the first visit of a Vietnamese head of state to the U.S. in the post-1975 era. The visit also commemorated the 10th anniversary of the normalization of U.S.-Vietnamese relations. Khai brought a large entourage, which included Deputy Prime Minister Vu Khoan, 10 ministers and vice ministers, National Assembly leaders, and over 100 Vietnamese business figures. A variety of accords were signed, ranging from an agreement that is expected to lift the moratorium on adoption of Vietnamese orphans to counterterrorism cooperation and intelligence-sharing.

Two agreements in particular were significant. The first was the decision to include Vietnam in the IMET program, which marks a quiet watershed in the U.S.-Vietnamese security relationship. Hanoi had resisted joining the program because IMET participants are vetted for human rights abuse, and Vietnam already faces human rights linkage in other policy areas. A second significant agreement concerned accords signed on religious freedom, the first such agreement signed under the 1998 International Religious Freedom Act. It is reported to set out steps to improve religious freedom that may help Vietnam avoid future sanctions under the Countries of Particular Concern framework. However, the Bush administration has not made the agreement public, causing human rights groups to charge that it is not sufficiently rigorous.

The Khai visit was successful at the official level, but it also served as a lightning rod for protests by hardline Vietnamese-U.S. groups at every stop on the delegation’s itinerary. Moreover, it stiffened resolve on the part of Vietnam’s critics in Congress. At hearings on human rights in Vietnam held the day before the Bush-Khai meeting, Rep. Chris Hill announced that he would re-introduce the Vietnam Human Rights Act, which seeks to restrict U.S. aid to Vietnam unless the State Department certifies that human rights have improved. Previous versions of the bill have passed in the House in 2001 and 2004, but were defeated in the Senate. In addition, Rep. Loretta Sanchez sought to remove Vietnam from the IMET funding bill, but was persuaded to drop her objection. It was an indication, however, that any move into new areas in U.S.-

Vietnamese relations will likely meet with attempts in Congress to link expansion to human rights improvements.

Taking trade to the next level

Although the symbolism of the Khai visit was important, Vietnam's primary policy goal in its relations with the United States at present is to win approval for entry into the World Trade Organization (WTO). At the White House, Bush emphasized U.S. support for Vietnam's accession in principle, but negotiations are still in train. A round of talks immediately preceded Khai's visit to Washington and made considerable progress. Licenses granted to U.S. businesses during the trip could help mitigate U.S. concerns about unfair advantage for Vietnamese state-owned enterprises over foreign companies. Nevertheless, the Vietnamese National Assembly must still review and amend dozens of laws to bring Vietnam into compliance with the WTO framework. Washington is likely to maintain pressure on Hanoi in this area to the end, because some policymakers regret having acceded to Beijing's entry into the WTO before reforms had been fully implemented. Once the Bush administration gives final agreement to Hanoi on WTO, Congress must grant Vietnam permanent normal trade relations (PNTR), which will meet with resistance from some human rights advocates.

The other salient issue in U.S. trade relations with Southeast Asia is the advancement of the U.S. Enterprise for ASEAN Initiative, a ladder of steps intended to promote free trade agreements with Southeast Asian governments. To date, the only FTA concluded has been with Singapore. Negotiations with Thailand are proving to be more complex than originally anticipated. U.S. demands include improvements in Thai labor and environmental protection laws, intellectual property rights protection, and greater access to the financial services sector for U.S. companies. Once negotiations are complete, Thailand could find the FTA to be a hard sell with Congress. *The Nation*, a leading Bangkok daily, has reported that no more than 70 members in both houses of Congress have said they would support a U.S.-Thai FTA.

The problematic FTA talks with Thailand raise questions whether the ASEAN Enterprise Initiative will sputter out before the end of the Bush administration. Informally, Malaysia is understood to be next in line after Thailand, but Kuala Lumpur is using Bangkok as a stalking horse, and a protracted or painful experience for Thailand will give Malaysia pause. A USTR official visiting Southeast Asia earlier this year publicly, if incongruently, suggested that Indonesia, the Philippines, and Cambodia are candidates for future FTAs with the U.S. The prospects for such expansion are unlikely for the foreseeable future. As noted above, Indonesian enforcement frameworks are not sufficiently strong, and Manila has shown no interest in entering into FTA discussions with the U.S. Cambodia is willing, but opposition to the expansion of relations in some quarters of Congress would quash that possibility in the near term. Beyond these specific limitations, opposition in Congress to the Central American Free Trade Agreement (CAFTA) is a sign that the legislature has soured on the prospect of additional FTAs.

Will ASEAN bend on Burma?

ASEAN leaders have been increasingly candid in admitting problems with Burma since its admission to the Association in 1997. These disclosures are probably intended in part to assuage Western governments, which continue to press the military government in Rangoon to reconcile with the National League for Democracy and demand that ASEAN follow suit. An attempt in the Senate last year to impose sanctions on Thailand, to force Bangkok to lean more heavily on Rangoon, raises the spectre, however remote, of secondary sanctions, which ASEAN would obviously like to avoid. However, these complaints also have a ring of authenticity. ASEAN's engagement policy with Burma has not shown tangible results in promoting political reconciliation in the country, and trade between Burma and other ASEAN countries has also declined in recent years.

The rallying cry for U.S. policy in Burma this quarter has been disapproval of Rangoon's chairmanship of ASEAN when the rotation comes to it in mid-2006. Washington has made clear that it will not send a senior official to an ASEAN meeting in Rangoon, and has hinted that it could withhold funds for regional development projects if Burma takes the chair. The ASEAN governments have given the reflexive response – that the Association is governed by consensus and follows the “ASEAN Way,” the rule of noninterference in the internal affairs of a member state. Behind the scenes, however, ASEAN leaders have been attempting to persuade Rangoon to stand down.

Any such maneuver must make it appear that the impetus for such a move came from Burma itself. At the annual ASEAN Foreign Ministers Meeting in Cebu in April, the Burma chair issue was the main topic, but the only tangible outcome was a statement supporting Rangoon's right to decide. This dilemma arises at a difficult time for the Burmese regime. Than Shwe, chair of the State Peace and Development Council (SPDC), is still in the process of purging the influence of Khin Nyunt, the prime minister he deposed last year. Withdrawing from the ASEAN chairmanship could damage his image in hardline quarters of the Burmese military. However, bomb explosions in Rangoon in May have given Than Shwe a more concrete and local crisis to consider. Increasingly, the common assumption is that Rangoon will voluntarily withdraw as the 2006 chair at the ASEAN Ministerial Meeting in Vientiane next month.

Looking Ahead

July promises to be a busy month in U.S. relations with Southeast Asia. On the 12th, Singaporean Prime Minister Lee Hsien Loong will make his inaugural visit to Washington. At that time, the two countries expect to sign the Strategic Framework Agreement, under negotiation since 2003. The U.S. and Thailand will hold the fourth round of FTA talks in Montana, while the U.S. and Vietnam will conduct another round of WTO negotiations. It is unclear if these WTO talks will yield formal U.S. approval of Vietnam's accession in time for the 10th anniversary of normalization, on July 11, but Washington's agreement must come soon if Hanoi is to meet its goal of acceding to the WTO by the end of this year. If the administration does give the nod to WTO, Congress will probably debate PNTR for Vietnam in late September or early October.

The highlight of the month will be the annual meeting of the ASEAN Regional Forum (ARF), which opens this year in Vientiane on July 29. The State Department has announced that Secretary of State Condoleezza Rice will include Thailand in her July 8-13 trip to Asia, the only Southeast Asian country she will visit. She will apparently skip the ARF meeting, and Zoellick is her presumed substitute. His familiarity with Southeast Asia and his authorship of the Enterprise for ASEAN Initiative in the administration's first term make him a respected figure in the region. However, despite this and the recent flurry of diplomatic activity, a no-show by Rice, particularly in her first year as secretary of state, could mean that Southeast Asia will get little policy attention at the Cabinet level and above in the second term of the Bush administration.

Chronology of U.S.-Southeast Asia Relations April-June 2005

April 5, 2005: State Department issues a statement of concern over avian flu, which has killed 50 people in Southeast Asia to date, and offers bilateral technical and epidemiological help to affected countries.

April 8, 2005: U.S. and Thailand conclude third round of negotiations on a free trade agreement.

April 29, 2005: Hospital ship *USS Mercy* wraps up emergency assistance in Nias after an 8.7 magnitude earthquake struck the Indonesian island March 8.

April 29, 2005: U.S. trade representative announces that Indonesia will remain on the Special 301 Priority Watch List for 2005, after reviewing the country's trade practices for intellectual property rights protection.

May 2, 2005: Deputy Secretary of State Robert Zoellick departs for a nine-day visit to Southeast Asia where he will call upon the Philippines, Vietnam, Thailand, Indonesia, Malaysia, and Singapore. Zoellick will review post-tsunami reconstruction efforts as well as bilateral security and economic issues.

May 2, 2005: *Cobra Gold* military exercises with U.S., Thai, Singapore, and Japan militaries open in Chiang Mai, Thailand. The 11-day exercise adds disaster response to the agenda.

May 4, 2005: In the Philippines, Zoellick meets with President Gloria Macapagal-Arroyo. Discussing the situation in Mindanao, he hints that development aid to the Philippines may increase if progress is made on negotiations with the Moro Islamic Liberation Front.

May 5, 2005: In Hanoi, Zoellick announces the conclusion of a religious freedom agreement with Vietnam.

May 8, 2005: In Indonesia, Zoellick signs a memorandum of understanding with Jakarta for reconstruction of the road from Banda Aceh to Meulaboh, a \$245 million project.

May 8, 2005: The U.S. Army Pacific and the Logistics General Department of the People's Army of Vietnam co-host the four-day 15th Asia-Pacific Military Medicine Conference in Hanoi.

May 9, 2005: In Malaysia, Zoellick meets with Prime Minister Abdullah Ahmad Badawi, discusses security in the Strait of Malacca, and witnesses the signing of an agreement to renew military-to-military relations.

May 10, 2005: Zoellick wraps up his trip in Singapore with a meeting with Prime Minister Lee Hsien Loong, at which he reiterates U.S. policy on Burma's chairmanship of ASEAN in 2006.

May 17, 2005: White House sends notice to Congress that emergency conditions in Burma extend beyond May 20, 2005, the first step toward renewing sanctions against the military regime.

May 25, 2005: President Bush meets with Indonesian President Susilo Bambang Yudhoyono at the White House. Bush announces that the U.S. will donate another \$400 million for tsunami relief, bringing the total official U.S. contribution to \$857 million, and that Indonesian participation in the International Military Education and Training program will resume after 14 years.

May 25, 2005: U.S. Embassy in Jakarta closes due to a specific threat against it on the internet, re-opens a few days later.

May 26, 2005: U.S. and Indonesia resume bilateral energy consultations after an eight-year hiatus.

May 31, 2005: U.S. Navy begins two weeks of antiterrorism exercises with Singapore in the South China Sea. The exercises involve more than 1,500 troops, a submarine, and 12 ships.

May 31, 2005: Ambassador Nitya Pibulsongkran, head of the Thai negotiating team for the U.S.-Thai Free Trade Agreement, says that negotiations are one-quarter complete and estimates they will take another two years.

June 1, 2005: President of the Cambodian Freedom Fighters, a California-based insurgency group, is arrested in Long Beach on federal charges of conspiracy to kill in a foreign country, for a November 2000 assault on Cambodia's Ministry of Defense.

June 3, 2005: Secretary of Defense Rumsfeld attends the three-day meeting of the International Institute for Strategic Studies Asia Security Conference in Singapore, where he questions China's growing military expenditures.

June 3, 2005: State Department releases the *2005 Trafficking in Persons Report*. Indonesia and Singapore are unchanged as Tier 2 countries, but Thailand, Vietnam, and Laos are upgraded from the Tier 2 Watch List to Tier 2. The Philippines stays on the Tier 2 Watch List, while Cambodia slips down to Tier 3, making it eligible for sanctions. Burma stays on Tier 3.

June 6, 2005: Rumsfeld stops in Thailand and meets with Prime Minister Thaksin Shinawatra to discuss regional security issues.

June 7, 2005: Philippines-U.S. Mutual Defense Board concludes 46th anniversary meeting, which includes strategic dialogues and approves reactivation of the Joint MDB secretariat.

June 15, 2005: U.S. and Indonesia sign a debt deferral agreement, rescheduling \$212 million to help Indonesia free up resources for tsunami assistance.

June 20, 2005: On the first day of his visit to the U.S., Vietnamese Prime Minister Phan Van Khai meets Microsoft Chairman Bill Gates in Seattle. Microsoft promises to assist Vietnam's technological development and train 50,000 Vietnamese teachers.

June 20, 2005: U.S. and Indonesian officials meet under the auspices of the U.S.-Indonesian Trade and Investment Framework Agreement (TIFA) and discuss intellectual property rights, agriculture, customs and the domestic investment climate.

June 20, 2005: Rep. Chris Smith, chairman of the Subcommittee on Africa, Global Human Rights and International Operations of the House International Relations Committee, holds hearings on human rights in Vietnam.

June 21, 2005: President Bush and Prime Minister Khai meet at the White House, the first official visit of a Vietnamese head of state since the end of the Vietnam War. They sign accords on adoption, religious freedom, and agricultural cooperation.

June 21, 2005: After a meeting between PM Khai and Secretary Rumsfeld, the two nations announce that Vietnam will participate in the IMET program for the first time.

June 21, 2005: PM Khai and Secretary of Commerce Carlos Gutierrez witness signing of major business and operating agreements between U.S. and Vietnamese business groups, including Boeing, Motorola, and Unocal. Vietnam also promises the American Insurance Group a license to sell non-casualty insurance in Vietnam in six months.

June 23, 2005: Agency for International Development Director Andrew Natsios announces that \$656 million in aid to Indonesia, part of the package requested by President Bush for tsunami relief, has been released by the Office of Management and Budget.

June 23, 2005: The Pew Global Attitudes Project releases a new survey of the Muslim world, which indicates that Indonesian approval of the U.S. has doubled since the tsunami relief operation, but still lags pre-2001 levels.

June 24, 2005: U.S. expresses serious concern about political repression in Burma during a closed-door meeting of the UN Security Council.

June 28, 2005: Christopher Hill, assistant secretary of state for East Asia and Pacific affairs, hosts the U.S.-ASEAN Dialogue in Washington.

June 28, 2005: Rep. Loretta Sanchez attempts to block funds for Vietnamese participation in IMET, but withdraws the amendment when Rep. Jim Kolbe persuades her that IMET training for Vietnam will “provide an additional context for the Vietnamese to understand how important it is for the U.S. to see improvements in human rights.”

China-Southeast Asia Relations:

Dancing with China:

(In a Psyche of Adaptability, Adjustment, And Cooperation)

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Syntax and usage aside, the language of the subtitle of this analysis (paraphrased from an article in *People's Daily*) captures fully the thrust and character of Beijing's relations with Southeast Asia during the second quarter of 2005. Buoyed by a swift international response, a high level of assistance, and the success of their own hard work, the nations of Southeast Asia threw off the torpor induced by the tsunami of December 2004 and returned to business as usual. Beijing seized the opportunity and immediately reenergized plans placed in temporary, forced abeyance in the wake of the disaster. The result was yet another series of apparent Chinese successes in Beijing's continuing drive to gain acceptance as a good neighbor and further enhance its regional status.

The good neighbor I: the travels of Hu Jintao

During the quarter, China's highest leadership made its presence felt in five of the six longest-standing members of the Association of Southeast Asian Nations (ASEAN). Australia and New Zealand, both of which seek a larger measure of economic interaction with Southeast Asia, also received attention. On April 20, President Hu Jintao began an eight-day journey that took him to Indonesia, Brunei, and the Philippines. Later, on May 19 National Peoples' Congress (NPC) Chair Wu Bangguo began a four-nation tour that included Singapore, Australia, New Zealand, and Malaysia. Regional media outlets gave both missions high marks.

President Hu's purpose was clearly strategic. By attending the Asia-Africa Summit and especially by participating in the activities marking the 50th Anniversary of the Asia- Africa Conference in Bandung/Non-Aligned Movement, Hu was able not only to reaffirm China's identification with other developing nations – and successfully at that – but also to meet and familiarize himself with their leaders. Parenthetically, the visit almost certainly had a domestic political purpose as well. Hu was able to demonstrate to his colleagues back in Beijing the utility and effectiveness of what is becoming a signature foreign policy rubric: “bringing harmony, security, and prosperity to neighbors.”

However, Hu's primary objectives were to advance China's ties with ASEAN as a whole, essentially by advancing China's bilateral relations with the individual nations of Indonesia, Brunei, and the Philippines. With respect to Indonesia, Hu remained in the country for a day after the conference closed to meet with Indonesian President Susilo Bambang Yudhoyono and

to sign a Strategic Partnership Agreement between Indonesia and China. Under the terms of the agreement, Beijing will provide Jakarta with up to \$507 million to build a bridge in East Java as well as a dam in the western portion of the island. The two leaders also pledged to increase the value of bilateral trade from \$13.5 billion in 2004 to \$15 billion in 2005 and to \$20 billion in 2006. Chinese investment is also expected to grow significantly. Chinese investment in the energy sector already stands at \$1.2 billion and given China's requirements and Indonesia's resources, that figure can only grow. Then too, the accord between the two governments effectively paves the way for an increase in private investment by business circles in China itself. Reportedly, a Chinese business group is committed to investing up to \$10 billion in infrastructure and agricultural ventures.

As beneficial as the increases in trade and investment may prove to be, the larger and more significant effect of Hu's activities is to bring to an end, formally and officially at least, the influence on Indonesian policies of the mutual suspicion that has periodically poisoned the bilateral relationship since the attempted communist coup of 1965. Whether, as some aver, the agreement will enable Indonesia's overseas Chinese community to achieve the status of secure citizenship remains to be seen. In any case, by this action, Hu arguably succeeded in raising the quality of the relationship to a point at which it will be possible to broaden and deepen an array of economic, political, and cultural contacts between China and the world's largest Muslim nation – which is also the largest nation in the region and a leader of ASEAN.

It is worth noting that Southeast Asian analysts almost unanimously approved of the new strategic partnership on grounds that it would help to guarantee peace and stability by restructuring the friction out of the Beijing-Jakarta relationship. As a result, the personal status of both Hu and Yudhoyono was boosted significantly. It is also tempting to suggest that Beijing could not have failed to understand that by dealing with "questions of history" so effectively, Hu was able to present a favorable contrast with Japan, which appears in any case to have suffered a decline in regional esteem as a result of its perceived major role in the deterioration of relations with China.

Owing perhaps to the fact of a lower baseline in bilateral relations, Hu's achievements in Brunei were less dramatic than the gains in Jakarta. Indeed the dynamics of the visit reflected a symmetry that suggested an element of the perfunctory. Nonetheless, the visit did serve to demonstrate Beijing's interest in developing the relationship and, more important, to establish a basis for future evolution. During the two-day visit, Hu met with Sultan Haji Hassanal Bolkiah and other leaders and persons of note and, in the words of the communiqué, "reached a common understanding on bilateral relations and international and regional issues of common interest."

Such parlance usually translates into an admission that although matters may have lagged in the past and are not likely to expand dramatically in the immediate future, both sides are committed to positive interaction. Accordingly, the two leaders announced the founding of the Brunei-China Friendship Association, promised to increase tourism, agreed to cooperate in energy and telecommunications ventures, and welcomed the Exchange of Notes on Mutual Visa Exemption for Diplomatic, Official, and Service Passport Holders. Hu affirmed Chinese support of ASEAN

as the leading force in regional cooperation in return for which the sultan acknowledged Beijing's positive approach to regional relations, and of course strongly affirmed the one China principle.

Hu received a warm welcome in the Philippines. He met with President Gloria Macapagal-Arroyo in an effort to maintain the newly established positive momentum of bilateral ties. Hu acknowledged the constructive nature of relations with Manila and promised to continue to implement that spirit. Perhaps to reinforce his promise, Hu also predicted that bilateral trade would more than double and reach \$30 billion within the next five years.

The larger significance of Hu's visit lies in the context in which it occurred. Relations between Beijing and Manila are expanding rapidly with the visit to China of President Macapagal-Arroyo earlier in the year, announcement of a strategic partnership, agreements on joint exploration and development in the South China Sea, and new trade agreements (all reported in previous editions). Significantly, in May, President Macapagal-Arroyo met with People's Liberation Army Deputy Chief of Staff Xiong Guangkai who was in Manila to conduct the first of what are billed as regular dialogues on defense and security. Xiong also invited the Philippine Navy to participate in upcoming search and rescue exercises later in the year.

Observers in the Philippines and no doubt in the region as a whole will probably not fail to notice that the high-level military and civilian interlocutors that Beijing deploys to Washington and Manila are one and the same. Hu's presence in the Philippines serves to confirm both the high salience of Philippine relations to Chinese interests and the willingness of Chinese leaders to work actively to pursue them.

The good neighbor II: on the road with Wu Bangguo

Wu Bangguo's status as the chair of the National People's Congress meant that the sectors he met with differed from those that met with Hu Jintao. However, the purposes of Wu's travels were much the same as those of the president. One objective involved fence mending. Relations between China and Singapore have been strained by Singapore's reported continued use of Taiwan territory for military training, by Singapore's reaction to the default under suspicious conditions of China's Aviation Oil Company, and to the apparently intractable friction attendant to the operation of the Suzhou Industrial Park, which from the perspective of Singapore's business community has proven to be a fiscal and financial liability, despite the efforts of both governments. Allegedly, there is also some disagreement on the issue of Washington as a power in Asia.

The atmosphere was effectively and efficiently cleared, at least for the moment, at Wu's meeting with Singapore President S.R. Nathan on May 19. Both officials agreed that differences in view between nations at different stages of development were inevitable and acceptable as long as recognition of common interests sustained dialogue and communication. In a subsequent meeting with Minister Mentor Lee Kuan Yew, he reiterated this theme and combined it with a call for a concerted effort by both sides to expand all aspects of their relations. Prime Minister Lee Hsien Loong echoed this theme in his meeting with Wu and also announced that he will pay an official visit to China later this year. In essence, through Wu, Beijing once again wrapped itself in the

banner of patience, forbearance, practicality, and reason: Wu and China emerged putatively as the *compleat* good neighbor.

In fact, major if not vital Chinese interests are at stake in China's relations with Singapore. Politically, despite the current somewhat fractionalized nature of ASEAN's leadership, Singapore views continue to function as a compass for the organization. Beijing is well aware that success in maintaining good relations with ASEAN is impossible in the absence of smooth ties with Singapore. Thus, for Wu, leveling the bumps was an obvious high priority. Also, economically, China has become the fourth-largest trading partner of Singapore and Beijing understands the relationship between politics and trade.

Thus it was that on May 18 the two sides signed a pact to use the China-Singapore Bilateral Investment Promotion Committee, which is chaired by the respective trade ministers, to identify ways and means of expanding commerce between the two nations. In support of this initiative, Wu also offered a four-point plan designed to bring the total value of bilateral trade to over \$50 billion by 2010. Basically, Wu advocated allowing economic priorities to serve as a guide for policies in the political sector. He proposed *inter alia*: reinforcing the political basis for bilateral trade; reducing the role of government and increasing the role of enterprises; actively exploring and identifying new areas for economic cooperation; and, creating new institutions for coordinating multilateral economic cooperation. Whether the Singaporeans will pick up the cards that Wu dropped on the table remains to be seen. From the Chinese perspective, the next play is up to Singapore; and both parties understand that the region will be monitoring developments very closely indeed.

At the end of the month, after stops in New Zealand and Australia, Wu concluded his swing through the region with a visit to Malaysia. As with Hu Jintao in Brunei, the Chinese probably did not expect and indeed did not achieve any major new gains, beyond agreements to produce Malaysian automobiles in China and to encourage greater private investment. Rather, in addition to continuing its courtship of Malaysia, Beijing wanted to assuage its concerns about the potential for friction arising from economic competition. This will be a difficult problem to solve since the largely similar comparative advantages of the two mean that the competition is structurally based. Also, it may have seen an opportunity to pass beyond the constraints of the Mahathir era by using the ascension of Prime Minister Abdullah Ahmad Badawi as an opportunity to develop relations with Kuala Lumpur more aggressively. Certainly, Beijing would assume it would be easier to deal with the low-key Badawi than with the more imperious Mahathir.

In any case, Wu met with Malaysian Supreme Head of State Syed Sirajuddin, perhaps to reminisce about the leader's March visit to China, but most likely in the hope of securing a high-level expression of support for his call for the two nations to put differences aside and achieve new success in their relations. He expanded on this theme in a speech entitled "Deepening Good-Neighborly Friendship in a Joint Effort for Asian Prosperity." Wu used the speech as an opportunity to recapitulate the evolution of China's relations with Malaysia and the region to its present positive state and then to suggest that the store of historical experience could serve as the basis for new efforts. He simply dismissed the problem of economic frictions by asserting that the two national economies are actually complementary. Finally, in a direct appeal to Malaysian

economic interests, Wu highlighted China's daily double-like function within the region by pointing out that its status as the largest import market in Asia combined with its ever-increasing foreign direct investment (FDI) made it a true engine of economic growth. An obvious subtext is that Beijing will continue in this fashion and it would be in the interests of Malaysia to cultivate ties with Beijing.

Other bilateral developments

The headline producing activities of the senior leaders did not slow the rhythm and pace of business at the working level. China's relations with Bangkok (and ASEAN) no doubt received yet another boost as Beijing announced its support for Thailand's bid to see Deputy Prime Minister Surakiart Sathirathai succeed Kofi Annan as UN secretary general. The deputy prime minister is also the choice of the ASEAN membership and if he were to be elected, he would be the first Asian to hold that high position since the days of U Thant more than 30 years ago.

Also, early in May, Thai Deputy Foreign Minister Preecha Laohanpongchana announced Bangkok's intention to prepare for the implementation of the ASEAN-China Free Trade Area (FTA) by opening up to four new consulates in China. Presumably Beijing will open an equal number within Thailand. The intention to get the FTA off to a good start was confirmed by the deputy prime ministers of the two nations when they met May 20 in Beijing to pledge efforts to establish and upgrade mechanisms for economic cooperation and tourism. Finally, in what must surely be one of the more idiosyncratic barter deals in recent years, Beijing and Bangkok agreed to swap a quantity of dried fruit (longans) for an unspecified number of rubber-wheeled armored vehicles.

These events suggest that with the possible exception of Singapore and China, the China-Thailand dyad is more highly evolved than any other in the region. Reflecting the difference in development between the two ASEAN members, the dynamic is different. Beijing-Singapore ties are more complex, more technical, and more conditional. However, the relationship between Beijing and Bangkok is arguably broader, more basic. The relationship also penetrates more deeply into Thai society and into the society of southwest China. That both capitols seem committed to using the process of preparing for the 2010 commencement of the ASEAN-China FTA to advance their overall level of economic relations raises the possibility that the integration of the two economies may evolve to a point at which even the historically supple diplomats of Thailand would find it difficult to effect a reversal should they feel a need to do so.

Elsewhere on the Southeast Asian Peninsula, relations with Myanmar, Laos, Cambodia, and Vietnam moved at a measured pace. For example, on June 6, China and Myanmar signaled the durability of their close relations with the opening of the first meeting of the Joint Committee for Economic Trade and Technical Cooperation (JCETTC). The JCETTC represents the means by which Beijing intends to shape and manage its economic ties with Rangoon.

On May 6, the People's Supreme Courts of Laos and China convened a seminar on law and governance while on May 17, Vice Chairman of the Chinese Communist Party's Central Military Commission and Defense Minister Xu Caiho and his Cambodian counterpart Hak Savuth announced their willingness to establish a program of military exchanges.

Further east, Beijing and Hanoi managed to avoid yet another outbreak of unpleasantness as Vietnam's Foreign Ministry announced that the Chinese were in no way responsible for the sinking of a Vietnamese vessel. In an earlier meeting with Chinese and Philippine counterparts, Hanoi officials pledged to uphold the code of conduct for the South China Sea and to work actively with Beijing and Manila to achieve peaceful development in the area of conflicting claims in the Spratly Islands.

The routine, almost mundane character of these activities attests to the success China has achieved in establishing itself as the major external influence within peninsular Southeast Asia. Myanmar, Laos, and Cambodia have no sources of support other than China. More significantly, successive governments of Thailand seem to have made a conscious choice to work closely with Beijing despite the potential difficulties the expanded Strategic Partnership might face with respect to Chinese dominance in the longer term. Finally, the Socialist Republic of Vietnam clearly has been neutralized as a force on the peninsula, partly by its own record but also as a result of Chinese actions.

The multilateral arena

April 29 saw the convening of the 11th ASEAN-China Consultation at the ASEAN Senior Officials Meeting (SOM). Vice Foreign Minister Wu Dawei led the Chinese delegation. Despite the formality of the occasion, the SOM has the important function of reviewing progress in implementing the ASEAN agenda and identifying issues that might rise to importance in the future.

Following the lead of Hu Jintao while simultaneously preparing the ground for Wu Bangguo, Wu focused on two major themes: the China-ASEAN Strategic Partnership is crucial to regional stability and China affirms that ASEAN plays the leading role in regional multilateral cooperation. Other topics included the agenda of the upcoming ASEAN-China Eminent Persons Group meeting, UN reform, and the impending East Asian Summit. China also reiterated its willingness to join the Protocol of the Southeast Asia Nuclear Weapons Free Zone Treaty and agreed to join a meeting of the Working Group on Implementing the Declaration on the Conduct of Parties in the South China Sea.

Early in May, the finance ministers of ASEAN, China, Japan, and the Republic of Korea met as the ASEAN Plus Three on the sidelines of the Asian Development Bank meeting in Istanbul. The ministers agreed to improve the effectiveness of the Chiang Mai Initiative by expanding the system of bilateral currency swaps in times of financial stress; an action that promises to address a real need and, incidentally, relieves a bit of the pressure Beijing is facing to revalue the yuan.

A few days later, as the ASEAN Plus Three Foreign Ministers prepared to meet their European counterparts at the Asia Europe Meeting (ASEM), they effectively affirmed the deliberations of the SOM and exchanged views on the Korean Peninsula and UN reform. More important, they discussed criteria for deciding which nations would be invited to participate in the East Asian Summit scheduled to convene in December in Malaysia.

The Chinese finessed this difficult issue, saying in so many words that the summit was an ASEAN show and that Beijing would support whatever course the foreign ministers thought best. Since ASEAN favors the participation of India, but is somewhat reluctant to allow Australia, New Zealand, and the U.S. (the putative hang-up focuses on the requirement that all participants have acceded to the ASEAN Treaty of Amity and Cooperation) and since Beijing is of an identical cast of mind, the Chinese action was eminently sensible from every point of view. It takes the edge off public friction with Washington over the charge of exclusion, it puts Japan on the horns of a dilemma involving its interests with the U.S. and with its Asian neighbors, and it affirms Beijing's ties with ASEAN. A final decision is scheduled for July at the ASEAN Ministerial Meeting set to open in Vientiane.

Other business involving China and ASEAN during the quarter was more workmanlike and far less attention grabbing. It was also more substantive. Beijing announced the opening of the second China-ASEAN Business Summit in the southwestern city of Nanning, thus serving its interest in seeing more integration of the economies of Thailand, Laos, and Cambodia. The Chinese also hosted a workshop for senior ASEAN police officer, reminded the region about the Nautical Rescue Exercise scheduled for July, and signed an agreement with the ASEAN trade negotiating committee to begin the process of implementing the ASEAN-China FTA by reducing tariffs on more than 7,000 items and commodities.

Conclusions

In assessing the impact and effectiveness of Beijing's activities in Southeast Asia during the second quarter, a number of observations emerge. First, from the perspective of policy formulation, it is essential to recognize that much of what may have been presented here as solid accomplishment may be understood more accurately to amount to a series of initial, or second, third, or fourth steps in an incremental process that could still go wrong. Also, other factors could supervene to erode much of the credit Beijing has gained.

The following two examples are illustrative. With regard to Strategic Partnership with Indonesia, it is difficult to believe that the declaration of a strategic partnership and more coordinated economic activities can have a major immediate effect and help to overcome the years of resentment and suspicion that have been part and parcel of Jakarta's relations with Beijing. It is equally difficult to believe that negative attitudes toward Indonesia's Chinese community will change anytime soon. Then too, the region is deeply concerned about the Korean Peninsula, Taiwan, and the general pattern of China-Japan relations. Beijing will be judged not just by its actions in Southeast Asia but also by its success in managing problems of Asia as a whole. Should Beijing be perceived to be anything other than helpful in managing larger issues, it probably would lose ground in Southeast Asia.

Second, it is essential to guard against a tendency to become swept up in what might be termed the rhetoric of reason emanating from sources in Chinese official and academic circles. Increasingly, Chinese officials speak with a measure of almost breathless optimism more appropriate to the ever-optimistic Dr. Pangloss rather than decision makers who have a firm footing in the world of *realpolitik*.

And yet, Chinese rhetoric is arguably having some effect. Such terms as adjustment, peace, adaptability, stability, harmony, opportunity, win-win, cooperative, multilateral, and so on, appear to have come to dominate and define the regional discourse on interstate relations. This is not to suggest that such concepts are uniquely Chinese or even that they have Chinese sources. It is, however, to suggest that owing to China's size, location, and record of development, when Beijing expresses itself in these terms, the region cannot but listen. Indeed, how could such concepts be opposed? In effect, Beijing has captured the regional discourse and the governments of Southeast Asia are clearly jumping on board.

Finally, Chinese actions also contribute to its ability to define the discourse of the region. Beijing has taken the initiative in restructuring relations with Indonesia and Malaysia; it follows the lead of ASEAN and offers it deference in the multilateral councils of the region; and, Beijing does accommodate and demonstrate sensitivity to the individual concerns of the nations of the region.

Initially, China's new vocabulary and behavior patterns provoked suspicion and concern as regional analysts debated the reality of Chinese priorities and motivations. However, if the events of the past quarter – which at the end of the day are at one with the events of the last two years or so – suggest anything, it is that, correctly or not, the region has become increasingly accepting of China's changing role and position. There is an admission that the rise of China has challenged and changed both the internal relations of the region and the relations of the region with the rest of the globe. There is also a willingness to admit that that challenge and change has thus far been positive.

Chronology of China-Southeast Asia Relations April-June 2005 ¹

April 5, 2005: Six Asian nation leaders agree to establish Asian Parliament within five years at the senior advisory council of the Association of Asian Parliaments for Peace.

April 11, 2005: China and Vietnam hold first consultations on defensive security in Beijing.

April 11, 2005: Philippines and Vietnam work with China on offshore resources dispute in the South China Sea.

April 12, 2005: Philippine President Gloria Macapagal-Arroyo says Manila will continue to “aggressively seek” business partnerships with China at the Filipino-Chinese Chamber of Commerce.

April 14, 2005: Singapore Business Federation and Hong Kong General Chamber of Commerce sign memorandum of understanding to enhance bilateral economic ties.

April 20-28, 2005: Chinese President Hu Jintao visits Brunei, Indonesia, and Philippines.

¹ Compiled by Hyun Jung Jo Choi, 2005 Vasey Fellow, Pacific Forum CSIS.

April 22-24, 2005: Over 1,200 senior politicians, scholars, and business people attended the Annual Conference 2005 of Boao Forum for Asia (BFA) with the theme “Asia searching for a win-win deal: new role of Asia.”

April 22, 2005: President Hu meets with Brunei’s Sultan Haji Hassanal Bolkihah and signs deals to boost cooperation.

April 26, 2005: Indonesian President SBY and Hu sign joint declaration on strategic cooperative partnership.

April 27, 2005: Presidents Hu and Macapagal-Arroyo discuss bilateral relations and regional and international issues. Hu predicts China-Philippine trade volume to reach \$30 billion in five years, more than double the present level.

May 2, 2005: Singaporean FM George Yeo says China’s economic explosion is transforming Asia’s political landscape, posing problems and opportunities for its neighbors and for the U.S.

May 2, 2005: Deputy FM Preecha Laohapongchana reveals Thailand will open at least four more consulates in China, and is accelerating the development of logistics operations with China in anticipation of the birth of the Chinese-ASEAN Free Trade Area in 2010.

May 5, 2005: Finance ministers from China, Japan, South Korea, and ASEAN agree to expand their bilateral currency swaps under the Chiang Mai Initiative to a more multilateral system.

May 6, 2005: Lao and Chinese People’s Supreme Courts hold seminar in Vientiane entitled “Governance of the State by the Law” with the aim of increasing cooperation.

May 9, 2005: China says it backs Surakiart Sathirathai of Thailand to succeed Kofi Annan as UN secretary general when Annan’s term ends next year.

May 12, 2005: Vietnam Foreign Ministry Spokesman Le Dzung confirms that the Vietnamese cargo ship that sunk off the coast of Shanghai was not fired upon by Chinese naval ships during their military drill.

May 17, 2005: Xu Caihou, vice chairman of the Chinese Central Military Commission, tells visiting Secretary of Cambodian Ministry of National Defense Hak Savuth that Chinese armed forces are ready to enhance close exchanges with the Cambodian army and their friendly cooperative ties.

May 17, 2005: Supatra Thanaseniwat, deputy permanent secretary for agriculture, and director general of China’s Department for International Cooperation, sign a memorandum of understanding (MOU) which will see 67,479.75 tons of dried longans go to China in exchange for *Type WMZ 551B* rubber-wheeled armored vehicles.

May 17-19, 2005: Wu Bangguo, chairman of the standing committee of China’s National People’s Congress (NPC), visits Singapore for a three-day official goodwill visit.

May 18, 2005: Singapore and China announce a pact to strengthen economic ties. Under the China-Singapore Bilateral Investment Promotion Committee, officials will discuss policies and issues to boost commerce between their economies.

May 18, 2005: At the China-Singapore Economic and Trade Cooperation Forum held in Singapore, NPC Chairman Wu says China aims to double its bilateral trade with Singapore to \$50 billion in five years.

May 19, 2005: Negotiators conclude details on customs procedures and reductions in import tariffs on 5,000 items under the ASEAN-China free trade area (FTA) agreement.

May 23, 2005: Philippine President Arroyo meets visiting PLA deputy chief, Xiong Guangkai, who is to attend the first dialogue on defense and security between China and the Philippines. Xiong says China has invited the Philippines to participate in multilateral maritime exercises focused primarily on maritime search and rescue operations

May 30, 2005: Malaysia signs deal with China's biggest private automaker Geely Group to build cars in Malaysia, during a visit by Chinese lawmaker Wu Bangguo.

May 30, 2005: Malaysia and China strengthen economic relations with the signing of four agreements involving private companies.

May 30, 2005: During his speech titled "Deepening Good-Neighbourly Friendship in a Joint Effort for Asian Prosperity," visiting Chinese legislator Wu Bangguo reaffirms China's consistent stand for strengthening political dialogue, expanding economic cooperation, and enhancing security cooperation with other Asian countries.

May 31, 2005: Vietnamese Ministry of Trade warns that Vietnam's trade deficit with China could reach \$2 billion this year, and is expected to continue increasing for the next five years.

May 31, 2005: Wu Bangguo meets with Yang di-Pertuan Agong (Paramount Ruler) Tuanku Syed Sirajuddin of Malaysia and says China-Malaysia relations have reached maturity and entered a new period of all-round development.

June 1, 2005: Malaysian Prime Minister Abdullah Ahmad Badawi warns Japan and China must use diplomacy to quell heightened bilateral tensions or the region and the world will face "catastrophic" consequences.

June 3-5, 2005: During his keynote speech at the fourth Shangri-La Dialogue in Singapore, PM Lee Hsien Loong says China's emergence as a major trading partner and a fast growing source of tourists and investments is the central reality in Asia.

June 4, 2005: Four senior officers from China's Xiamen Airlines visit Brunei to conduct marketing research on the potential of Borneo as a tourist hub.

June 6, 2005: China and Myanmar hold first meeting of Joint Committee for Economic, Trade and Technical Cooperation (JCETTC) in Rangoon, to promote economic and trade relations and good neighborly ties.

June 8, 2005: President Hu and Chairman of the Myanmar State Peace and Development Council Than Shwe exchange congratulatory messages on the 55th anniversary of the establishment of diplomatic ties between the two countries.

June 8, 2005: Singaporean authorities arrest suspended chief executive of China's main jet fuel supplier and the president of its mainland parent company, Chen Jiulin, who is linked to risky oil trades that pushed the company to the brink of bankruptcy with losses of over half a billion U.S. dollars.

June 8, 2005: China Culture Month is formally inaugurated in celebration of the 55th anniversary of the establishment of diplomatic relations between China and Myanmar.

June 8-10, 2005: At a panel of the 15th Asian Corporate Conference, Thailand's Minister of Commerce Thanong Bidaya says China's fast economic growth will benefit ASEAN.

June 9, 2005: Zhang Shaogang, an official of the Ministry of Commerce, says China and ASEAN have agreed to reduce duties on more than 7,000 kinds of products.

June 9, 2005: President Hu exchanges congratulations with President Macapagal-Arroyo on 30th anniversary of establishment of diplomatic relations between their two countries.

June 9, 2005: President Macapagal-Arroyo says Philippine trade with China exceeded \$13 billion in 2004 and the future of their trade partnership looks even brighter.

June 9, 2005: Indonesian Coordinating Minister for the Economy Aburizal Bakrie says a group of Chinese investors have committed to investing up to \$8.6 billion in Indonesia's palm oil sector over the next five years.

June 13-17, 2005: Chinese Ministry of Public Security hosts a week-long workshop for more than 30 senior officers from ASEAN.

June 14, 2005: Chinese Defense Minister Cao Gangchuan meets Thai Army Commander-in-Chief Prawit Wongsuwon and exchange views on relations between the two countries and their armed forces.

June 14-20, 2005: Han Qide, vice chairman of the Standing Committee of the NPC, meets a delegation from the Philippine House of Representatives.

June 21, 2005: Statistics compiled by Financial Supervisory Commission under the Executive Yuan show Vietnam has emerged as a hot market for Taiwan's finance industry.

June 21-23, 2005: 10th round of negotiations to discuss maritime issues between Vietnam and China begins in Beijing.

June 22-23, 2005: China and ASEAN hold 19th meeting in Beijing, recognizing that the tariffs reduction plan will start at the beginning of July.

June 24, 2005: Singapore FM Yeo says it is in Singapore's and ASEAN's interests to have all the big powers, like the U.S., China, and Japan, engaged in the region.

June 28, 2005: China's state-run CITIC Resources Holdings Ltd. announces plans to buy control of Thai Petrochemical Industry, operator of Asia's largest petrochemical complex, for \$900 million, and aims to double its capacity to tap the lucrative refining and chemical business.

June 28, 2005: Finance Minister Jusuf Anwar discloses that China has pledged an additional soft loan of \$200 million to finance three infrastructure projects in Indonesia.

June 29, 2005: The second power transmission channel from Yunnan Province in Southwestern China to Vietnam is put into operation officially.

June 30-July 2, 2005: Thailand Prime Minister Thaksin Shinawatra makes an official visit to China.

China-Taiwan Relations: Opposition Leaders Visit China

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The visits of Kuomintang (KMT) chairman Lien Chan and People's First Party (PFP) Chairman James Soong Chu-yu to China have ameliorated cross-Strait relations. Cross-Strait tensions and the fears of potential conflict so evident throughout 2004 have eased, and the controversy over Beijing's Anti-Secession Law has faded into the past. The visits illustrated the potential for dialogue if a different government were in office in Taipei, and produced a new verbal formula that could bridge differences over preconditions for talks with a future government. However, the visits have poisoned the atmosphere between Beijing and the administration of Taiwanese President Chen Shui-bian. Despite speculation in Taipei, there is no prospect for political dialogue between the two. Furthermore, domestic politics is complicating the possibility for progress on functional issues such as transportation, agricultural exports, and tourism, which would be beneficial to both sides, particularly Taiwan.

Opposition visits

In the last days of the first quarter, KMT Vice Chairman Chiang Ping-kun led the first official KMT delegation since 1949 on a visit to China. After its stronger than expected showing in the Legislative Yuan elections last December, the KMT felt confident that it could fend off the predictable charges from the Democratic Progressive Party (DPP) that it was selling out Taiwan's interests by visiting the mainland. This first visit was seen as a success in Taiwan and led to the finalization of plans for separate visits to China by Chairman Lien in late April and PFP Chairman Soong in early May. Each of the leaders was formally visiting on a party-to-party basis at the invitation of Hu Jintao in his capacity as Communist Party general secretary, and each visit was given high-profile attention by Beijing similar to that shown foreign leaders. Lien and Soong each gave major addresses in Beijing that were carried live on state-run television (though the texts were not subsequently available on official media). In both cases, their speeches expressed identification with Chinese nationalism, though Soong also attempted to explain to Chinese the origins of Taiwanese nationalist sentiment. Each visit was capped by a personal meeting with Hu and the issuance of a joint statement.

In the joint statements, both Lien and Soong mentioned the 1992 consensus on one China and expressed their opposition to independence for Taiwan. The joint statements both focused on preserving cross-Strait peace and on concrete steps to ease tensions, while avoiding mention of unification and Beijing's "one country, two systems" formula. On the last day of each visit, Beijing announced its "gifts" to the visitor in the form of measures Beijing would take to improve cross-Strait relations. On Lien's departure, the Taiwan Affairs Office (TAO) announced plans to donate pandas to Taiwan, to ease restrictions on imports of Taiwanese

agricultural products, and to promote Chinese tourism to Taiwan. On Soong's departure, the TAO announced more modest plans to ease PRC procedures governing travelers from Taiwan, to allow students from Taiwan to pay the domestic tuition rate at Chinese universities, and to facilitate employment in China for Taiwanese college graduates. While the measures offered Soong could be unilaterally implemented by Beijing, the measures announced on Lien's departure would require cooperation from the government in Taipei. Thus far, there has been no progress in implementing the latter.

In Beijing, the visits were greeted enthusiastically and widely perceived as successful. Some in official circles saw the visits as vindication of the utility of united front tactics to cultivate the opposition and isolate separatists. The more general interpretation was that the visits demonstrated that a more nuanced approach to Taiwan, most authoritatively expressed in Hu Jintao's four points at the spring National People's Congress, had opened possibilities for dialogue with Taipei. The talk so frequently heard in Beijing just six months earlier about the inevitability of war in the Taiwan Strait was gone. It was as if the visits made the policy community in Beijing breathe a collective sigh of relief.

In Taipei, the reaction was mixed and predictably fell along party lines. That said, a variety of public opinion polls showed majority approval of the visits. Even the DPP's own polling recorded a significant drop in support for the DPP and an increase in the approval rating for the KMT. The regular Mainland Affairs Council (MAC) commissioned poll in early May showed that the public's sense of Beijing's hostility toward Taiwan had fallen to the lowest level since the series of polls were first published in 1992. That was true despite news reports of PRC espionage ships in Taiwan waters and Beijing's continued opposition to Taiwan's role in the World Health Organization (WHO) and other international forums.

Before the two visits took place, President Chen first criticized Lien and Soong but then later gave his blessings to their visits. The flip-flop sparked considerable anger within the DPP. In contrast, former President Lee Teng-hui consistently attacked Lien and Soong for selling out Taiwan and criticized Chen for blessing the visits. Lee's remarks prompted Chen to chastise Lee, comments Chen subsequently regretted. In sum, Chen's handling of the visits created disarray within the DPP and the wider pan-green camp and required considerable damage control by Chen.

A new formula: 'two sides, one China'

The first point in the joint statement between Hu and Soong contains new language that is potentially important for the longer term. Before reaching Beijing, Soong had a meeting with Wang Daohan, the chairman of Beijing's Association for Relations Across the Taiwan Strait (ARATS), in which Soong explained the opposition's interpretation of the "1992 consensus," a view that is summarized as "one China, respective interpretations" and which is seen by many in Taiwan and abroad as a possible basis for conducting cross-Strait negotiations should the opposition return to government in the future. Predictably, the PRC official media reporting on Soong's meeting with Wang omitted any mention of "one China, respective interpretations" because Beijing had never agreed to that formulation.

The first point of the Hu-Soong statement states that cross-Strait talks should be resumed on the basis of the 1992 consensus. It then goes on to quote separate statements by each side about the 1992 consensus. After these separate quotations, the statement continues:

“On the basis that both sides have stated that they will uphold the principle of one China, namely the “‘consensus of ‘92’ (two sides, one China) [*liang an, yi zhong*] as mentioned above, the two sides should resume their equal consultations ...”

This joint statement is the first Taipei-Beijing document that records what the 1992 consensus is by bringing together in one document separate statements made by each side at the time. By then also using a new phrase “two sides, one China” to capture the essence of that consensus, the statement provides a way for each side to preserve its interpretation of the consensus. For his part, Soong said after returning to Taiwan that the statement is consistent with “one China, respective interpretations.” Beijing officials, who acknowledge that Soong proposed the “two sides, one China” language, say that the new language does not mean that Beijing has accepted “one China, respective interpretations.”

The arcane nuances of this language are important and have been widely debated in Taiwan. Whether this new language will become important depends on many factors, not the least of which is when the opposition may return to power and what role if any Soong may play in a future opposition government. Those uncertainties aside, the first point represents an important example of the ability of leaders on the two sides of the Strait to find common ground when circumstances are ripe (and to do so without any foreign involvement).

Follow-up after the visits

The opposition visits led to intense speculation in Taipei about the possibility of President Chen visiting China or meeting with Hu Jintao. The speculation was a reflection of the changed mood in Taipei, not of any real prospect for such a meeting. Chen reiterated that no consensus was reached in 1992. He rejected the “two sides, one China” formula the same day the joint statement was issued. Chen’s offer to host Hu in Taiwan so that Hu could see for himself that Taiwan was sovereign and independent reflected clearly the gulf between the Chen administration and Beijing. In Beijing, officials at the TAO had no expectation of a breakthrough with Chen because they believed he is firmly committed to his position opposing one China. TAO Chairman Chen Yunlin has repeated a hardline position that party-to-party talks with the DPP would only be possible after the DPP removed the Taiwan independence clause from its party charter. Nevertheless, speculation about a meeting persisted for quite a while after Soong’s return.

Cross-Strait transportation and Beijing’s gift proposals are functional issues that could and should be pursued. Although the agricultural export and Chinese tourism proposals offer very substantial benefits to Taiwan, the Chen administration has been reluctant to pursue them. Domestic politics has again complicated cross-Strait relations. To simplify a complex situation, Beijing has preferred thus far to give priority to the proposals it offered the opposition leaders. The Chen administration, which has little interest in giving credit either to Beijing or the opposition, has focused on its agenda, which begins with arrangements for cross-Strait cargo charter flights. Consequently, the MAC has parried Beijing’s proposals. It has noted that the

transfer of pandas would be covered by the Convention on the International Trade in Endangered Species (CITES) and hence would require a governmental role. The MAC has said that agricultural trade issues are most appropriately handled through WTO channels, knowing that this is unacceptable to Beijing. The MAC has said that Chinese tourism to Taiwan involves a variety of governmental functions and hence requires contacts between officials; again a condition Taipei knows is unacceptable. Meanwhile, the MAC has insisted that if Beijing is serious about improving cross-Strait relations it should address the Chen administration's interest in cross-Strait cargo charter flights.

For its part, Beijing has tried to keep attention focused on its proposals. It played up its decision to allow certain Taiwan fruits in duty-free to an agricultural trade fair in late May. It also staged a major press event announcing procedures for facilitating Chinese tourism to Taiwan and called for talks between private associations to work out the details. In June, the TAO announced new regulations easing requirements for the employment and residence of people from Taiwan. It was only in mid-June, that the TAO responded to Taipei's interest in cargo charters by stating that it was open also to talks with private groups on that issue.

The Chen administration's inflexible approach to Beijing's proposals has been criticized by local agricultural and tourism groups, which have much to gain from implementing these proposals. The opposition parties naturally sympathized and supported these groups' efforts to pressure the Chen administration. The KMT publicly supported the Taiwan Provincial Farmers Association (TPFA) that sent a group to Beijing in late June; the MAC's stance was to make clear that the TPFA had not been authorized to negotiate on agricultural trade issues.

There was also some evidence of differences within the Chen administration. President Chen and MAC Chairman Wu Jau-hsieh frequently voiced unacceptable terms for responding to Beijing's proposals. Premier Hsieh and spokesman for the Agricultural Council and Transportation Ministry made public suggestions about practical ways to move specific issues ahead. When Beijing held its news conference on expanding Chinese tourism, Hsieh welcomed Chinese tourism and mentioned an initial target of as many as 1,000 Chinese tourists a day. Subsequently, in June Hsieh announced that the Taipei Airline Association (TAA) would be authorized to handle cargo charter issues and the Taipei External Trade Promotion Association (TAITRA) to handle agricultural issues. The following day, Chen met with farmers and urged them to pursue markets other than China.

No let-up in international sparing

Once again, Beijing prevailed when the WHO Assembly agreed not to consider Taiwan's ninth application to become an observer. However, this year the number of countries speaking up on Taiwan's behalf continued to grow. Behind the scenes, Beijing decided to negotiate a memorandum of understanding (MOU) with the WHO Secretariat setting guidelines for WHO staff contacts with Taiwan and for Taiwan medical professionals to participate in WHO activities. Chinese officials have explained disingenuously that the MOU reflects their concern for the health needs of Taiwan's people and their desire to facilitate Taiwan medical professionals' contacts with the WHO. It would be more forthright to have cited two factors that probably influenced Beijing's decision. One is Beijing's belated response to the negative

reaction in Taiwan to Beijing's comments on Taiwan during the 2003 SARS epidemic. The other may be that new WHO rules adopted in 2003 permit WHO contacts with Taiwan, and the MOU is Beijing's way of trying to set the terms for such contacts. It is also fair to note that the negotiation of the MOU is part of the more nuanced approach to Taiwan evident in Beijing this year.

Taipei worked to avoid the conclusion of the MOU and has publicly said it would not accept it. While the text of the MOU is not available, sources in Taipei have objected to two of its features. The MOU reportedly states that Taiwan should be referred to by the WHO as "Taiwan, China," a designation that is not acceptable to the Chen administration. Also the MOU reportedly requires the WHO to obtain Beijing's advance approval whenever the WHO extends an invitation to Taiwan to participate in WHO meetings. Just how this MOU will affect Taiwan's contacts with the WHO remains to be seen.

The international sparring between the two is as much over symbols as substance. The two-year long controversy over the office name and titles used in the WTO directory for Taiwan's mission and its personnel ended in June with the publication of a new directory. The WTO split the difference deciding that, despite Beijing's arguments, Taiwan's office would continue to be called a "Permanent Mission." But the WTO gave Beijing part of a loaf in deciding that, with the exception of Taiwan's representative and deputy, all other personnel would be listed as Mr., Mrs., or Miss rather than by the diplomatic titles used in earlier directories.

Cross-Strait economic ties

There are indications that the rate of growth of cross-Strait trade and investment are slowing in the first half of 2005. The most recent statistics on cross-Strait trade from the MAC indicate that Taiwan's exports to China during January-February this year grew only 9.8 percent from a year earlier, the first time growth fell to single digit levels since the economic decline Taiwan suffered in 2001-2. Imports from the mainland grew 31.9 percent, and total cross-Strait trade for January-February reached \$9.7 billion. Taipei's Investment Commission has reported that the value of approvals for Taiwan investments in China during the first quarter of 2005 declined by 6.57 percent. While this appears to be part of general decline in FDI in China, it is probably an indication of a coming slowdown in Taiwan's exports to China. Preliminary statistics from Taiwan's Ministry of Finance on trade for January-May 2005 indicate that Taiwan's world-wide exports of high tech and electronics products declined in May, another indication that exports to China are slowing. Just what is driving the slowdown in cross-Strait trade is not clear, but it is probable that economic rather than political factors are the determinants.

Looking ahead

Developments since the December 2004 legislative elections in Taiwan give clear indications that cross-Strait tensions have eased substantially. Electoral politics in Taiwan drove the rise in tensions during 2003-4, and the changed political climate in Taiwan since the December election has been the primary factor behind the reduced tensions. U.S. diplomacy and Chinese policy contributed to that changed political climate. With no major elections scheduled in Taiwan until 2007, there is reason to expect that tensions will remain low in the coming months.

This good news does not however mean that there will be any meaningful improvement in relations between Beijing and Taipei. Beijing's focus on its dealings with the Taiwan opposition and domestic politics in Taiwan will continue to complicate the handling of transportation, agricultural trade, and tourism issues. As progress in dealing with these functional issues will be fitful, there is little prospect for anything more than incremental improvements in cross-Strait relations. There is no basis for expecting political talks between Beijing and the Chen administration.

Chronology of China-Taiwan Relations April-June 2005

April 4, 2005: Taiwan Solidarity Union Chairman Su Chin-chiang visits Yasukuni Shrine to pay respects to interred Taiwanese.

April 6, 2005: Democratic Progressive Party (DPP) issues 7-point statement criticizing opposition visits to PRC.

April 6, 2005: Deputy Assistant Secretary of State Randall Schriver testifies to Congress on China's Anti-Secession Law.

April 6, 2005: Beijing calls for talks on regular charter flights; Taipei declines.

April 6, 2005: Justice minister says KMT's Chiang to be investigated for treason.

April 8, 2005: President Chen Shui-bian attends Pope John Paul II's funeral.

April 9, 2005: Taipei temporarily bans *Xinhua* and *People's Daily* reporters.

April 13, 2005: Taiwan Affairs Office (TAO) criticizes DPP's 7-point statement.

April 15, 2005: TAO Chairman Chen Yunlin says DPP must revise platform.

April 16, 2005: U.S. delegation led by Adm. Blair (ret.) arrives to observe annual Hanguang military exercise.

April 18, 2005: Mainland Affairs Council (MAC) Chairman Wu Jau-hsieh says PRC invitations are "united front warfare."

April 18, 2005: People First Party (PFP) Chairman James Soong accepts invitation to visit PRC.

April 20, 2005: Taipei fines UMC Corporation for late disclosure of investments in PRC.

April 21, 2005: Chen gives blessing to KMT Chairman Lien Chan visit to the PRC; former President Lee Teng-hui attacks Lien and Soong for selling out Taiwan's interests.

April 26-May3, 2005: Lien visits China as the highest ranking KMT official in 60 years to step foot on Chinese soil.

April 29, 2005: Chinese President Hu Jintao makes joint statement with Lien.

April 29, 2005: Washington welcomes exchanges; urges Beijing to deal with government in Taipei.

April 29, 2005: MAC Chairman Wu says Lien may have broken law.

April 30, 2005: Chen says Lien acted within law; asks Soong to convey message.

May 3, 2005: Chen reiterates there was no 1992 consensus; invites Hu to come and observe Taiwan's sovereignty.

May 3, 2005: DPP polling indicates support for Lien's visit to the PRC.

May 3, 2005: On Lien's departure from China, TAO announces three initiatives regarding Taiwan.

May 3, 2005: MAC expresses hope PRC will address Taiwan's priority: cargo charters.

May 4, 2005: Chen makes unannounced stopover in Fiji.

May 5-12, 2005: Soong travels to China and meets Association for Relations Across the Strait (ARATS) chairman Wang Daohan in Shanghai.

May 6, 2005: Executive Yuan announces word "Taiwan" to be added to ID cards.

May 6, 2005: Chen meets DPP leaders to diffuse criticism of his handling of opposition visits.

May 9, 2005: Chen criticizes former President Lee in TV interview.

May 10, 2005: Taiwan arrests agents accused of spying for Beijing.

May 11, 2005: Soong speaks at Qinghua University.

May 12, 2005: Hu and Soong make joint statement mentioning "two sides, one China."

May 12, 2005: Chen rejects "two sides, one China" formula in TV interview.

May 13, 2005: On Soong's departure, TAO reiterates three initiatives for Taiwan.

May 14, 2005: World Health Organization (WHO) Secretariat signs MOU with PRC.

May 18, 2005: Taiwanese presidential Secretary General Yu Shyi-kun meets NSC's Michael Green and others in Washington.

May 20, 2005: PRC tourism agency calls for talks with Taiwan counterpart about PRC tourists.

May 20, 2005: Premier Frank Hsieh says PRC tourists welcome.

May 23, 2005: WHO Assembly again refuses to consider Taiwan's application.

May 26, 2005: Chen discusses views on "a new Taiwan-centered identity."

May 30, 2005: Taipei MOFA says it will not cooperate with PRC-WHO MOU.

June 1, 2005: TAO says 15 Taiwan fruits to be given duty-free entry status as MAC calls for talks at WTO on agricultural exports.

June 3, 2005: Premier Hsieh nominates Chang Chun-hsiung as new Strait Exchange Foundation (SEF) Chairman.

June 7, 2005: Taiwan's Ad Hoc National Assembly ratifies constitutional amendments.

June 14, 2005: Premier Hsieh proposes plan for private groups to negotiate with Beijing.

June 15, 2005: Chen urges farmers to export to markets other than China.

June 15, 2005: TAO's Li Weiyi says Beijing is willing to discuss cargo charter flights. TAO announces new rules for employment and residency requirements of Taiwanese in China.

June 22, 2005: *Xinhua* reports Taiwan Provincial Farmers Association (TPFA) delegation in Beijing for negotiations; MAC says TPFA not authorized to negotiate.

June 25, 2005: MAC calls on TPFA to report on its Beijing visit.

June 26, 2005: Taiwan's NSC Secretary General Chiou I-jen makes discreet visit to Los Angeles.

June 27, 2005: MOFA and Minister of National Defense Vice Ministers Michael Gau and Tsai Ming-hsien in Washington.

June 27, 2005: MAC announces that long-term visitors from PRC will need to be fingerprinted.

June 27, 2005: Chen calls for controls on high-tech trade with China.

June 29, 2005: TAO reiterates that acceptance of "one China" and of 1992 consensus is condition for cross-Strait talks.

June 29, 2005: TAO indicates willingness to discuss agricultural issues with any competent Taiwan private organization; MAC welcomes comment.

June 30, 2005: Legislators group for parliamentary exchanges with China established in Taipei.

June 30, 2005: Chen comments that economic consultations could build cross-Strait trust.

North Korea-South Korea Relations: Who's Singing Whose Song?

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As the second half of 2005 begins, the prospects for inter-Korean relations appear more propitious than they have for at least a year. Not only has Pyongyang ended its wholly unreasonable boycott of most forums of North-South dialogue created after the June 2000 Pyongyang summit, but it has agreed to deepen and extend these in significant ways. If – always a big if – a 12-point joint statement signed in Seoul on June 23 is fully adhered to, then the summer and fall will see a busy calendar of meetings. Besides such familiar fora as ministerial talks (already resumed), the joint economic committee, and family reunions, there are to be military talks – but at remote Mt. Paekdu, of all places – plus new panels on cooperation in farming and fisheries. North Korea has even agreed to discuss the sensitive issue of persons “missing” (i.e., abducted, or POWs retained) from the Korean War.

So after a gray year, the Sunshine Policy, appropriately for summer, is now blazing brightly. Yet shadows persist. On past form, North Korea might not deliver; it may sulk, or take its bat home again. Above all, there is as yet no assurance that the DPRK will return to the Six-Party Talks. Although movement around this issue gives reasonable optimism that a much-delayed fourth round could be held in July or August, nothing is yet certain.

The two matters are patently linked. Continued nuclear defiance must set limits to how far Sunshine can go; though earlier fears of nuclear tests seem to have receded, any nuclear escalation would surely force Seoul to pull back. How to finesse the conditionalities here threatens in any case to be contentious, especially between a South Korea wedded to carrots and a skeptical U.S., which (at least rhetorically) would not rule out the stick.

North provokes, South soothes

When the past quarter began, North Korea was not only eschewing most contacts with the South, but also ramping up its nuclear provocations. Shutting down its Yongbyon reactor, unless a bluff (one never knows), could yield further spent fuel to be reprocessed into more plutonium for more bombs. There were also rumors of a planned nuclear test. Nonetheless, a hint from Washington that the U.S. might be forced to take this matter to the UN Security Council brought swift public opposition to any such move from Seoul, echoed by Beijing.

Earlier, for the third year running the ROK abstained when the UN Commission for Human Rights in Geneva – UNCHR, not to be confused with UNHCR, the refugee body – passed a resolution condemning DPRK human rights abuses on April 14 by 30 votes to 9. Sponsored by

Japan and EU member states, this for the first time included demands for the return of Japanese abductees. With similar sensitivity – or cravenness – the first ever videotape that apparently showed public executions in North Korea, aired in full and discussed at length on Japanese TV and around the world, was shunned by all major ROK broadcast networks; they merely transmitted fragments for about a minute. Awkward as it is for Seoul to find effective responses to Pyongyang's many challenges, emulating the three monkeys of the Chinese proverb – hear, speak, and see no evil – looks awful, and is not a policy solution.

Realigned in Jakarta

Perhaps gratified by such gestures, Kim Yong-nam – who as president of the Presidium of the Supreme People's Assembly is North Korea's titular head of state – was affable when he met South Korea's Prime Minister Lee Hae-chan on April 22. Both were attending the Asia-Africa Summit in Jakarta, marking the 50th anniversary of the 1955 Bandung conference, which led to the founding of the Non-Aligned Movement (NAM). This must have been a nostalgic occasion for Kim, a former long-serving foreign minister; for in its 1970s heyday, Pyongyang was active in the NAM. Besides resisting Cuban attempts to push a pro-Soviet line, in a rare diplomatic victory the DPRK succeeded in excluding the ROK – on the not unreasonable grounds that hosting U.S. bases and forces constituted alignment.

Such ancient strife presumably forgotten, the two Koreas' *de facto* deputy leaders met twice on successive days. Formally, this was the highest-level North-South meeting in five years, since the June 2000 summit in Pyongyang. Though Kim Yong-nam would not be drawn on the Six-Party Talks, he did agree to resume inter-Korean dialogue. This was perhaps not so surprising: the North had two reasons – one symbolic, the other practical – to mend fences at this juncture. Already in January it had committed to celebrate the fifth anniversary of the June 2000 joint declaration, and the sound of one hand clapping would not carry far.

Fertilizer and bird flu

Also in January, North Korea requested 500,000 tons of fertilizer from the South, almost twice the usual amount. With rare backbone, a month later Seoul said it would consider this – if Pyongyang asked via the inter-Korean economic committee, which it had boycotted for months. No response had come as of late April, with the planting season fast approaching.

South Korea was quick, however, to proffer help with the avian influenza outbreak, which in March compelled the North to cull 210,000 hens. (That was bad news for the confusingly named Porky Products, a South Korean firm, which had just arranged to import 2,000 tons of Northern chicken; it hastily cancelled the order.) Seoul at once offered aid, but Pyongyang turned instead to the UN Food and Agriculture Organization (FAO). Not until April 8 did DPRK veterinary authorities contact their ROK counterparts, giving the necessary details – altruism apart, one Southern concern was to stop the infection crossing the Demilitarized Zone (DMZ) – and accepting help. South Korea sent quarantine supplies worth 723 million won (\$700,000) to the port of Nampo (surely slower than overland), arriving on April 23.

A day earlier, in the first government-level inter-Korean encounter since July 2004, a team from the ROK Ministry of Agriculture and Forestry crossed the DMZ for talks in Kaesong. The opening of a road-rail corridor (though the rail link is yet to be used) north of Seoul has given this border city, an ancient Korean capital, new significance. It is also the site of the fledgling Kaesong Industrial Zone (KIZ), which was notably exempted from Pyongyang's boycott of dealings with Seoul – doubtless because it brings in cash and jobs. As discussed below, work and contacts on the road and rail links have also continued, albeit fitfully.

Back on track

In mid-May (16-19), Kaesong hosted vice-ministerial talks, putting inter-Korean dialogue back on track. First came fertilizer, by now urgent. The North Koreans settled for the usual 200,000 tons, and delivery began at once: 50 ROK trucks shipped the first batch on May 20, and two days later the first of three DPRK ships docked in Ulsan to start loading the rest. These were the first Northern vessels seen in Southern harbors since 1984; when – unlikely as it sounds now – it was the North, which offered aid to South Korea after floods there. Seoul accepted, ushering in a year of talks before Pyongyang backed off. This now half-forgotten episode is a reminder that Sunshine did not begin with Kim Dae-jung; there is an important prehistory.

It was also agreed to revive at least some of the stalled inter-Korean channels. A 15th round (since 2000) of ministerial talks, the first since May 2004 (they should be quarterly), was fixed for June 21-24 in Seoul. At this stage, however, North Korea would not be drawn on further economic meetings or family reunions. It did however invite an official ROK team and an enlarged NGO contingent to Pyongyang for the summit anniversary on June 15. Twenty officials with 50 support staff, plus 615 civilians including 200 overseas Koreans, would have made this the largest South Korean contingent ever to visit North Korea.

But of course there was a curveball. At the last minute the North told the South to halve the size of its delegation, in protest at the U.S. deployment of stealth fighters to the peninsula. In the end they compromised, and a still large team – 40 present and past government officials, plus 295 delegates from NGOs – flew to Pyongyang in two separate planes on June 14. Leading the delegation was Unification Minister Chung Dong-young, an ex-news anchor and contender to succeed Roh Moo-hyun as president in 2008, on his first visit to the Northern capital. (He had crossed the border last December for the official opening of the Kaesong Industrial Zone, only to be snubbed when the North sent no one of equivalent rank and ignored him.)

Springing a surprise

This could still have been a fairly hollow exercise, with the Southern side mere spectators of – and implicitly complicit with – the North's usual spectacular, yet dull and tendentious, mass displays. Indeed, one senior ROK cultural official had to apologize when he got home for getting carried away and singing a Korean People's Army (KPA) song at a banquet. But on the last day it became substantive. In a typical *coup de theatre*, Chung Dong-young, out for a morning jog, was whisked off to join the Dear Leader at an undisclosed location. (He had already met Kim Yong-nam, and must by then have had no hope of going higher.)

They spent five hours together, including a lunch to which Southern organizers of the 2000 summit were also invited. In another familiar ploy, Kim Jong-il sounded amenable on most matters – as if he were somehow above North Korea’s normal obduracy. A beaming Chung flew back to Seoul on the evening of June 17, convinced that inter-Korean relations were now back on track, and with his own likely future presidential bid conveniently boosted.

The smiles continued the next week, when a DPRK team in turn visited Seoul on June 21-24 for the first ministerial talks in over a year. Reflecting their leader’s new bonhomie, his diplomats in turn were accommodating – at least in manner. As their youngish (45) chief, Senior Cabinet Councillor Kwon Ho-ung, frankly admitted: “Chairman Kim instructed us to avoid needless confrontation to save face ...things went well ... as Minister Chung and I held negotiations in that spirit.” As a result, past lengthy battles – often well into the night – over every word or point were avoided this time. Significantly, the usual rectangular table with the two sides confronting each other was replaced by a round one; Kwon and Chung sat side by side, and spoke conversationally rather than exchanging lengthy set speeches.

Bitter suite

The Seoul daily *JoongAng Ilbo* gave some behind-the-scenes detail. The whole session cost 400 million won (just under \$400,000), and Seoul would like to do it cheaper. This time the venue was the Sheraton Walker Hill hotel, whose remote location was favored in the old days for secret visits by such as then DPRK Foreign Minister Ho Dam. Now, however, it simply won a competitive tender to host the meeting. Kwon Ho-ung’s regular seventh floor guest room cost a modest 430,000 won a night; his colleagues shared rooms on the same floor. By contrast, Chung Dong-young’s special suite on the 17th floor cost 3.5 million won – justified officially as necessary so he could hold private meetings with the North Koreans.

The latter also had secure phone and fax lines or could send coded telegrams to Pyongyang, where officials were able to follow the negotiations via live video feed. (Presumably South Koreans are afforded the same facilities when they go North.) It was also noted that for the first time the DPRK team included three women; the ROK fielded just one. Of the Northern trio, Ro Kum-sun, a young photographer for the Japan-based pro-North *Choson Sinbo*, was never seen without a cup of Starbucks coffee wherever she went.

What was discussed had predictable limits. To Southern chagrin, if not surprise, Pyongyang gave no commitment, much less a date, to return to the six-party nuclear talks; it has always refused to discuss the nuclear issue in this forum. But on bilateral matters, the eventual 12-point joint statement not only restored most channels of suspended North-South interaction but will, if fully implemented, deepen this and take it forward in important ways.

Bashing Japan

Here at least North Korea was not shy about setting dates. On the symbolic level, it agreed to take part in joint functions in the South around Aug. 15: the date on which both Koreas celebrate liberation from Japanese rule in 1945. Anti-Japanese sentiment is a cheap issue for them to agree on, especially since Seoul-Tokyo ties have worsened this year. Clause 5 of the joint press release

was devoted to Japan-bashing: asserting the illegality of the 1905 Ulsa treaty by which “the Japanese imperialists” annexed Korea, and demanding the return of both a looted monument and the remains of “martyr An Jung-gun”, who assassinated Ito Hirobumi, Ulsa’s architect. It remains to be seen how far Seoul will really push such issues with a neighbor who, although disliked, is an important trade partner and fellow U.S. ally.

This also raises the question: when is a joint statement not joint? The above phrases come from the North’s official *Korean Central News Agency (KCNA)*, on June 24. South Korea took four days to post its version on the Unification Ministry website; this does not use the words “imperialists” or “martyr.” Even more seriously, Pyongyang’s version of May’s vice-ministerial agreement reportedly omitted any reference to Seoul’s fertilizer aid.

Other matters agreed were more strictly bilateral, and wide-ranging. Reunions of separated families at the North’s Mt. Kumgang resort will resume Aug. 26, after a year’s hiatus. Even at the normal quarterly intervals, the few hundreds who get to meet each time are only a fraction of the over 100,000 in South Korea alone who applied. Being elderly, many die disappointed. So it is some progress that both Koreas have now agreed, as an experiment, to let larger numbers see each other on Aug. 15, by a videoconferencing link. There will be no embracing, of course; and there is no suggestion of allowing regular contact by phone or email, much less the visits to ancestral homes and tombs which Korean tradition requires. Another agreement was to hold a groundbreaking ceremony for a permanent family reunion centre at Mt. Kumgang: a project long discussed, but which has yet to get off the ground.

Abductions: coming clean?

In an important concession, North Korea also agreed to resume Red Cross talks in August and “to discuss such humanitarian issues as the issue of ascertaining the whereabouts of those reported missing during the Korean War.” This is code for South Koreans abducted by North Korea during the 1950-53 conflict, as well as prisoners of war illegally retained there after the 1953 Armistice. In recent years a few, now elderly, have escaped; the total in both categories runs into thousands. Hitherto North Korea had bluntly denied their existence, so we shall see whether agreeing to talk means agreeing to deal. There is no comfort here for a third category: those (mainly fishermen) abducted since 1953. Whereas Japan puts its own far fewer kidnap victims at the top of its agenda with Pyongyang, Seoul has hitherto played this down – to the fury of victims’ families and their supporters, who ambushed the arriving DPRK delegation with a banner-waving motorcade as they were driven from the airport. If North Korea does come clean here, this would be both an important sign of sincerity and a political crutch to Roh Moo-hyun, whose approval ratings have plunged since last year.

Military: climb every mountain?

South Korea is delighted too that the North is prepared to resume military talks, something it has long sought. Two rounds held last year, before Pyongyang broke off contact, swiftly agreed to dismantle propaganda apparatus at the DMZ, and for the two navies to keep in contact to avoid clashes in the Yellow Sea. This time, so far, no date or agenda has been set; only the venue was agreed. Strangely, this will not be at the DMZ (or nearby, e.g., Kaesong), nor in either capital –

but at Mt. Paekdu, a sacred peak (Korea's highest) on the border with China. North Korea claims both that its founding leader Kim Il-sung was a guerrilla here (in fact in Manchuria) and that his son Kim Jong-il was born there (actually at Khabarovsk); so one fears charades rather than substance. Mt. Paekdu is also to be the venue of the next (16th) round of ministerial talks, set for Sept. 13-16. Usually these alternate between Pyongyang and Seoul, where the essential secure communications to each others' capitals must be easier to rig up than in this remote mountain border area.

Back in business

But first up, in this busy resumed and expanded schedule is business. The 10th meeting of the North-South Committee for the Promotion of Economic Cooperation (CPEC) is due in Seoul on July 9-12. Giving flesh to the two sides' pledge to "positively promote economic cooperation," they also agreed to create both a new joint fisheries panel within the CPEC, and a more senior "North-South Committee for Agricultural Cooperation," chaired by vice ministers, which for some reason will be under the ministerial talks rather than the CPEC.

Both of these new panels are due to start work in July. Perhaps the Kaesong zone's success – though it is early days yet – has spurred Kim Jong-il, nor before time, to broaden the permitted scope of inter-Korean economic intercourse. Just how wide-ranging this may soon become emerged after the talks, with revelations that Chung Dong-young put to Kim Jong-il a plan for Southern aid in seven fields: energy, rivers, railways, harbors, tourism, farming, and reforestation. The Unification Ministry put this package together in January, and some is already under discussion with the North: for instance, a scheme by the South's Korea National Tourism Organization (KNTO) to develop Mt. Paekdu. One wonders how much more the two Koreas now discuss behind the scenes, even when officially they are not talking and the North remains at nuclear odds with the international community.

It is, of course, the Sunshine Policy's premise that this is a better way to soften North Korea than to pressure or paint it into a corner. On June 29, Chung flew to Washington, hoping to convince such notorious skeptics as Vice President Dick Cheney of the merits of this strategy. U.S.-ROK relations are covered elsewhere, yet the risk of a vicious triangle is evident. To skeptics, Kim Jong-il is just stringing Seoul along to buy time for his nuclear programs.

Transports of delight

Perhaps also business-related, the ROK agreed to let DPRK merchant ships pass between its Cheju island province and the mainland. (In 2001 some Northern boats took illicit short cuts through Southern waters, for reasons never really explained.) But there was no word on expediting cross-border railways. While new roads across the once impermeable DMZ now let Southern managers commute to Kaesong and Hyundai tourist buses access the east coast resort of Mt. Kumgang – which in June welcomed its millionth Southern visitor since 1998 – rail links are marking time. The east coast one remains unfinished; but in the west, physically trains could now run from Pusan to Beijing via Seoul and Pyongyang – as noted by Minister Chung on April 18, when South Korea agreed to provide equipment and materials worth 26 billion won to build

six railway stations in the North. Seoul sent the plans to Pyongyang last November; for some reason it took them five months to accept.

The ROK has allocated 142 billion won (\$140 million) for work on inter-Korean railways and roads this year, up from 86.4 billion won last year. Rather unambitiously, Chung said he hoped that South Koreans will be able to travel to the 2008 Beijing Olympics by train: one wonders why they must wait so long. Pyongyang is also refusing to hold official opening ceremonies for the two new cross-border roads, even though both are already in use. Yet a wise Kim Jong-il might see an active road and rail corridor – or at least the latter – linking China with South Korea as not only promoting North Korea as the hub (to coin a phrase) of a nascent Northeast Asian regional economy, but also in security terms as staying the hands of any U.S. hawks who might still harbor thoughts of surgical strikes. On the other hand this would mean opening on a scale far bigger and riskier than the tiny enclaves so far permitted in Kaesong and Kumgang, plus Rajin-Sonbong in the northeast.

So many North Korean concessions naturally have a price. South Korea agreed to send an extra 150,000 tons of fertilizer, on top of the 200,000 tons it had already supplied; delivery began on June 27. Pyongyang also wants 500,000 tons of rice; this will be further discussed at July's CPEC meeting, but will surely be granted. Seoul has already sent 400,000 tons in each of the last three years, yet Northern need is more acute now than ever. The UN World Food Programme (WFP) has warned that its own stocks are running out, while the DPRK's meager daily ration of 250 grams of grain may soon be cut further to a minuscule 200 grams.

Happily ever after?

As of now the two Koreas look set for a summer of love. How long this will last, let alone whether they will live happily ever after, is another question. On past form, one cannot rule out that Pyongyang may on some pretext or other switch off the new smile as suddenly as it switched it on; or that noises off, the nuclear issue above all, may curtail if not derail these renewed inter-Korean exchanges, especially in the business field.

On the other hand, if June's 12-point joint statement and Seoul's new sevenfold aid plan are even partly fulfilled, the prospect looms of North-South economic ties deepening from their present marginality toward the kind of profound integration now seen between China and Taiwan. The Koreas are starting almost two decades later, yet in principle Kaesong could become their Shenzhen – but only if the nuclear issue is resolved. For now, Kim Jong-il may be able to have both guns and butter; but ere long he will face a momentous choice, and it is still not clear which way he will jump. For South Korea, the challenge is to lure the North into win-win forms of cooperation, while working harder than it has done hitherto to reassure its allies – Japan as much as the U.S. – that it is not merely propping up a cynical nuclear malefactor, who is simply pocketing the cash while playing for time.

Civilian contacts surge

In a busy quarter, this account has perforce concentrated on the official level of renewed meetings. Yet as we have stressed before, besides this macro level, North-South relations also

have a crucial micro dimension: in the now numerous unofficial business and civilian contacts which have blossomed since the late 1990s, and barring war or sanctions, which must now be seen as irrevocable. At this level, foundations for reunification are being laid.

On May 6 the Unification Ministry published statistics documenting this trend, which has continued apace despite Pyongyang's suspension until recently of official talks. It approved 11 applications for cultural cooperation in the first quarter of 2005 alone, compared to 15 in the whole of 2003 and 2004. Applicants included three broadcasters and film and football institutes. Their activities are diverse, ranging from joint TV programs and sports events to advertisements. Samsung recently featured a leading North Korean dancer in its ads.

Crossing the border

Nor is nuclear tension deterring Southern visitors to the North (this is, of course, a one-way flow). In April alone, 31,330 people took Hyundai Asan's tour to Mt. Kungang, bringing the total for the first four months to 88,300: almost double last year's equivalent figure. The number of vehicles crossing the DMZ – unimaginable until recently – is rising rapidly, from 3,814 in January to 10,893 in April. In the same period the South imported 196,000 tons of Northern sand, bringing the cumulative total to 1.2m tons. Last year 28 companies were approved to build plants in the Kaesong zone, though so far only four are operational.

Total official costs to Seoul in the first quarter were a modest 159.2 billion won, in line with recent years. South Korea's governmental fund for inter-Korean exchanges and cooperation spent some 480 billion won (\$4.8 billion) in 2000, 594 billion won in 2001, 585 billion won in 2002, 842 billion won in 2003, and 557 billion won in 2004. A U.S. Congressional Research Service (CRS) report on May 26 tallied total ROK aid to the DPRK for the decade 1995-2004 at \$3.5 billion, with over 90 percent provided since 2000. If and when serious cooperation to rebuild the Northern economy gets under way, far larger outlays will be required.

TV quiz: let's pretend

If at one level all contact might be deemed good, a recent hit TV show exemplifies some ambiguities. "Exclamation Point," aired in South Korea on Saturday nights, appears to be a quiz between Northern and Southern elementary school children. In fact the North Korean quiz was shot last year, and was interwoven with studio scenes in Seoul; so the impression of a live contest is false. Even the presenters' dialogue is redubbed to make it seem they are bantering with one another. The show is certainly revealing. The identically clothed young pioneers – white shirt, red kerchief – rarely smile; they are strong on math, nature, history, and military terms. They tend to win: it is a Northern show, using the original questions.

By contrast, the colourfully, brand-clad Southern kids joke with the moderator, and do better on astronomy and naming famous inventors, explorers, and musicians (many non-Korean). Their languages have diverged: the South uses many English words, while Northern speech sometimes requires subtitles. The Southern producers' avowed aim is to combat negative images of North Korea; but critics claim they whitewash and falsely romanticize it. There is, needless to say, no question of even such a stitched-up job being aired in Pyongyang.

Love, actually

But in other contexts, North and South Koreans do actually get to meet – if usually only in the North. In the Kaesong industrial zone, unprecedented forms and intensity of contact are having varied effects. On May 26, the zone hosted the DPRK’s first Western-style fashion show, complete with catwalk, plunging necklines, and rock music. Shinwon, one of four ROK firms operating in the zone so far, marked its official opening – several months after the fact – by showcasing its spring collection, some but not all made in the zone. While 500 South Koreans crossed the DMZ to see the show, none of Shinwon’s 280 Northern workers watched it. Affecting a lack of interest, and criticizing the outfits as too revealing, they countered the thumping beat from upstairs with music extolling the virtues of socialism.

Currently 3,200 North and 600 South Koreans work at Kaesong, but these numbers are set to rise. Already the juxtaposition of Southern male managers and Northern female workers is having a predictably human effect: romance. On June 27 it was reported, but as quickly denied, that an ROK supervisor at SJ Tech, which makes gaskets at Kaesong, hopes to marry one of his DPRK workmates. If this were permitted, it would indicate real change in Pyongyang. The fear, rather, is that any hint of a liaison would see the woman lose her job, or worse. In the long run, the old saying *nam nam puk yo* (southern man, northern woman) prefigures how, in an eventual reunified Korea, some lucky Northern lasses will get their piece of the Southern pie: by matrimony. Perhaps unification begins at home.

Chronology of North Korea-South Korea Relations April-June 2005

April 8, 2005: North Korea requests equipment and veterinary supplies after South Korea offers to help contain an outbreak of bird flu.

April 8, 2005: ROK Ministry of National Defense says it is considering armed robots to patrol the Demilitarized Zone (DMZ). If feasible, they could be in place by 2011, allowing troops to be redeployed away from the border. This could cost \$1.9 billion.

April 8, 2005: With DPRK permission, for the first time since the 1950-53 Korean War, two ROK helicopters fly over the DMZ, near the east coast, trying to put out a forest fire.

April 13, 2005: In Germany, ROK President Roh Moo-hyun says that “serious aid” to the North Korean economy will only be possible when the nuclear problem is resolved.

April 14, 2005: In Germany, President Roh says that “the possibility of North Korea’s collapse is very low” and South Korea “has no intention to encourage it.”

April 14, 2005: South Korea says it will discuss aiding the North with its bird flu outbreak in talks at Kaesong on April 22, and will ship related equipment to Nampo immediately.

April 14, 2005: For the third consecutive year, the ROK abstains when the UN Commission for Human Rights in Geneva (UNCHR) passes a resolution condemning DPRK human rights abuses, sponsored by Japan and EU member states, by 30 votes to 9.

April 18, 2005: ROK National Assembly Committee watches a video of a public execution in North Korea, despite objections by lawmakers of the ruling Uri party who question its authenticity.

April 18, 2005: South Korea agrees to give equipment and materials worth 26 billion won (\$25 million) to build six stations in North Korea on reconnected rail lines.

April 18, 2005: ROK Unification Ministry says it plans legal revisions to permit bigger borrowings abroad to fund eventual larger-scale economic cooperation with DPRK.

April 19, 2005: ROK Unification Ministry says it has officially agreed to North Korea's request to protect the copyright of DPRK literary and artistic works in South Korea. An earlier agreement to this effect, signed in 1991, had never been implemented.

April 21, 2005: In what is claimed as the first ever joint statement by Northern and Southern political parties since the Korean War, ROK Democratic Labor Party (DLP) and DPRK Social Democratic Party (SDP) accuse Japan of reviving militarism. A week later, after a three-day meeting at the North's Mt. Kumgang resort, the two parties say that their leaders will meet in Pyongyang in July, another first.

April 22, 2005: Three ROK agriculture ministry officials, with eight support staff, cross the DMZ for talks in Kaesong on containing the DPRK outbreak of bird flu. This is the first official government-level inter-Korean meeting since July 2004.

April 22-23, 2005: Kim Yong-nam, the DPRK's titular head of state, twice meets ROK Prime Minister Lee Hae-chan at the Asia-Africa Summit in Jakarta. They agree to resume inter-Korean dialogue, suspended for almost a year.

April 23, 2005: *Rodong Sinmun*, daily paper of the DPRK's ruling Korean Workers Party (KWP), accuses the ROK of preparing for war by taking arms from the U.S., and calls this a "double-dealing trick reminding one of a peddler crying wine and selling vinegar."

April 28, 2005: KT (Korea Telecom), the leading ROK fixed-line telecoms operator, says it has signed a €164,000 contract with the DPRK's Samcholli Corp. to develop two sorts of software. It claims that North Korea's voice-recognition technology is the world's best.

May 2, 2005: ROK deputy foreign minister says Seoul sees no sign that North Korea is preparing for a nuclear test.

May 3, 2005: ROK National Intelligence Service says 26,213 South Koreans (not including tourists) visited the North last year, up 72 percent from 15,280 in 2003.

May 4, 2005: ROK joint chiefs of staff intelligence head tells lawmakers that Kilju on the northeast coast, and 6-7 other areas in the DPRK, are being monitored for signs of nuclear test preparations.

May 6, 2005: ROK Unification Ministry publishes statistics on inter-Korean transactions.

May 12, 2005: South Korea asks the North to discuss the return of a monument taken to Japan in 1905. Tokyo has agreed to return it if the two Koreas can agree on terms.

May 16-17, 2005: Vice ministerial talks take place in Kaesong: the first high-level official inter-Korean dialogue in 10 months. They agree to hold a 15th round of Cabinet-level talks in Seoul in June. The South will send the North 200,000 tons of fertilizer, starting May 21.

May 17, 2005: Cheil Communications reveals that Cho Myong-ae (23), a leading North Korean traditional dancer who has performed in Seoul, is shooting a four-part commercial for Samsung's Anycall mobile phones in Shanghai. Her fee was not disclosed.

May 22, 2005: A DPRK merchant ship, the first of three, docks in Ulsan to load fertilizer. These are the first Northern vessels to visit Southern ports since 1984, when North Korea delivered aid after floods in South Korea.

May 22-23, 2005: An inter-Korean student meeting is held at Mt. Kumgang. The 70 ROK delegates, who join over 400 from the DPRK, include the current chair of Hanchongryun, a student federation still banned in the South as pro-North. Southern conservatives protest.

May 24, 2005: North Korea agrees that foreign buyers may access Southern factories in the Kaesong industrial zone from Seoul, by crossing the DMZ. A German buyer visits Living Art, a kitchenware maker, by this route shortly afterward. Pyongyang also approves a joint concert at Hyundai's Mt. Kumgang resort on June 8, to mark its millionth Southern tourist.

May 26, 2005: Head of the ROK presidential committee on balanced national development says that South Korea plans to help two Northern cities, Pyongyang and Wonsan, plus four zones: Kaesong, Sinuiju, Rajin-Sonbong, and Mt. Kumgang.

May 26, 2005: Shinwon, an ROK apparel maker, stages the DPRK's first Western-style fashion display at its Kaesong plant to showcase its spring collection, partly made there.

May 28, 2005: Both Koreas agree that the South will send 70 officials and 615 civilians to Pyongyang to celebrate the fifth anniversary of the North-South joint declaration.

May 30, 2005: The mayor of Incheon, Ahn Sang-soo, flies to Pyongyang with a 42-person delegation on a plane provided by the DPRK, to pursue city-level exchanges. Ahn proposes that a road be built linking Incheon to Kaesong, to facilitate exports from its industrial zone.

June 2, 2005: Citing U.S. hostility, North Korea asks South Korea to slash its delegation for the fifth summit anniversary to 30 officials and 190 civilians. They compromise.

June 8, 2005: Ri Jong-hyok, vice chairman of the DPRK's Asia-Pacific Peace Committee, attends a concert at Mt. Kumgang to mark the millionth ROK tourist brought by Hyundai since its project to develop the Northern east coast resort began in 1998.

June 9-11, 2005: President Roh flies to Washington for a single 3-hour meeting (including lunch) with President George W Bush. North Korea is on the menu.

June 12, 2005: Hyundai Asan says it is building a golf course at Mt. Kumgang on a former military base, to include the world's longest par seven fairway at 1,014-yards. It will also develop 109 km of coast up to Wonsan as a "huge resort belt." ROK tourists will be able to drive their own cars across the DMZ and camp at Mt. Kumgang as early as this summer.

June 13, 2005: Former President Kim Dae-jung tells a conference in Seoul that the 2000 summit was "very successful" until 2002 when "U.S.-DPRK relations fell into stalemate."

June 13, 2005: Kang Chol-hwan, a DPRK gulag survivor and author, now a journalist in Seoul, is invited to the Oval Office to meet President George W Bush, who read his book.

June 14, 2005: Two Southern delegations, one of 295 civic leaders and the other of 40 current and former officials, fly from Seoul to Pyongyang in separate planes. An opening ceremony for the summit's fifth anniversary is held in Kim Il-sung Stadium.

June 16, 2005: The head of the visiting ROK delegation, Unification Minister Chung Dong-young, meets Kim Yong-nam, president of the presidium of the DPRK Supreme People's Assembly (SPA) and titular head of state.

June 17, 2005: Minister Chung has unscheduled meeting with Kim Jong-il. The dear leader pledges to resume family reunions and military and maritime talks, and hints at returning to the Six-Party Talks.

June 17, 2005: Yoon Hong-joon, head of ROK cultural heritage administration, issues a statement apologizing for having sung the theme song of "Nameless Heroes," a DPRK film series lauding its spies during the Korean War, at a banquet in Pyongyang on June 14.

June 19, 2005: South Korea's Foreign Minister Ban Ki-moon says U.S. officials agree on the need for a "positive tone" toward North Korea and to avoid "trivial remarks."

June 19, 2005: An opening ceremony is held for Pyongyang Lions Ophthalmic Hospital, attended by the DPRK's health minister and ROK and international Lions Club officials. The \$8 million, 76-bed facility was funded by Lions Clubs in South Korea and worldwide. The largest eye hospital in North Korea, with 100 staff, it will open its doors in July.

June 21, 2005: 33 North Korean delegates arrive in Seoul for 15th ministerial talks since the June 2000 summit. The last meeting was held in May 2004. Their Air Koryo plane returns to Pyongyang carrying Han Wan-sang, president of the ROK's Red Cross, for talks.

June 23, 2005: The DPRK delegation to the ministerial talks, led by Kwon Ho-ung, a senior Cabinet Councillor, meets President Roh at the Blue House in Seoul.

June 23, 2005: Ministerial talks closed with a 12-point joint statement, pledging not only to resume most previous channels of North-South cooperation but to set up new ones.

June 24, 2005: DPRK ministerial delegation flies back to Pyongyang. Han Wan-sang, president of the ROK's Red Cross, returns to Seoul after his talks in Pyongyang.

June 24, 2005: South Korean officials say the North has asked for 500,000 tons of rice aid. This will be discussed at a joint economic committee due to meet in Seoul on July 9-12. On June 27, the UN World Food Program (WFP) warns that North Korea will soon cut its daily food ration from an already inadequate 250 grams to 200 grams.

June 25, 2005: In a speech on the 55th anniversary of the outbreak of the Korean War, President Roh warns that North Korea's nuclear ambitions are the peninsula's biggest threat.

June 25, 2005: Paju city, north of Seoul, announces a peace festival to run Aug.1-Sep. 11. Highlights include a French illusionist who will make the DMZ disappear.

June 27, 2005: GNP leader Park Geun-hye calls on North Korea to address humanitarian issues, including the return of ROK POWs and abductees, in return for aid from the South.

June 27, 2005: South Korea says it will send an additional 150,000 tons of fertilizer to the North, starting today.

June 27, 2005: SJ Tech, an ROK firm that makes gaskets at Kaesong, describes reports that one of its managers wants to marry a Northern colleague as "exaggerated."

June 28, 2005: ROK Unification Ministry says it has offered a 7-point aid package to the DPRK, which could begin even before the nuclear issue is resolved. Some of this has been under discussion with the North since January.

June 28, 2005: Antonio Guterres, new UN High Commissioner for Refugees, says he wants "constructive dialogue" with Beijing on North Korean fugitives in China. He adds that "the first principle is that refoulement [forced return] cannot be accepted."

June 28, 2005: DPRK boxers win all bouts, against ROK, Japanese, and U.S. opponents, at a World Boxing Council Female (WBCF) match in Pyongyang. The WBCF is newly created by Park Sang-kwon, an ROK businessman linked to the Unification Church who also runs Pyonghwa Motors, which assembles Fiat cars at Nampo. Critics say the WBCF is divisive.

June 28, 2005: ROK Maritime Ministry says it will remove 3 km of a 68 km barbed wire coastal fence in Kangwon province on the east coast south of the DMZ, to make beaches more user-friendly. It adds that closed-circuit TV suffices to guard the coast.

June 29, 2005: Unification Minister Chung leaves for a hastily arranged trip to Washington, to brief U.S. officials on his talks with Kim Jong-il and the North-South ministerial meeting. He hopes to persuade skeptics of the merits of engaging the DPRK.

June 30, 2005: There is surprise in Seoul at the inclusion of Ryonbong, a DPRK enterprise that is Pyonghwa Motors' joint venture partner, among eight companies named on an order signed by President Bush on June 29 freezing the U.S. assets of alleged WMD proliferators. Two other North Korean firms, Tanchon bank and Changgwang, are also listed.

China-Korea Relations: Pursuing Super Economic Cooperation

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The torrid growth in Sino-Korean bilateral trade relations has slowed by half to the 20 percent range in the first part of 2005 after expanding by almost 40 percent to \$79.3 billion in 2004. Nonetheless, South Korean firms are working with their government to lobby for expanded access to China's domestic market in key sectors. This quarter, the focus included the Chinese energy, insurance, and automobile sectors, cooperation in nanotechnology research, and facilitation of Korean expanded cultural exports to China. A bevy of South Korean ministers, CEOs, and opinion leaders flocked to Beijing – including separate visits by the prime minister and the Grand National Party (GNP) opposition leader – to meet Chinese counterparts and to lobby for expanded Sino-South Korean economic cooperation. Presidents Hu Jintao and Roh Moo-hyun met briefly on the sidelines of a ceremony commemorating the end of World War II in Moscow, and Foreign Ministers Ban Ki-moon and Li Zhaoxing also met on the side of an Asia-Europe Meeting (ASEM) in Kyoto for consultations on the North Korean nuclear issue, including a “balanced” rebuke to both the U.S. and DPRK for exchanging vituperative rhetoric instead of face-to-face negotiations.

The Sino-Korean contact that did not take place this quarter was an anticipated call by PRC President Hu Jintao on the Dear Leader in Pyongyang. Despite extensive China-DPRK diplomatic activity in early April, including a visit to Beijing by Kim Jong-il's trusted advisor Vice Minister Kang Sok-ju, the Chinese made no apparent progress in securing the DPRK's participation in the Six-Party Talks. (The talks marked the first anniversary of their suspension in June.) While Washington tried to turn up the heat on Beijing to turn up the heat on Pyongyang, Chinese diplomats blew hot and cold in public comments about when and whether North Korea would return to the talks. Following a mid-May jolt from *The New York Times*, which reported that the U.S. intelligence community was debating an imminent North Korean nuclear test, Chinese and South Korean officials downplayed the possibility of a test and treated the reports with skepticism.

Empty talk about Six-Party Talks

The quarter opened with apparent prospects for progress in China's diplomacy toward North Korea, quickly followed by a serious dose of pessimism as the failure of those efforts became clear. DPRK Vice Minister Kang, known as a close advisor to Kim Jong-il, traveled to Beijing to discuss with Chinese counterparts the circumstances under which North Korea might return to the Six-Party Talks. A working-level Chinese party delegation visited Pyongyang at about the same time with no apparent result. An anticipated return visit by President Hu to Pyongyang following Kim Jong-il's visit to Beijing in April of 2004 did not occur (although no date had

actually been fixed for the visit). Given the Six-Party Talks stalemate, a political prerequisite for any visit by President Hu is Pyongyang's return to the table and progress toward denuclearization. A March 31 DPRK Foreign Ministry statement declaring that the future agenda for Six-Party Talks should be nuclear disarmament rather than North Korea's denuclearization (not to mention the DPRK's demand that Secretary of State Condoleezza Rice apologize for referring to North Korea as an "outpost of tyranny") ratcheted up the stakes with all members of the talks. Through this statement, the North Koreans complicated the Chinese diplomatic task and put yet another obstacle in the way of returning to the table. The more the U.S. insisted that China bring its "client" under control, the more North Korea flouted its role as "client."

Chinese diplomats held out hope, but to no apparent end, rejecting U.S. suggestions of oil or food cut-offs as overly heavy-handed and as risking North Korea's destabilization, continuing their efforts to woo North Korea back to the table through persuasion. PRC Ambassador to the UN Wang Guangya warned in late April that a push for UN sanctions would "destroy" the Six-Party Talks and predicted in early June that the talks would reconvene "in a few weeks." Kim Jong-il reiterated his commitment to the talks in discussions with ROK Minister of Unification Chung Dong-young during commemorative activities in Pyongyang on the sidelines of the fifth anniversary of the inter-Korean summit, repeating the position he first revealed in a February meeting with Chinese Communist Party International Liaison Secretary Wang Jiarui, but not committing to a specific date for resumption of the talks.

Former PRC Vice Premier Qian Qichen, in remarks at the Kim Dae-jung Presidential Library to commemorate the fifth anniversary of the inter-Korean summit in June, urged closer China-ROK cooperation as the neighbors most affected by the crisis, to the apparent disadvantage of the U.S. Although the U.S. push for tougher measures has subsided for the moment after peaking in late May, newly appointed Under Secretary of State Robert Joseph clearly signaled in late June the expectation that China should and could use more pressure to bring North Korea back to the negotiating table. As long as China and South Korea are looking over their shoulders at each other while trying to prod the North Korean leadership to action, any successful U.S. strategy for addressing the North Korean nuclear issue must manage and seek to exploit the continued convergence of Chinese and South Korean perspectives toward the North.

Bilateral nuclear talks are on...

Whether China can bring North Korea back to nuclear negotiations remains to be seen, but there should be no question that the likely expansion of China's nuclear energy capacity has attracted the interest of South Korean firms, many of which have been integrally involved in the development of South Korea's domestic nuclear energy sector and are looking to move into the export market as domestic plant construction slows. South Korea has long envisioned a role in the international nuclear energy market, having seen support for the North Korean light-water reactor project in the mid-1990s as a stepping-stone to promote its expertise internationally.

South Korean Doosan Corporation is currently in the lead in pursuing a foothold in the Chinese nuclear energy sector, which is projected to expand significantly as China's energy demand continues to rise. Doosan has cleared the first hurdle by being selected as a preferred vendor for two 600,000-kilowatt nuclear reactors planned for construction in Zhejiang province. Doosan has

pulled out all the stops to get South Korean government support, gaining the endorsement of South Korean Prime Minister Lee Hae-chan in talks with PRC Prime Minister Wen Jiabao in Beijing on June 22. At the same time, PRC Minister of the State Commission of Science, Technology, and Industry for National Defense Zhang Yunchuan led a delegation of over 40 Chinese nuclear energy experts for discussions with ROK Minister of Commerce, Energy, and Industry Lee Hee-beon on nuclear cooperation and exchange of technical experts. The delegation also visited South Korean nuclear facilities and major companies, including Doosan Heavy Industries and Construction Company.

Economic cooperation continues full speed

Since former President Kim Dae-jung's visit to China in 2000, the China-ROK relationship has been characterized as a "full-scale cooperative partnership." In the economic sphere, there is no question that the relationship has lived up to its name. The bilateral trade volume reached \$79 billion last year, and several years ago, the hope was that bilateral trade might reach \$100 billion by the 2008 Beijing Olympics. At current growth rates that mark might be reached by the end of this year.

Despite a relative slowdown in the rate of growth of the bilateral trade relationship from record-setting levels, there is no evidence that South Koreans want to ease up, despite the apparent risks of competition from Chinese goods in third-country markets and the increasing perception that China has almost caught up with South Korea on the technology ladder. The most recent survey of South Korean firms by the Institute for Global Management reveals that almost one-fifth of South Korean firms believe that China has already reached South Korea's technical level, while almost half of South Korean firms believe that China will reach South Korea's level within four years. Despite South Korean efforts to insure entry as suppliers to China's domestic market, the Korea International Trade Association notes that South Korea is the most common target of Chinese anti-dumping or import restriction measures – focused in the petrochemical goods and steel sectors – with 26 cases against Korean export items since 1997.

Despite these obstacles, the South Korean calculation appears to be, if you can't beat 'em, join 'em. In the end, China's exports may well dwarf South Korean exports to the rest of the world, but if South Korea can gain prime position as an early entrant into the Chinese domestic consumer market, the logic appears to be that prospects for economic expansion should be sufficient to counteract losses from competition to Chinese goods in third-country markets. Increasingly, the South Korean growth strategy appears to be to bind itself to a consistently bullish Chinese economy and hang on for the ride.

During the last quarter alone, at least five South Korean ministers met bilaterally with their Chinese counterparts; this list includes President Roh's meeting with President Hu in Moscow on the sidelines of the Russian commemoration of the end of World War II. More impressive than the frequency of top-level ministerial meetings, however, are the range and sensitivity of the economic cooperation efforts under discussion. In addition to the potential for cooperation in the nuclear energy production sector mentioned above, ROK Prime Minister Lee and PRC Prime Minister Wen signed an agreement June 22 to develop joint research projects in nanotechnology

through cooperation between the Korea Advanced Institute of Science and Technology and the Chinese Academy of Sciences.

Less than a week later, ROK Deputy Prime Minister and Minister of Finance and Economy Han Duck-soo discussed ways to expand energy and information technology ties with his counterpart, PRC Minister of Finance Ma Kai. Han lobbied for faster approval of a Korea Electric Power Corporation coal-fired power plant project in Henan province and lobbied for more IT and mobile communications joint venture opportunities between South Korean and Chinese partners in the run-up to the 2008 summer Olympics. A series of National Assembly delegations, including one led by GNP leader Park Geun-hye, flocked to Beijing during the legislative recess in May. Over 200 business and opinion leaders from Korea attended the 2005 Korea-China economic conference in Beijing in June entitled “Pursuing Super Economic Cooperation in East Asia” to expand contacts with Chinese counterparts.

Six South Korean life and non-life insurance companies are positioning themselves to operate in China’s domestic market, but have faced strict regulations since setting up offices in China in 1995. In June, Samsung Fire and Marine Insurance became the first foreign insurance company to gain approval from the China Insurance Regulatory Commission to upgrade its Shanghai branch into a wholly-owned subsidiary in a Chinese domestic market projected to grow at 20 percent annually through 2007. Korean banks such as the Korean Exchange Bank and Industrial Bank of Korea have opened up branch offices in China thus far mainly to serve Korean customers opening in China. The Korea Asset Management Company, based on its success in handling disposal of nonperforming loans during the Korean financial crisis, is providing staff and consulting to other countries with nonperforming loan problems including China.

The Ministry of Foreign Affairs and Trade has sought negotiations to streamline the complex arrangements needed to allow the entry of Korean cultural products and artists who go on tour in China in an attempt to maximize the impact of the “Korean wave” (in Korean, “*hallyu*”), capitalizing on the popularity enjoyed by Korean artists, movies, and dramas in the Chinese domestic market. In anticipation of continued growth in the number of Chinese tourists visiting South Korea, there is an elaborate project to build Korea’s first “Chinatown” at Ilsan. The Ministry of Culture has selected popular Hong Kong singer Chen Huilin as a goodwill ambassador in China to promote Korea’s tourism industry, and is supporting Chinese restaurants serving authentic Chinese cuisine. SK Communications Company has released a Chinese language version of the popular Korean Cyworld site, which allows South Koreans to manage their own personal web pages, links, and blogs.

Korea and the Chinese automobile sector

Korea’s automobile sector has taken advantage of China’s lower labor and production costs with an eye on both the global market and the Chinese consumer market, which is enjoying double-digit growth. The establishment of Korean automobile manufacturing plants in China has also forced transfer of production facilities to China of Korean automobile parts supply companies that need to be close to their main customers. Now that Korean automobile factories are up and running in the local Chinese market, several Korean car companies and their affiliates are seeing

strong sales. Three Korean companies, each with differing sales and production strategies targeting the Chinese market, unveiled new models at the Auto Shanghai 2005 last April.

GM Daewoo introduced its Kalos compact sedan, known in China as the Chevrolet Aveo. GM Daewoo cars are primarily produced in Korea for the global market, with China as a primary target. Ssangyong Motors, recently purchased by the Shanghai Automotive Industry Corporation (SAIC), unveiled its sports utility vehicle Rodius, and is hoping to take advantage of SAIC's strong existing sales network in China to rapidly expand its sales there.

After entering China's domestic passenger car market in 2002 through investment in a factory in Beijing, Hyundai is now expanding into the commercial vehicle market through a joint venture with Guangzhou Motors Group to produce and sell trucks, buses, engines, and automobile parts in China. Hyundai's Tucson SUV is available from June on the Chinese market and Hyundai is expanding the number of dealerships in China from 220 to 300 this year. Hyundai's Elantra and Sonata models have been top sellers in the Chinese market since their introduction in 2002. Hyundai has plans to market up to 800 of its Equus luxury sedans in China this year to complete its sales line.

Hyundai's investments in China have had knock-on effects for suppliers such as Hyundai Mobis, which seeks to become one of the leading automobile parts suppliers globally. Expansion of China-based production is an integral part of this strategy. Kumho Tire Company has bet heavily on China, having obtained a 14 percent share in China's domestic tire sector. Kumho Tire Company completed the expansion of its Nanjing plant and has broken ground on a new factory in Tianjin in April. Kumho Asiana Group, the parent company of Kumho Tire Company, announced that it would spend over \$400 million in the next two years to expand its share in China's domestic market.

Debate over impact of possible yuan revaluation

As U.S. political pressure builds on China to liberalize its fixed currency rate, there is increasing speculation that China will revalue the yuan. Early assessments from the Bank of Korea suggest that a 10 percent strengthening of the yuan would have a positive effect on the South Korean economy, increasing exports by at least \$2.4 billion over the year following such an adjustment. Korean exporters to China worry, however, that an appreciation of over 10 percent would be difficult to absorb. As more money has flowed into the Asian region on the basis of speculation that China will revalue, some analysts believe that a revaluation of less than 5 percent might spark short-term capital inflows into China on the rationale that the initial revaluation is insufficient and that additional measures would be required. Such a move might also increase the proportion of short-term capital in the Korean market, increasing volatility with negative effects on the South Korean financial environment.

Burdens of history and the future

The emergence of Sino-Japanese tensions over Japan's textbooks and Prime Minister Koizumi's visits to Yasukuni Shrine – along with the widespread perception in South Korea that Japan's move to the right carries with it the threat of Japan's remilitarization – might seem to push South

Korea and China closer together. South Korea did show a willingness to cooperate in a three-way history committee proposed by China at a trilateral meeting of foreign ministers on the sidelines of the ASEM in May. However, there has been a measure of caution thus far in Seoul about making common cause with China too actively at the expense of Japan. Instead, President Roh's "balancer" concept suggests a desire to assist in promoting China-Japan reconciliation, but also implies a certain level of distance or impartiality between China and Japan. After all, South Korea and China have their own bilateral historical and refugee issues to deal with, as outlined in previous issues of *Comparative Connections*.

Although the Roh administration denies that the "balancer" concept is applicable to China-U.S. relations, the more telling and more challenging issue for President Roh has been the question of how to reconcile the "balancer" concept with the U.S.-ROK alliance. This potential conflict would come into relief in the event of heightened tensions or even strategic competition in the U.S.-PRC relationship. At the same time, emerging trends in the Sino-South Korean economic relationship find strong parallels to key developments or challenges in Sino-U.S. economic relations, especially in the area of "off-shoring" or hollowing out of key manufacturing sectors where neither South Korean nor U.S. workers can compete with China's low-wage advantage. In addition, the South Korean debate over whether the Shanghai Automotive Corporation should be allowed to buy out Ssangyong Motors late last year parallels many of the issues raised by the current Chinese National Overseas Oil Company's (CNOOC) efforts to purchase Unocal, a U.S. company. Given the dramatically increased level of South Korean economic interests at stake in the relationship with China through a burgeoning bilateral trade and investment relationship, South Korean interests will be severely conflicted in the event of heightened Sino-U.S. confrontation.

Chronology of China-Korea Relations April-June 2005

April 2-5, 2005: DPRK Vice FM Kang Sok-ju leads delegation to Beijing to discuss Pyongyang's possible return to the Six-Party Talks on its nuclear weapons program.

April 3-5, 2005: Delegates from Foundation of Medical Professional Alliance in Taiwan and Taiwan Medical Association visit Korea to draw support for its entry to the WHO.

April 5, 2005: Korea International Trade Association (KITA) announces that over 2.84 million South Koreans visited China in 2004, a 46 percent increase over the previous year. Only Japan surpassed South Korea in the number of visitors to China.

April 6, 2005: PRC Ambassador to the ROK Li Bin voices support for South Korea's plan to play the role of a "balancer" in Northeast Asia as long as it contributes to peace and prosperity in the region.

April 8, 2005: A survey of Korean companies by the Institute for Global Management finds that most Korean executives believe Chinese companies will reach South Korea's technical level in four years or less; 18 percent responded that China has already established an equivalent technical footing with Korean companies.

April 9, 2005: Newspaper reports speculate that President Hu Jintao may visit Pyongyang in late April following consultations with DPRK Vice Minister Kang. The visit did not materialize.

April 13, 2005: Senior officials from South Korea, China, and Japan meet in Beijing and discuss rising tensions over historical issues between Japan and its Asian neighbors and to plan the agenda for the trilateral foreign ministers' meeting in Japan set for early May.

April 18, 2005: Korea National Tourism Organization chooses popular Hong Kong actress and singer Chen Huilin as goodwill ambassador for Korea's tourism industry.

April 21, 2005: Kumho Tire Company completes expansion of plant in Nanjing, doubling production capacity in China, and announces that it will invest over \$400 million during the next two years to expand China-based production, including a new plant at Tianjin.

April 21, 2005: Korean carmakers unveil three new models for production in the Chinese market at Auto Shanghai 2005.

April 21, 2005: Korea Meteorological Association announces that the six yellow dust storms that have hit South Korea during March-April of 2005 are the most since 1990.

April 22, 2005: Seoul Chinatown Development announces that it will start construction of "Chinese Street," the first of three phases in the construction of a Chinatown in Ilsan, Kyunggi Province.

April 28, 2005: Hynix Semiconductor and STMicroelectronics hold groundbreaking ceremony for a cutting-edge memory chip manufacturing facility in Wuxi in Jiangsu Province.

May 1-2, 2005: Heads of the development banks of China, Korea, and Japan meet to promote stronger financial sector cooperation for regional economic development.

May 6, 2005: Doosan Heavy Industries & Construction Co. says it has been chosen as the preferred negotiator to build a nuclear power plant in Zhejiang Province, the first step in pursuit of export of South Korea's domestically built nuclear reactors to China.

May 6-7, 2005: ROK FM Ban Ki-moon and PRC FM Li Zhaoxing express concern about the exchange of invective between the U.S. and DPRK and its implications for the resumption of Six-Party Talks on the sidelines of an Asia-Europe Meeting in Kyoto.

May 9, 2005: PRC President Hu and ROK President Roh Moo-hyun meet in Moscow on the sidelines of the 60th anniversary commemoration of the end of World War II.

May 10-14, 2005: A 10-member National Assembly delegation of the Korea-China Friendship Association led by Vice Speaker Park Hee-tae visits China for meetings with Chinese counterparts.

May 16, 2005: KITA announces that China either imposed import restriction measures or initiated anti-dumping investigations on 26 Korean export items, accounting for the largest number of restrictions imposed on foreign import items.

May 21, 2005: Bank of Korea reports that the revaluation of Chinese yuan would benefit the Korean economy, dismissing concerns that the currency adjustment could undermine South Korea's economic growth potential.

May 23, 2005: ROK Culture and Tourism Minister Chung Dong-chea announces that the ministry would support 100 selected Chinese restaurants to serve the increasing number of Chinese tourists to South Korea.

May 23-28, 2005: Grand National Party opposition leader Park Geun-hye visits China to discuss the North Korean nuclear crisis with top Chinese leaders including Wang Jiarui, director of the International Department of the Chinese Communist Party.

May 26, 2005: Middle school history text book "History to Open the Future" is published by a team of scholars and civic organizations from China, Japan, and Korea.

May 30, 2005: ROK Ministry of Foreign Affairs and Trade asks China to streamline complex procedures imposed on South Korean cultural projects taking place in China to help facilitate the Korean wave, or "*hallyu*."

June 8, 2005: Korean Internet company SK Communications Co. unveils a Chinese-language version of their popular Cyworld weblog services (www.cyworld.com.cn).

June 8, 2005: Seven North Korean refugees enter the Thai embassy in Vietnam, seeking asylum to South Korea.

June 16-19, 2005: Over 400 business and opinion leaders from Korea and China attend the 2005 Korea-China Economic Conference entitled "Pursuing Super Economic Cooperation in East Asia" to promote interactive economic ties and to encourage investment in China prior to the 2008 Beijing Olympic Games.

June 20, 2005: Former South Korean prisoner of war Jang Pan-seon arrives in Seoul, but the fate of family members remains uncertain as they reportedly remain in the hands of Chinese brokers.

June 21-23, 2005: ROK PM Lee Hae-chan meets with PRC PM Wen Jiabao during a three-day visit to Beijing and signs a memorandum of understanding to cooperate in developing cutting-edge technology and cooperation in the field of nano-technology.

June 22-27, 2005: PRC Minister of the State Commission of Science, Technology, and Industry for National Defense Zhang Yunchuan leads a team of officials and private sector leaders to Seoul for a six-day visit to discuss joint nuclear energy projects and to meet with ROK Minister of Commerce, Industry, and Energy Lee Hee-beom.

June 24, 2005: PRC Finance Minister Ma Kai and ROK Minister of Finance and Economy Han Duck-soo meet in Beijing to discuss ways to enhance bilateral ties in the energy and information technology sectors.

Japan-China Relations: No End to History

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From the April anti-Japanese riots through Vice Premier Wu Yi's snubbing of Koizumi and the June debates over Yasukuni and China policy within the Liberal Democratic Party (LDP) and governing coalition, history demonstrated its power over the Japan-China relationship. The past influenced the present and future as sovereignty issues over the Senkaku islands and East China Sea were caught up in surging nationalisms in both countries. The Japanese prime minister's visits to the Yasukuni Shrine to pay homage to Japan's war dead touched almost every aspect of the relationship, including Japan's official development assistance (ODA) program. Even traditionally robust commercial and economic ties wobbled. History punctuated the end of the quarter as well, when, at the end of June, three Chinese residents of Guangzhou city were afflicted by poison gas leaking from shells abandoned by the Japanese Imperial Army and Chinese authorities in Dalian confiscated Japanese textbooks intended for use in the local Japanese school for inappropriate references to Taiwan.

April storm: anti-Japanese demonstrations

The second quarter got off to a rocky start. On the weekend of April 2-3, demonstrators in Chengdu, Shenzhen, and Chongqing, energized by the Internet, took to the streets to protest Japan's efforts to become a permanent member of the United Nations Security Council (UNSC). The target in Chengdu was the Japanese supermarket Ito-Yokado. In Beijing, protests took the form of a campaign against the purchase of Japanese electronic products.

On April 4, Vice Minister of Foreign Affairs Yachi Shotaro called in Ambassador Wang Yi to express his "strong concern" and to request China's cooperation in protecting Japanese and other foreign residents in China. The ambassador replied that his government was not behind the string of demonstrations and that Chinese law would protect foreign residents. Meeting with the press at his official residence, Prime Minister Koizumi Junichiro made a similar request of the Chinese government.

Anti-Japanese sentiment brewed when Japan's Education Ministry on April 5 approved new middle-school history textbooks, which critics in China (and Japan) viewed as an attempt to rewrite history. The storm broke over the weekend of April 9-10. In Beijing as many as 10,000 demonstrators took to the streets, vandalizing Japanese shops and offices and later shattering windows and defacing the Japanese embassy and the ambassador's official residence (as Chinese police looked on) to protest Japan's Security Council bid, revised history texts, and claims to the

Diaoyutai/Senkaku islands. In Shanghai, three Japanese students were attacked. Large-scale demonstrations also took place in Guangzhou and Shenzhen, where an estimated 30,000 protestors took to the streets. Again, China's Internet played a major role in organizing and energizing the demonstrators.

On April 9, Vice Foreign Minister Yachi called in China's Minister to Japan Cheng Yonghua to urge Beijing to strengthen security at Japan's embassy and diplomatic compound and to protect Japanese businesses and citizens. The following day, Foreign Minister Machimura summoned Ambassador Wang to the Foreign Ministry and lodged a formal protest, defining the attacks on the embassy, ambassador's residence, and Japanese businesses as a "serious problem." Machimura called for an apology and compensation. After reading his instructions from Beijing, Wang went to say that "behind the current problem are problems which Japan had raised."

Anti-Japanese demonstrations: serve and volley

On April 13, Japan's Foreign Ministry spokesperson Takashima Hatsuhsa returned serve. Addressing the assertion that Japan, not China, was responsible for the violence, Takashima made clear that "such violent acts ... cannot be justified for any reason whatsoever." He went on to emphasize that "the Chinese government is obliged under international law to take responsibility to ensure the life and safety of foreigners, guarantee the legal activities of foreign enterprises, and protect diplomatic missions." The statements made by China, he noted, "ignore the rule and order of the international community and cannot be said to be the behavior of a responsible government." Takashima reiterated Japanese claims for an apology and compensation. As for history, Takashima referenced the 1995 apology of Prime Minister Murayama as a clear expression of Japan's understanding of history "from the moral standpoint."

LDP Secretary General Takebe Tsutomu urged the government to "strongly call on China to admit its guilt, pay compensation, and implement with sincerity measures to prevent recurrences" and charged that "it is no exaggeration to say that Chinese authorities neglected to prevent 'acts of vandalism'." He found China's actions "absolutely unforgivable." Meeting the Japanese press, Vice Minister Wu Dawei told reporters that the source of the current problem was Japan's "incorrect understanding of history" and there was "no reason for China to apologize."

As the week drew to a close, Japanese media reported that Chinese websites continued to call for nation-wide demonstrations for the weekend. At the same time, the media also reported that the Chinese government was actively engaged in efforts to bring the protests under control and that the police had taken into custody seven participants in the Beijing demonstrations. Nevertheless, anti-Japanese demonstrations took place over the weekend of April 16-17 in 10 cities, including Shanghai, Shenyang, Amoi, and Hong Kong. In Beijing, strict security was maintained in advance of Foreign Minister Machimura's visit to China.

On April 19, the Chinese Communist Party's Propaganda Department held a briefing at the Great Hall of the People, bringing together 3,500 party officials including Foreign Minister Li Zhaoxing. The official television broadcast of the meeting stressed the importance of China's relations with Japan and called for an end to unauthorized demonstrations. Similar information

sessions for party members, educators, and students were held in Taijin, Shanghai, and Guangzhou, where former ambassador to Japan Xu Dunxin spoke to an estimated 6,000 students.

Anti-Chinese actions in Japan

Anti-Japanese demonstrations in China resulted in anti-Chinese protests in Japan. On April 11, the Chinese Consulate in Osaka received a cartridge case in the mail with the message “if anti-Japanese demonstrations continue, they will bring harm to Chinese people” written on the back of the envelope. Four days later, the Consulate received a razor blade in the mail accompanied by three threatening letters; a razor blade was also mailed to the Chinese Consulate in Fukuoka. On April 17, a man set himself on fire before the Osaka Consulate. The Yokohama office of the Bank of China was targeted by a Molotov cocktail-throwing unemployed self-described “right winger” on the morning of April 20. By April 19, Japan’s National Public Safety Commission reported 25 acts of vandalism and harassment against Chinese interests and individuals nationwide.

Foreign ministers meet

Foreign Minister Machimura met for two hours with his counterpart Li Zhaoxing on April 17 at the official Diaoyutai Guest House. Machimura told Li that he hoped his visit would help to repair the currently strained relationship and, reflecting Prime Minister Koizumi’s expectations, was intent to carry out wide ranging discussions of issues affecting the bilateral relationship. That brought Machimura to the anti-Japanese demonstrations and the “regrettable” and “destructive activities” directed at the Japanese embassy and violence endured by Japanese citizens over the past three weeks. Japan hoped China would respond “immediately and with sincerity, following international rules.” Li replied that China attached “considerable importance” to relations with Japan but that China “has never done anything that requires an apology toward the Japanese people.”

Machimura turned to Premier Wen’s recent proposals to promote exchanges between the two countries. Li agreed on their importance but added that, “when it comes to the recent state of bilateral relationship, my view is that if it is left unattended, the public sentiment could landslide from worse to worst.” Li defined the relationship as “at a crossing” and observed that both sides need to compromise “to move in a better direction.” This brought Li to history, Yasukuni Shrine, and Japan’s recently revised textbooks. Machimura replied that Japan had experienced 60 years of peaceful postwar development and had addressed issues of the past through the Japan-China Joint Statement, Prime Minister Murayama’s 1995 statement, and other documents. He explained that Japan’s history texts reflected Japan’s “various thinking” and called for cooperation to “bring their respective historical perceptions closer to each other.” Li said that China would examine the proposal “positively.”

While in Beijing, Machimura also met with State Council member and former Foreign Minister Tang Jiaxuan. Again, Machimura raised the issue of an apology, but Tang responded that the cause of the demonstrations rests in Japan, not China, asserting that “anti-Japanese education does not exist in China.” Machimura did not back down, noting that “China’s patriotic education apparently has culminated in anti-Japanese education.” Tang also questioned whether Japan had

changed its posture toward China over the years since normalization, now taking a “hard-edged policy.” Machimura responded that Japan had “never changed its policy on such issues as history and Taiwan” and that Tang’s claim “did not reflect the facts.”

Summit in Jakarta

A week after the foreign ministers’ meeting, Prime Minister Koizumi met President Hu Jintao on April 22 at the Asia-Africa Summit in Jakarta. Before departing for Indonesia, Koizumi told reporters that the meeting with Hu “should not be made an occasion for trading accusations.” To be meaningful, summit talks should be “based on a spirit of friendship...as well as from a broad perspective.”

In a speech delivered during the Asia-Africa Summit on April 22, apparently a down payment on the next day meeting with President Hu, Koizumi told his audience that Japan expressed “deep remorse” and “heartfelt apology” for the “tremendous damage and suffering” caused by Japan’s colonial rule and aggression. His remarks echoed the apology offered by Prime Minister Murayama in 1995.

True to his word, Koizumi refrained from raising the issues of an apology and compensation for the anti-Japanese demonstrations. Rather, he asked China to deal “appropriately” with the damage to the embassy caused by the demonstrations and asked that steps be taken to prevent a recurrence. Having asked Koizumi not to visit Yasukuni during their meeting at the APEC meeting in Chile last November, Hu refrained from directly raising the issue again. Referring to history, he did, however, ask that Japan translate “its remorse into action” and deal with the past “in a serious and cautious manner.” To avoid rehashing the misdeeds of the past, Koizumi urged that both sides should look to the future and “develop bilateral ties into a friendly relationship.” Taking a line from the Chinese talking point, he pledged that he would “look into a friendly relationship in the future by regarding history as a mirror.”

Afterwards, a smiling prime minister told reporters that it was a “very great meeting” and that, despite the temporary differences of views and the anti-Japanese demonstrations, the two leaders shared a common understanding of the importance of the bilateral relationship. As for visits to Yasukuni, Koizumi, using his post-APEC formulation, said that he would deal with the issue “appropriately” and that there was “no change” in his position on the matter. China’s Foreign Ministry spokesperson Qin Gang found the meeting to have been “of great significance” given current strains in the relationship.

While Koizumi was meeting with Hu, 81 members of the Diet, including Aso Taro, minister of internal affairs and communications, visited the Yasukuni Shrine on the occasion of the Spring Festival; 88 members were represented by proxies.

Yasukuni and the Wu visit

Following the summit, the Chinese Foreign Ministry announced State Council Vice Premier Wu Yi would visit Japan from May 17-24 to attend China Day at the Aichi Expo. Wu arrived in Japan, attended the Expo, then traveled to Tokyo to meet with senior business and political leaders including Koizumi. On May 23, Wu met with Kono Yohei, former foreign minister and

currently speaker of the Lower House, attended a Keidanren luncheon, and then abruptly left for home, canceling a scheduled meeting with Koizumi.

The initial Chinese embassy cover story was that Wu had been called home because of “urgent public business”; however, upon her return, the Chinese Foreign Ministry made clear that the purpose of the cancellation was to send Koizumi and Japan a Yasukuni message. Spokesperson Kong Quan told reporters that during Wu’s visit Japanese leaders made “statements in succession against improving and developing China-Japan relations...This resulted in losing an atmosphere and conditions needed for a meeting.” The Chinese government was “very dissatisfied.”

On May 16, shortly before Wu arrived in Japan, the prime minister told the Lower House Budget Committee meeting that with respect to Yasukuni, “other countries should not interfere in our affairs.” Quite simply, the prime minister said he “could not understand” the opposition to his visits. As for the enshrinement of the Class-A war criminals, Koizumi took the line “detest the crime, but not the person.” Asked by a reporter if he thought his visits to the shrine have injured the feelings of the Chinese people, Koizumi replied “I myself do not think so.”

Trying to put a diplomatic gloss on the matter and reset relations, Foreign Minister Machimura told reporters that Japan’s “general standpoint is to maintain a friendly relationship with China.” While he found it “regrettable” that China continued to focus on Yasukuni, the issue “is not the entirety of Japan-China relations.” Foreign Ministry spokesperson Takashima took the line that Japan considered it “a very small incident vis-à-vis the wide range of deliberations” between the two countries. Takashima revealed that Japan would not protest the incident because “it is not productive to discuss this issue further.”

Political ire was also directed at Chinese views of history. Speaking at a Keidanren meeting on May 26, Machimura took up China’s (and South Korea’s) objections to Japan’s history textbooks and declared that “we don’t have any textbooks that deserve criticism,” attributing objections to the fact that critics in both countries get by “[with] just looking at newspaper stories.” Former Prime Minister Mori Yoshiro took on the criticism that Japan’s textbooks were “prettifying” history and labeled the charges “baloney.”

Yasukuni and war criminals

Also on May 26, during a meeting of LDP lawmakers, Parliamentary Secretary for the Ministry of Health, Labor and Welfare Morioka Mashahiro expressed the view that the Class-A war criminals enshrined at Yasukuni were “no longer regarded as criminals in Japan.” Turning to the verdict of the Tokyo War Crimes trials, he averred that “it is not true that winners are always just and losers are always bad.” In damage control mode, Chief Cabinet Secretary Hosoda told reporters that the government accepted the judgments of the Tokyo Tribunal and that, because of “many erroneous points” in Morioka’s statement, there was “no need to comment.”

Morioka’s views had no takers in Beijing. In a statement posted on the Foreign Ministry’s website, Spokesperson Kong Quan labeled the remarks “ridiculous” and an “obvious provocation to international justice and human conscience.” The statement went on to say, “The Class-A war

criminals, headed by Hideki Tojo, whose hands are stained with the blood of people in Asia...have committed monstrous crimes...they are criminals in history.” As for the judgments of the International Military Tribunal for the Far East, Kong wrote that they make up an “important part of the postwar international basis.” Finally, taking a shot at Japan’s UN aspirations, Kong pointed out that “the absurd remarks made by Japanese politicians are not isolated or incidental” and raise questions “whether Japan can play a reasonable role in the international community.”

While Koizumi’s opposition called for Morioka’s dismissal, the prime minister took a relaxed attitude and suggested that the opposition chill out. Morioka’s remarks were those of an “individual lawmaker,” not a government official and as such ought not to be taken up “so intensely.”

Yasukuni and overseas development assistance

On June 7, Foreign Minister Machimura told the Upper House Budget Committee that he and Foreign Minister Li had reached a basic understanding on the termination of Japan’s ODA program, agreeing that new yen loans would not be extended after the Beijing Olympics of 2008. The day before, Machimura managed to tie Yasukuni and ODA together. In opening remarks to a conference at the Foreign Ministry, Machimura labeled as “outrageous” the equation of Yasukuni visits with Japanese militarism. He went on to point out that a “big-hearted” Japan, through its ODA program, had continued until it was bleeding red ink to contribute to international society. Machimura considered ODA to Asian countries as evidence of Japan’s repentance.

In Beijing, Foreign Ministry Spokesperson Liu Jianchao made clear that China was not buying Machimura’s line; the war and ODA were “clearly” separate issues. “We can’t,” he said, “eliminate the period of history when Japan caused damage and catastrophe to Asian countries just because Japan has provided aid to the relevant countries.” Liu acknowledged that Japan’s ODA program was a “positive effort” that benefited both countries, but visits to Yasukuni by Japan’s leaders represented “a ridiculous and wrong denial of history...”

Yasukuni: no exit in sight

On June 1, Speaker of the Lower House (and former Foreign Minister) Kono invited five former prime ministers – Miyazawa Kiichi, Murayama Tomoichi, Hashimoto Ryutaro, Mori Yoshiro, and Kaifu Toshiki – to his official residence to discuss relations with China. Afterward, Kono let it be known that none had encouraged Koizumi to continue visiting Yasukuni. Calls for restraint also came from governing partner Kanzaki Takenori, New Komeito chief representative, who said that continuing visits to the shrine would have “a bad effect on the coalition.” Koizumi saw no direct impact.

On June 2, former Prime Minister Nakasone told supporters that Koizumi “should think more about national interests than about personal beliefs.” Even Koga Makoto, head of the Bereaved Families Association, while expressing the Association’s appreciation of Koizumi’s visits to the shrine, suggested he “give consideration and sensitivity to neighboring countries.” On June 3, the

New Komeito called on the government to allocate funds in the FY 2006 budget to allow consideration of an alternate national memorial to replace Yasukuni. (In 2002, an Advisory Council to Chief Cabinet Secretary Fukuda recommended consideration of such a memorial but opposition within the LDP buried it. On June 17, Chief Cabinet Secretary Hosoda reaffirmed that the plan was not being resurrected.)

As the China debate heated up, Foreign Minister Machimura on June 6 took a shot at pro-China elements within the LDP. Referring to China visits of LDP leaders such as Noda Takeshi, Machimura asserted that the reason relations had suffered a down turn was attributable to lawmakers who “uselessly go to China to apple-polish.” Noda fired back that the foreign minister’s remarks about ODA and Yasukuni had only provoked China and that his charge of “apple-polishing” was “absurd.”

Sovereignty issues: exclusive economic zones

At the end of March, a Japanese private research team landed on Okinotori Island, the southernmost island in the Senkaku island chain, to ascertain the health of the island’s coral and to determine ways in which the island can be utilized. Earlier in March, the Japanese government had decided to erect a lighthouse on Okinotori to support its claim to an extended EEZ. (Okinotori as an island is central to Japan’s EEZ claims. China asserts that Okinotori is a pile of rocks and not an island that can support EEZ claims.)

On April 28, Tokyo Gov. Ishihara Shintaro announced that he would conduct an inspection tour of Okinotori. (The Tokyo municipal government is responsible for the administration of Senkaku islands.) On May 20, Ishihara, with media support, landed on Okinotori. The purpose of his visit was to explore the economic and resource potential of the island. For 2005 fiscal year, the Tokyo municipal government budgeted approximately ¥500 million to develop, with the Ogasawara Fisheries Cooperative, fishing activities in the area of the island.

On June 2, the *Yomiuri Shimbun* reported that a Chinese navy ship, the *Nandiao 411*, had been conducting survey activities since May 23 in international waters near Okinotori to the west of Japan’s EEZ. Although operating as close as 1-2 kilometers from Japan’s EEZ, the *Nandiao* left the area at the beginning of June and did not enter Japanese waters. China’s challenge to Japan’s EEZ claims in the East China Sea received help from Taiwan’s fishing interests. In mid-June, Japanese Coast Guard aircraft and ships found an estimated 50 Taiwanese fishing ships on a protest mission inside Japan’s EEZ. The ships departed without engaging in fishing activities. Later, Taiwan’s Defense Ministry announced the deployment of a naval ship into the area, and, in a spirit of fraternity, Beijing announced that it attaches “great importance to the protection of the legitimate rights and interests of Chinese fishermen, with those of Taiwan region included.”

Sovereignty issues: East China Sea

At the end of March, the China National Offshore Oil Company (CNOOC) announced that production in the Chunxiao natural gas field near the mid-line maritime boundary would begin in the August-September timeframe. Addressing Japan’s claimed boundary, CNOOC made clear that China does not recognize the mid-line boundary. Moreover, because the Chunxiao field was

to the west of the mid-line, China had no responsibility to provide the exploration data requested by Japan.

On April 1, Nakagawa Shoichi, minister of economy, trade and industry, announced that Japan was preparing to grant exploratory drilling rights in the disputed waters of the East China Sea. On April 4, Director General for Asian and Oceanic Affairs Sasae told the minister at the Chinese embassy that Japan was moving to grant exploration rights. He again requested that China stop its activities and provide Japan with exploration data. Following working-level meetings between Chinese and Japanese diplomats in which China again proposed joint development, Nakagawa told reporters that Japan could not accept China's offer in its present form – what Japan needed before joint development could be considered was data on China's exploration activities. Absent the data, Japan would proceed independently to grant exploration rights.

On April 9, LDP, Komeito and Democratic Party members boarded a Coast Guard plane to observe China's continuing activities – and increase pressure on the government to move on exploration rights. Four days later, the government announced that it would issue procedures for granting exploration rights and begin to consider applications from private sector companies. Prime Minister Koizumi dismissed concerns that the decision could exacerbate relations with China. A Foreign Ministry official explained that it was thought best to begin the process before the scheduled foreign ministers' meeting rather than waiting until after the meeting.

In any case, Beijing found the decision to be “a serious provocation.” The following day, Foreign Ministry Spokesperson Qin warned that Japan would bear “full responsibility” for the consequences of the decision, which he emphasized “hinge on the Japanese side.” Senior Vice Foreign Minister Aisawa Ichiro told a news conference that Japan was simply acting “in line with domestic law.” Koizumi acknowledged that China and Japan had different views on the issue but called for discussions “from a broad perspective.” He hoped to see the East China Sea transformed from a “sea of confrontation to a sea of cooperation.” On April 28, Japan's Teikoku Sekiyu became the first company to file for exploration rights.

At the end of May, Japanese and Chinese officials met in Beijing to discuss issues related to the East China Sea. Japan was represented by Director General for Asian and Oceanic Affairs Sasae and Kodaira Nobuyori, head of the Agency for Natural Resources and Energy and Cui Tiankai, director general of the Asian Affairs Department, led the Chinese delegation. The May 30-31 meeting was the first on East China Sea issues since October 2004.

Both sides agreed to seek resolution through continuing talks on joint development and to establish a working group composed of Foreign Ministry experts on international law and treaties to take up issues related to the East China Sea maritime boundary. That's where agreement ended. Pending demarcation of the East China Sea boundary, China proposed joint development of natural resources on the eastern side (Japan side) of the mid-line – which Japan refused. Instead, Sasae called for joint development on both sides of the mid-line and reiterated requests that China provide data from its explorations and suspend unilateral development activities. The Chinese side rejected the Japanese proposals as without foundation and the

Japanese left with the statement that, given the circumstances, Japan would continue to process applications for private sector exploration rights.

On the weekend before the Beijing meetings, METI Minister Nakagawa blasted China's disregard for Japan's protests, while continuing its own exploration and calling for talks as "outrageous" – the equivalent of "shaking hands with someone with the right hand and striking with the left." On June 15, METI announced that it planned to move ahead to grant exploration rights to Teikoku Sekiyu, pending the approval of Kagoshima and Okinawa prefectural government, which have jurisdiction over the waters. Final go-ahead is expected sometime in July.

Business and economics: a bit of a wobble

In mid-April, the Japanese Finance Ministry released trade statistics for 2004, revealing that, on a customs-clearance basis, Japan's trade with China had surpassed trade with the U.S. Japanese exports to China increased 16.1 percent to a record total of ¥8.09 trillion, while imports from China grew 17.9 percent to another record total of ¥10.63 trillion. Trade with China, including Hong Kong, amounted to approximately 20 percent of Japan's total trade, while trade with the U.S. amounted to 18 percent of Japan's total trade. Commenting on the statistics, Chief Cabinet Secretary Hosoda told the press "the data reflect how important the ties between our two countries are; we must deal with current problems."

The current problems, of course, were those which resulted in over three weeks of anti-Japanese demonstrations, whose effects were soon reflected in business and commercial relations. On April 18, ANA President Yamamoto reported that from April 11 through April 15, ANA had experienced approximately 1,000 cancellations per day, with new reservations coming in at 600 per day. Projecting this difference out for a one-month period, ANA expected a fall of 12,000 tourist bookings.

On April 25, the Ministry of Land, Infrastructure and Transport released a report on the impact of the demonstrations on Japan's tourist industry. The survey found that the cancellation rate of package tours to China and South Korea had increased to between 15-20 per cent for the months of April and May, involving more than 10,000 individuals. (A normal cancellation rate is between 1-2 percent.) Japan's travel agencies reported that new reservations experienced a precipitous 50 percent drop over the same period in 2004. One agency, JALPAK, reported a 60 percent drop in new reservations during the week of April 13.

On April 22, officials from Japan's METI and China's Ministry of Commerce met in Beijing. The Japanese officials expressed concern that continuation of the demonstrations could significantly affect business activities and urged that the situation promptly be brought under control. Their Chinese counterparts said every effort would be made to do so and made clear that "Japanese companies are always welcomed." *Xinhua* reported that China's minister of commerce had explained that a boycott of Japanese goods, called for on the Internet, was "not in the mutual interest" of the two countries.

Nevertheless, concerns lingered. On May 30, JETRO released its monthly survey of Japanese companies operating in China. Conducted from May 9-15 with 256 Japanese companies responding, the survey's index pointed to a China-wide falloff of 8.8 points in business activity, which was attributed to the anti-Japanese demonstrations. However, looking ahead 2 to 3 months, the prospects were for a rebound to exceed 10.9 on the index scale. A week later, on June 4, JETRO released the results of a second survey of Japanese business opinion (414 companies responded), which focused on the anticipated effects of the anti-Japanese demonstrations. Of the companies responding, 46.2 percent expected that the demonstrations would have some impact, while 4.1 percent or 17 companies reported that they were considering downsizing or terminating operations. The percentage of those contemplating expansion or new ventures fell markedly from 86.5 percent to 54.8 percent since the prior November-December 2004 survey. Major concerns were: falling sales, 19.1 percent; loss of image of Japanese products, 16.4 percent; and worsening labor-management relations, 9.7 percent. JETRO Director Watanabe Osamu attributed the downturn in business confidence to the fact that Beijing had "yet to make a clear message about the security of business activities in the future."

On June 27, former Foreign Minister Komura Masahiko, head of the Japan-China Parliamentary Friendship Association, met in Beijing with Wu Bangguo, chairman of the Standing Committee of China's National People's Congress. Taking up the Beijing-Shanghai high-speed rail project – a Wu initiative – Wu told Komura that it was "regrettable that the project has not gone well," indicating that the prospects for Japan's participation were not promising. Wu went on to suggest that the existing cold political relationship could adversely affect the currently hot economic relationship.

Outlook

It is difficult to discern any light on the horizon in the Japan-China relationship. In both countries, issues and politics are moving against moderation and compromise. Storm warnings should be posted for the months ahead and seat belts fastened – Aug. 15 is almost at hand.

Chronology of Japan-China Relations April-June 2005

April 1, 2005: Minister of Economy, Trade and Industry Nakagawa Soichi announces Tokyo is prepared to grant exploring rights in East China Sea to Japanese companies.

April 2-3, 2005: Anti-Japanese demonstrations, in Chengdu, Shenzhen, and Chongqing, express opposition to Japan's efforts to secure permanent seat in UN Security Council.

April 4, 2005: Director General for Asian and Oceanic Affairs Sasae Kenichiro informs Chinese embassy that Japan is moving ahead with exploration rights in East China Sea; asks China to suspend its exploration activities and provide data to Japan.

April 4, 2005: VM of Foreign Affairs Yachi Shotaro calls in Ambassador Wang Yi and expresses "concerns" and requests protection for Japanese residents in China.

April 5, 2005: Japan's Ministry of Education approves new middle-school history textbooks.

April 8, 2005: Japan's Ambassador to China Anami Koreshige requests protection for Japanese residents and businesses.

April 9-10, 2005: Large-scale anti-Japanese demonstrations in Beijing, Shanghai, Guangzhou, and Shenzhen.

April 11, 2005: PM Koizumi Junichiro calls demonstrations "truly regrettable," asks Beijing to prevent recurrence; acting LDP secretary general calls China's response to demonstrations "insufficient."

April 11-19, 2005: Twenty-five reported acts of vandalism and harassment against Chinese embassy, consulates, businesses, and schools take place in Japan.

April 12, 2005: Japan-China Friendship Organizations meet in Tokyo; Ambassador Wang tells members that taking history as a mirror is the key to unlocking the future.

April 13, 2005: Japan-China Directors General Sasae and Cui Tiankai meet in Beijing in advance of foreign ministers' April 17 meeting.

April 14, 2005: Lower House Speaker Kono Yohei meets with Vice Chairman of the Standing Committee of National People's Congress Lu Yongxiang; discussion focuses on anti-Japanese riots.

April 14, 2005: Premier Wen Jiabao calls on Japan to "profoundly reflect" on reasons for anti-Japanese demonstrations.

April 16-17, 2005: Anti-Japanese demonstrations in 10 Chinese cities, including Shanghai, Shenyang, and Amoi.

April 17, 2005: FMs Machimura and Li Zhaoxing meet in Beijing; while in Beijing Machimura also meets with former FM, now State Councilor, Tang Jiaxuan.

April 17, 2005: Minister Nakagawa calls on China to "prevent mobs attacking businesses."

April 18, 2005: Vice FM Wu Dawei attributes current problems to Japan's "incorrect understanding of history."

April 19, 2005: Former Minister of Economy, Trade and Industry Hiranuma Takeo meets with former Foreign Minister now State Councilor Tang to discuss demonstrations.

April 19, 2005: CCP Propaganda Department begins nation-wide campaign to rein in "unauthorized demonstrations"

April 22, 2005: Some 80 Diet members visit Yasukuni Shrine.

April 23, 2005: Koizumi meets President Hu on sidelines of Asia-Africa Summit in Jakarta.

April 25, 2005: Machimura tells *TV Asahi* talk show that Chinese textbooks are “extreme” in their interpretation of history.

April 26, 2005: Tokyo District Court dismisses a suit claiming that Koizumi’s and Tokyo Gov. Ishihara Shintaro’s August 2001 visits to Yasukuni Shrine violate the principle of separation of church and state.

April 27, 2005: Ambassador Wang Yi tells a meeting at LDP headquarters that Koizumi’s visits to Yasukuni violate a “gentleman’s agreement” given by then PM Nakasone, following his 1985 visit.

April 28, 2005: Former PM Nakasone says Wang’s assertion is “completely at odds with reality,” denies existence of agreement, and telephones the Chinese embassy to protest.

April 28, 2005: Japan’s Teikoku Sekiyu becomes first company to apply for exploration rights in East China Sea.

May 16, 2005: Koizumi tells Lower House Budget Committee that he does not think his visits to Yasukuni Shrine have injured the feelings of the Chinese people.

May 17-23, 2005: State Council Vice Premier Wu Yi visits Japan to attend Aichi Expo and meet with Japan’s leaders.

May 21-23, 2005: LDP and Komeito secretaries general visit China and meet with Wang Jiarui, head of CCP international department, State Councilor Tang, and President Hu.

May 20, 2005: Tokyo Gov. Ishihara lands on Okinotori island during inspection tour.

May 23-June 2, 2005: Chinese navy ship carries out survey activities within 1-2 kilometers of Okinotori.

May 23, 2005: Wu abruptly cancels meeting with Koizumi and returns to China to attend “urgent public business.”

May 24, 2005: Chinese Foreign Ministry makes clear that cancellation was related to Koizumi’s remarks about Yasukuni.

May 25, 2005: FM Machimura finds Wu incident “regrettable” but not the entirety of Japan’s relations with China.

May 26, 2005: Parliamentary Secretary for Ministry of Health, Labor, and Welfare Morioka tells LDP lawmakers that Class-A war criminals are “no longer regarded as war criminals in Japan.”

May 26, 2005: Middle school history textbook, “History to Open the Future,” is published by a team of scholars and civic organizations from China, Japan, and ROK.

May 30-31, 2005: Foreign Ministry Director Generals Sasae and Cui meet in Beijing to discuss issues related to exploration and boundary demarcation in East China Sea.

June 1, 2005: Former Foreign Minister, presently Speaker of the Lower House, Kono meets with five former prime ministers to discuss relations with China; the *Asahi Shimbun* describes the meeting as “highly unusual.”

June 2, 2005: Koizumi tells Lower House Budget Committee that he visits Yasukuni to pay respects to all who lost their lives during the war, not to pay respects to particular individuals and that he visits the shrine as a matter of personal belief not as prime minister.

June 2, 2005: Former PM Nakasone tells reporters that Koizumi should “think more about national interests than personal beliefs”; the next day in speech in Tokyo Nakasone again calls on Koizumi to place national interests first and make the difficult but courageous decision to stop paying homage at Yasukuni.

June 3, 2005: Noda Takeshi, president of the Japan-China Friendship Society, travels to Beijing and meets with Chinese leadership including State Councilor Tang and Vice Premier Zhen; on May 31 Noda called on Koizumi to discuss Yasukuni issues and disenshrinement of Class-A war criminals.

June 11, 2005: Bereaved Families Association issues statement calling on prime minister to pay consideration to neighboring countries and obtain their understanding with regard to visits to Yasukuni; later Association reaffirms position that PM should continue to visit the shrine.

June 11, 2005: Education Minister Nakayama, while acknowledging the terrible experiences of “comfort women,” tells Shizuoka town meeting that the title “comfort women” did not exist during the war years and accordingly this “incorrect” description was removed from history texts; Koizumi urges Nakayama to be cautious in his remarks.

June 14, 2005: Chief Cabinet Secretary Hosoda tells reporters that Nakayama had apologized during Cabinet meeting for “comfort women” remarks; Nakayama later denies making an apology.

June 15, 2005: METI announces intention to grant exploration rights in East China Sea to Teikoku Sekiyu pending approval of Kagoshima and Okinawa prefectural governments.

June 16, 2005: Japanese business delegation visits China and calls for measures to protect intellectual property.

June 17, 2005: PM Koizumi rejects call for new war memorial shrine to replace Yasukuni; Chief Cabinet Secretary Hosoda confirms that alternative shrine plan is not under consideration.

June 20, 2005: Lower House Speaker Kono leads Diet delegation to China, meets with Vice Premier Huang, State Councilor Tang, and head of CCP’s International Department Wang.

June 21, 2005: Ministry of Land, Infrastructure and Transport announces that on June 17 it placed address plate on Okinotori island, giving it the address of 1-banchi, Okinotori island, Ogesawara Village, Tokyo.

June 21, 2005: Taiwan sends warship with defense minister and legislators on board into East China Sea near Senkaku islands.

June 21, 2005: Three Guangzhou residents are exposed to poison gas shells abandoned by the Japanese Imperial Army during World War II.

June 22, 2005: Koizumi tells Upper House Budget and Administrative Oversight Committee that, contrary to ROK President Roh's statement, Yasukuni is not at the core of Japan's relations with the ROK and China; rather the core is to consider how relations can be developed while taking history as a mirror.

June 22, 2005: Parliamentary Secretary for Health Labor and Welfare Morioka repeats May remarks concerning validity of International Military Tribunal for the Far East judgment with respect to war crimes; Chief Cabinet Secretary Hosoda again reaffirms government's acceptance of the tribunal's decisions.

June 27, 2005: Former Foreign Minister Komura, chairman of the Japan-China Parliamentary Friendship Association meets in Beijing with Wu Bangguo, chairman of the Standing Committee of China's National People's Congress, Wu urges Koizumi to consider Yasukuni from a broad perspective; suggests Japan's prospects for participation in Beijing-Shanghai rail project are not promising in present political environment.

June 27, 2005: Chief Cabinet Secretary Hosoda calls Guangzhou poison-gas incident "extremely regrettable."

June 27, 2005: Former PM Nakasone tells television talk show that he opposes Koizumi's visits to Yasukuni if they harm national interests; Nakasone also announces opposition to the building of new war memorial to replace Yasukuni.

June 28, 2005: Chinese authorities in Dalian confiscate 128 Japanese social studies textbooks ordered from Japan and intended for use in local Japanese school on grounds that the texts contain 130 instances of "inappropriate" reference to Taiwan.

Japan-Korea Relations:

Little Progress on North Korea or History Disputes

David Kang, Dartmouth College
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The twin issues of North Korea and history continued to dominate Japan-Korea relations in the second quarter of 2005. Unfortunately, little progress toward resolution was made on either issue. In dealing with North Korea, Japan continued to mull sanctions or other measures against the North, although the government did not take any actions toward that end and Prime Minister Koizumi Junichiro publicly disavowed sanctions in early June. In mid-June, South Korean President Roh Moo-hyun and Koizumi met in Korea for a summit that failed to bring any progress on the range of issues between the two countries, from the disputed Tokdo/Takeshima territory to the issue of Yasukuni Shrine visits and how Japan's middle-school textbooks treat the past. On the economic front, Japan and South Korea continued to deepen their relationship. However, increasing economic interdependence has hardly dampened political disputes between the two countries.

Still a chill in Japan-North Korea relations

With the Six-Party Talks in limbo during the spring, and with the ultimately false prediction that North Korea would conduct a nuclear test heightening tension, Tokyo's reconfirmation of its commitment to the earliest possible resumption of the Six-Party Talks was accompanied by discussions about hardline alternatives if the talks should fail to occur. On April 7, Japan's *Nihon Keizai Shimbun* reported that Japan, in consultation with the U.S., was considering setting a June deadline for North Korea to return to the Six-Party Talks. High-ranking officials, including Japan's Foreign Minister Machimura Nobutaka and U.S. Secretary of State Condoleezza Rice, agreed to take the North Korea nuclear issue to the UN Security Council (UNSC) if North Korea continued to refuse to resume negotiations. Later in mid-May, a proposal for five-way talks excluding North Korea was under review, with Abe Shinzo, a senior official in Japan's ruling Liberal Democratic Party (LDP), warning that economic sanctions were a clear alternative if talks with North Korea failed. However, on June 25, Prime Minister Koizumi clarified that Japan could not just impose sanctions and settle the issue since it would have to respect views of the other countries in the Six-Party Talks and cooperate with its neighbors.

North Korea seems to have made every *verbal* effort to isolate Japan from the six-party process and the international community; the *Associated Press* reported April 4 that North Korea said it remained committed to the Six-Party Talks, but demanded Japan withdraw from the talks because Japan's participation only complicated the problem. It denounced Japan for attempting to gain a permanent seat on the UNSC, saying that Japan was not qualified to be even a member of the world body. Not surprisingly, North Korea's reaction to Japan's moves to submit the

nuclear case to the UNSC was fierce, saying that it would consider such actions a “declaration of war,” while calling Japan’s suggestion for five-way talks a “silly act.”

In the meantime, the heat of the abductees issue between the two countries seems to have abated slightly compared to the first quarter of 2005, although the issue remains a bitter controversy between Japan and North Korea. *Kyodo News* reported on April 13 that North Korea demanded once again that Japan return the cremated remains of Japanese citizen Yokota Megumi abducted by the North in 1977, but Japan dismissed the call. The major point of contention has been whether the ashes provided by Pyongyang really were Yokota’s.

Hostile popular sentiment in Japan against North Korea remained unchanged. On April 24, about 6,000 people rallied in Tokyo demanding sanctions against Pyongyang. When the newly insured North Korean ferry *Mangyongbong-92* re-entered the northern Japan port of Niigata on May 18 for the first time this year, it was met by protesters at the port, shouting “Give us our families back.” In late June, some 100 abductees’ families and their supporters had a sit-in in front of Koizumi’s office, demanding economic sanctions against North Korea to account for their loved ones. Meanwhile, stories of Japanese abductees to North Korea blanketed Japanese media. In addition to 13 Japanese citizens that North Korea has admitted to kidnapping in the 1970s and ‘80s, the National Policy Agency of Japan concluded that Tanaka Minoru was another victim, abducted by North Korea in 1978. He will join 10 other Japanese currently listed by the Japan government as additional abductees by the North.

Despite the difficulty of gauging the direct impact of Japan’s recent steps toward economic sanctions, the recent evidence seems to indicate that the North Korean economy has been negatively affected. *Asahi Shimbun* reported April 11 that North Korean clam imports fell by 91 percent after Japan implemented a stricter application of laws in January against mislabeling of shellfish origins. As a result of the new ship insurance law Japan enacted in March, *Joongang Ilbo* reported that port authorities expect that the amount of imported North Korean goods such as crabs will drop to a quarter of last year’s amount, since only 2.5 percent of North Korean ships are insured.

The cool relationship was transferred onto the soccer field. The Japan-North Korea qualifying match for a berth at the 2006 World Cup in Germany was played behind closed doors in Thailand as penalty for North Korea’s bad sportsmanship during the February Iranian match in Pyongyang. Then, fans rioted, throwing refuse, and attacking the Iranian players’ bus. As the Japanese viewed North Koreans behaving badly, they must have wondered what their reception would be in June; after all, the Iranians are supposedly friends of North Korea. The venue move took pressure off the Japanese. Japan defeated North Korea 2-0 on June 8. North Korea has lost all five games in its group, while South Korea qualified for Germany on June 8 as well, beating Kuwait 3-0 in Kuwait.

Stalled Japan-South Korea relations

Approval of the contentious history textbooks by Japan’s Education Ministry on April 5 opened the quarter and foreshadowed the tumultuous road ahead for Japan and South Korea, and indeed, between Japan and the entire region. Japan screens history textbooks every four years. This

year's screening came when Japan and South Korea were at odds over the sovereignty of the Tokdo/Takeshima islets. *Mainichi Shimbun* reported on April 6 that an approved version of history books describes the Tokdo/Takeshima islets as "illegally occupied by Korea" instead of the initial description of "disputed region," which was changed upon instructions from the Education Ministry.

The textbooks published by Tokyo Shoseki, Osaka Shoseki, and Nippon Shoseki as well as by the rightwing Fusho Publishing comprise 65 percent of Japan's middle school textbook market, all of which include the claim that the Tokdo/Takeshima islets are Japanese territory. On April 6, the *Chosun Ilbo* quoted Japan's *Asahi Shimbun*, which reported that other publishers were asking the Education Ministry to make revisions that followed the examples of Tokyo Shoseki and Osaka Shoseki, whose textbooks are ranked no. 1 and 2 in adoption rate, saying that "if a textbook is missing content found in other texts, it doesn't get adopted," according to one publisher.

Compared to 2001, when only 0.039 percent of schools adopted a controversial history textbook by Fusho Publishing because of resistance from civic groups, the Japanese Society for History Textbook Reform (Fusho Publishing) believes that this year they succeeded in infiltrating their influence onto the education committees of local governments. Upon receiving Ministry of Education approval, Fusho released a statement saying that their history textbook fits the government's guidelines' goal of instilling in students a love for Japan's history and making them aware of their national identity.

As expected, South Korean reaction was fierce, calling for the immediate deletion of the description of the Tokdo/Takeshima islets as "illegally occupied by Korea." On the sidelines of the Asian Cooperation Dialogue forum, South Korean Foreign Minister Ban Ki-moon, in his first meeting with Foreign Minister Machimura since the territorial disputes erupted in late February, said that Korea would "never permit" Japan to claim the islets in its textbooks, but failed to win a promise of immediate corrections to the textbooks. In Germany, President Roh told the German press that "Japan's attitude does not accord with the universal values human society needs seek" and added that Prime Minister Koizumi's visits to Yasukuni Shrine are "a tremendous insult to Korea and China."

On April 13, a South Korean congressional delegation called the "Special National Assembly Commission for safeguarding Tokdo and dealing with Japan's history distortion" visited Foreign Minister Machimura to protest the textbooks. Machimura expressed deep regrets for inflicting pain to South Koreans until 1945, but told them that it was unacceptable for Korea to demand deletion of individual historical facts in the textbooks. Koizumi urged both sides to "control emotions and consider the bilateral friendship," while the Foreign Ministry's Assistant Press Secretary Chiba Akira stated that textbooks' description of Japan's wartime past does not necessarily reflect official Japanese policy. However, Education Minister Nakayama Nariaki dismissed criticism that his ministry had influenced Fusho Publishing to change the draft to state that South Korea is "illegally" occupying the islets. He went on to say that it was natural to teach how far Japanese territory extends as background knowledge. Acting LDP Secretary General Abe joined in criticizing South Korea (and China), saying that they were meddling in Japan's

domestic affairs while Japan never complained about their textbooks. Machimura also said that Tokyo will review the history textbooks of South Korea and China and request their revision, as well.

Meanwhile, critics within Japan, who had tried to discourage the controversial textbooks, were heard very well by the Korean media. On April 6, civic groups like Children and Textbooks Japan Network 21 declared that they would begin anti-adoption campaigns against Fushoda's textbooks. The group said it would hold about 2,000 seminars nationwide to inform schools, students, and parents about the textbooks' problems. The Japan Teachers' Union also plans to actively check pressure from high-ranking government officials and education committees of local governments who are advocating the history distortion, while opposing the adoption of the Fushoda textbooks. The Japanese media reaction was divided with the *Asahi Shimbun* and the *Sankei Shimbun* battling over the issue. In response to the *Asahi's* editorial saying that the Fushoda textbooks lack a sense of balance, the *Sankei* accused the *Asahi* of "infringing the freedom of the press by eliminating particular textbooks." These exchanges reflected disagreements within the Japanese society and media. The *Sankei Shimbun* is affiliated with Fushoda.

By late April, as the accusations and criticisms spiraled upward, leaders of both countries tried to make some gestures of conciliation, which unfortunately turned out to be less than successful. President Roh sent a congratulatory message to *Mindan Shimbun*, a newspaper for Korean-Japanese, upon publication of its 2,500th edition, saying that Japan and Korea share the same destiny in Northeast Asia. On Japan's part, Prime Minister Koizumi expressed deep remorse for Japan's aggression against Asian countries at the Asia-Africa Summit in Jakarta. However, the apology was diluted by the visit of some 80 Japanese lawmakers to Yasukuni Shrine the same day as Koizumi's apology, which resulted in a less than friendly response from South Korea. The conservative South Korean newspaper *Chosun Ilbo*, reporting on both Koizumi's apology and the Japanese Diet members' visit to the shrine, asked "Is this an apology?" In early May, Koizumi's personal letter to Roh delivered by Takebe Tsutomu, chairman of the LDP, and the secretary general of New Komeito party, Fuyushiba Tetsuzo, met with a rather cold reply from Roh, calling for Japan "to follow words with actions."

Another round of diplomatic fireworks was set off by Koizumi's comments during his Moscow visit for the 60th anniversary of the defeat of Nazi Germany that Japan has done sufficient critical self-examination, and the statement by Nakagawa Hidenao, a senior LDP lawmaker, that he thinks Koizumi will pay a visit to Yasukuni Shrine this year. While Koizumi remained adamant that he visits Yasukuni Shrine as a private individual and not as a government representative and that other countries should not interfere in the way of mourning, parts of Japanese society showed deep concern over his attitude toward Yasukuni Shrine given the deteriorating relations with South Korea and China.

Japanese public opinion – although divided – appears to be leaning toward a less confrontational approach to these issues. A *Mainichi Shimbun* poll on April 16 and 17 showed that 76 percent of 1,019 respondents said that Koizumi was not doing enough to improve Japan's relations with China and South Korea. Regarding his visit to Yasukuni Shrine, 45 percent said that he should no longer visit the shrine, up 4 points from the survey in December last year. Around the same

time, another poll conducted by South Korea's *Donga Ilbo*, Japan's *Asahi Shimbun*, and the Chinese Academy of Social Sciences revealed that 94 percent of Koreans and 61 percent of Japanese thought that bilateral relations were not going well, which was a 34 percent and 35 percent increase for Korea and Japan, respectively, compared to the results of the 2000 survey. The survey also showed that 63 percent of Koreans "disliked" Japan while only 8 percent "liked" Japan. By late June, according to the poll by the *Asahi Shimbun*, 52 percent of Japanese said that Koizumi should stop visiting Yasukuni Shrine, which was up from 49 percent who had given the same reply in May. Asked to give one reason, 72 percent of Japanese respondents chose considerations of the views of neighboring countries, while 13 percent said because Yasukuni enshrined Class-A criminals.

The popular sentiments against Koizumi's visit to Yasukuni seemed to be shared by more high-ranking government officials and politicians of the Japanese government as the situation worsened. New Komeito, LDP's coalition partner, has been more vocal in its opposition to the prime minister's visit to Yasukuni, saying that his visits could undermine the foundation of the ruling coalition. In the meantime, LDP Diet affairs chief Nakagawa Hidenao suggested enshrining Class-A war criminals somewhere other than Yasukuni to prevent Japan's ties with Asian neighbors from being further strained and asked for the families of the war criminals to agree. In response, according to a *Japan Times* report on June 12, the association of families of the war dead asked Koizumi to show more consideration for Japan's neighbors so that "the spirits of the war dead rest in peace." Opposition to the Yasukuni visits also came from five former prime ministers of Japan – Miyazawa Kiichi, Murayama Tomiichi, Hashimoto Ryutaro, Mori Yoshiro, and Kaifu Toshiki. They asked Koizumi to refrain from visiting Yasukuni Shrine to avoid further damaging Japan's ties with its neighbors.

Two events highlighted the strained ties between Japan and South Korea, casting clouds over prospects for the upcoming summit between Koizumi and Roh. On June 2, Japan and South Korea decided to end a 33-hour standoff over control of a South Korean boat, *Sinpung*, suspected of operating illegally in Japan's exclusive economic zone (EEZ). Disagreements centered on 1) whether the boat had been illegally operating in Japan's EEZ, 2) which country had the right to investigate the boat, and 3) whether Japan Coast Guard personnel used excessive force when they boarded the *Sinpung*. The eight Japanese and five South Korean Coast Guard vessels were in a standoff with the *Sinpung* sandwiched between them in rough seas about 60 km northeast of Tsushima Island (25.6 km off Gangjeol Point of Ulju County.) Another controversy arose when Japan's Vice Foreign Minister Yachi Shotaro remarked that Japan was reluctant to share intelligence and cooperate with South Korea due to U.S. mistrust of South Korea, a comment that angered Seoul.

The June 20 Koizumi-Roh summit after such a series of diplomatic run-ins was largely viewed as a poor attempt by both countries to narrow the differences on history issues. Although the summit was a part of regular "shuttle diplomacy" efforts, it lacked working-level consultations on the agenda due to the strained ties. Roh urged Koizumi to stop visiting Yasukuni Shrine and suggested setting up a new monument as an alternative to Yasukuni. Koizumi is said to be willing to consider the option. Despite the failure to reach agreement on history issues, there were some achievements: Koizumi pledged that Japan would return the remains of South Koreans forcibly conscripted during Japanese colonial rule, to return the *Bukgwandaechepbi* (a

stone monument), to provide support to Korean atomic bomb victims, and to increase flights between Kimpo and Haneda airports.

Interlocking economics

In contrast to the political strife between the two countries, economic interaction continued to deepen, and there were some positive signs pointing to further developments. Even so, Japan-South Korea economic ties progressed slowly this quarter, burdened by the diplomatic disputes between the two governments. On April 9, Japan's Finance Minister Sadakazu Tanigaki, after a meeting with his counterpart Han Duck-Soo on the sidelines of the Inter-American Development Bank's annual meeting, agreed to make an effort to complete negotiations on a free trade agreement (FTA) this year. In addition, businessmen from both Japan and South Korea issued a joint statement at the 37th Korea-Japan Business Conference on April 15 that said the FTA between the two countries would be "the very first step that signifies the two countries moving toward a strategic partnership of the 21st century." On May 4, the *Nihon Keizai Shimbun* reported that China proposed a study group to promote an FTA between South Korea, Japan, and China that would bring governments, business, and academics together. Inside Japan, *The Japan Times* on April 20 reported that private-sector members of a key government economic panel – Toyota Motor Corp. Chairman Okuda Hiroshi, Ushio Inc. Chairman Ushio Jiro, Osaka University Professor Homma Masaaki, and University of Tokyo Professor Yoshikawa Hiroshi – stressed the need for Japan to "expand high-quality trade agreements" with the economies of Asia, including South Korea.

On the currency side, Bank of Korea Gov. Park Seung and Bank of Japan Gov. Fukui Toshihiko signed bilateral currency swap deals at the Bank of Korea office. The agreement, worth \$3 billion, will help stabilize their financial markets and allow for short-term capital lending to each other when they run short of foreign currency.

Although disputes over history issues drew a rather gloomy picture of bilateral relations, business leaders' efforts to focus the relationship more on future-oriented approaches left hope for better ties between Japan and Korea. Japan's Matsushita Electric Industrial Co. and South Korea's LG Electronics reached a basic agreement to settle a five-month-old patent dispute over an alleged infringement of plasma display technology patents. According to *The Japan Times* on April 5, the two companies will share the technology in a cross-license agreement and set up a committee to discuss greater business cooperation and collaborate in the field of home air conditioners. In other business dealings, on April 11, *Joongang Ilbo* reported that Japan's Hokkaido Electric Power Co., which supplies more than 3.8 million customers in Japan's northernmost island, would buy high-voltage cable from South Korea's Gaon Cable Co., the nation's third-largest wire and cable producer. The Sapporo-based company also had an agreement with South Korea's Taihan Electric Wire Co., ROK's second largest maker of the equipment.

The interdependence of the Japan-Korea business environment is clearly seen in the drop in the Japanese stock market due to Samsung's first quarter report of "lackluster performance." Inside South Korea, there was news about the declining sales of Japanese products. *Joongang Ilbo* on April 6 reported since the Tokdo/Takeshima islets dispute, Japanese auto sales were struggling,

while German automakers have seen sales growth. According to the Korea Automobile Importers and Distributors Association, Toyota in the first quarter was down 17.3 percent, while Honda saw its sales fall 6 percent in March from that of the previous month. Additionally, *Chosun Ilbo* reported on April 25 that Japan was losing competitiveness in TV pricing in the South Korean market. As local digital TV makers lowered their prices and conducted aggressive marketing campaigns this year, customers were losing interest in made-in-Japan PDP and LCD sets.

Travel that binds and ties

While the bilateral exchanges at the local government level were regaining momentum, efforts for a joint research on historical events continued as a measure to counter recent disputes.

On May 4, *The Japan Times* reported that school trips from Japan to South Korea and China had been cancelled due to the concerns over safety as bilateral tensions and anti-Japanese sentiments increased. A number of exchange programs had also been cancelled by local governments both in South Korea and Japan because of the soured relations. On June 4, Japan's Minister of Land, Infrastructure, and Transport Kitagawa Kazuo and South Korea's Culture and Tourism Minister Chung Dong-chea agreed to encourage personal exchanges in tourism and culture. In their joint statement, they confirmed their commitment to hold this year's commemorative events as scheduled and mend relations between sister cities in the two countries. The statement also set the target for this year's visits at 5 million people and called for efforts to boost exchanges between youth.

Tourism has been prosperous in the first quarter of 2005 and it seems likely that it will continue as the Japanese government decided to permanently exempt Koreans from tourist visas. Under the current policy, Koreans need visas only when they stay in Japan beyond 30 days. According to the April 4 issue of *Chosun Ilbo*, despite the diplomatic tension, the number of Japanese tourists to South Korea has steadily increased; in January, the number of Japanese visitors to Korea overall rose 36 percent from 2004. The Korea National Tourism Organization said that a total of 250,000 Japanese visited Korea in March – up 25 percent compared to a year earlier. But tourism officials also expressed concerns that the trend might be short-lived since the number of people making new reservations was on the decline.

On June 10, South Korea and Japan officially released a full-scale 1,900-page report on their perceptions of historical events, revealing a huge gap between the two countries. The report was a part of a bilateral project that had aimed at promoting mutual understanding and bridging the gap in perceptions of history; it was launched by an agreement between Prime Minister Koizumi and former President Kim Dae-jung.

Japanese experts and North Korean officials agreed to conduct joint research into ancient tombs on the outskirts of Pyongyang. They plan to work together to study the tombs dating back to the Rakrang Kingdom of 108 B.C.

“History Opens the Future,” a tri-nation history textbook of Japan, South Korea, and China produced by scholars, teachers, and members of citizens' groups concerned about the contentious

history textbooks was published May 26. This book marks the first common history text for the three nations. It is written in three languages – Japanese, Korean, and Chinese and deals with the region’s modern history. It is not an official text approved by the authorities, but it is expected to be used as supplementary reading material for students in Japan, China, and South Korea.

The future remains in motion

The coming quarter could be eventful if the Six-Party Talks reconvene. However, those prospects appear dim, and so continuation of the status quo is likely. Japan and South Korea will continue to discuss economic issues, with working-level officials meeting to talk about the FTA, although it is unlikely that any major breakthroughs will occur.

Chronology of Japan-Korea Relations April-June 2005

April 4, 2005: Matsushita Electric Industrial Co. and LG Electronics Inc. agree to withdraw legal action against each other over alleged infringements on plasma display patents and to sign cross-licensing agreements on PCs and DVDs.

April 5, 2005: Japan’s Education Ministry approves controversial history textbooks that describe the Tokdo/Takeshima islets as “illegally occupied by Korea.”

April 6, 2005: Seoul makes formal protest to Tokyo over the claim to the Tokdo/Takeshima islets in the newly approved textbooks and demands its deletion.

April 6, 2005: Japanese civic organizations like Children and Textbooks Japan Network 21 announce they will conduct a campaign against adoption of controversial textbooks.

April 7, 2005: Foreign Ministers Machimura Nobukata of Japan and Ban Ki-moon of South Korea hold a meeting on the sidelines of Asian Cooperation Dialogue forum for the first time since the dispute over the Tokdo/Takeshima islets.

April 9 2005: Finance Ministers Tanigaki Sadakazu and Han Duck-soo, on the sidelines of the Inter-American Development Bank’s annual meeting, agree to step up efforts to complete a free trade agreement by the end of the year.

April 13, 2005: Delegation of South Korean congressmen visit FM Machimura to protest the Tokdo/Takeshima islets and the history textbooks.

April 15, 2005: 250 businessmen from South Korea and Japan at the 37th Korea-Japan Business Conference issue a joint statement urging a future-oriented perspective on history issues and pledge to support the Japan-Korea free trade agreement this year.

April 16-7, 2005: *Mainichi Shimbun* poll shows that 76 percent of 1,019 respondents believe that PM Koizumi is not doing enough to improve strained relations with Asian neighbors; 45 percent say that he should not visit Yasukuni Shrine.

April 22, 2005: Japanese PM Koizumi apologizes for Japan's wartime activities in his keynote speech at the Asia-Africa Summit in Jakarta.

April 22, 2005: 80 Japanese lawmakers visit Yasukuni Shrine.

April 24, 2005: FM Machimura says the Japanese government, after reviewing history textbooks of South Korea and China, will request revision of their textbooks.

April 24, 2005: Some 6,000 Japanese rally for sanctions against the DPRK over the abduction issue.

April 25, 2005: *Korea Central News Agency* reports the DPRK will view UN sanctions as a "declaration of war."

April 26, 2005: *Jiji Press* reports Japan's National Policy Agency has added another name, Tanaka Minoru, to the list of Japanese abducted by the DPRK, which brings the total to 13 confirmed and 10 suspected.

April 27, 2005: ROK President Roh says Japan and Korea share the same destiny in a congratulatory message on the occasion of the *Mindan Shimbun's* 2,500th edition, a Korean-Japanese newspaper.

May 2, 2005: FM Machimura and Secretary of State Condoleezza Rice agree to take the issue of North Korea's nuclear program to the UN Security Council if North Korea continues to refuse to resume the Six-Party Talks.

May 3, 2005: Korea International Trade Association releases statistics that the "Korean Wave" created \$1.87 billion in added value and raising ROK GDP by 0.2 percent in 2004.

May 6, 2005: Chairman of Japan's LDP, Takebe Tsutomu, and New Kemeito Secretary General Fuyushiba Tetsuzo visit President Roh and deliver a personal letter from Koizumi.

May 8, 2005: Newly insured North Korean ferry *Mangyongbong-92* re-enters northern Japan port of Niigata.

May 13, 2005: FM Machimura says Tokyo is studying proposals to resume the six-party process without Pyongyang.

May 24, 2005: General Association of Korean Residents in Japan (Chongryun), a pro-Pyongyang group, commemorates the 50th anniversary of its establishment.

May 26, 2005: Blue House protests Japanese Vice FM Yachi Shotaro's remark that Japan is reluctant to share intelligence with South Korea because of U.S. mistrust of the Seoul government.

May 27, 2005: South Korea and Japan sign bilateral agreement on currency swaps worth \$3 billion.

June 2, 2005: Japanese and Korean governments agree to end a 33-hour standoff over a South Korean fishing boat, the *Sinpung*, suspected of illegal activities in Japan's EEZ.

June 4, 2005: Japan's Minister of Land, Infrastructure, and Transport Kitagawa Kazuo and South Korean Culture and Tourism Minister Chung Dong-chea agree to expand personnel exchanges in tourism and culture.

June 8, 2005: Japan and North Korea play World Cup qualifying soccer match in Bangkok. Japan wins 2-0. No fans are allowed to watch the game in Supachalasi Stadium.

June 10, 2005: A full-scale report of Japan-ROK Joint History Research, a three-year project launched at a summit between PM Koizumi and President Kim Dae-jung in October 2001, is released, showing a huge gap in perceptions on key historical events.

June 20, 2005: Koizumi and Roh hold summit talks in Seoul.

June 24-26, 2005: Families and supporters of North Korean abductees have a sit-in near Koizumi's office demanding economic sanctions against North Korea. Koizumi said that Japan cannot impose sanctions without considering the views of other countries in the Six-Party Talks.

June 28, 2005: *Asahi Shimbun* reports that 52 percent of respondents say that Koizumi should stop visiting the Yasukuni Shrine, while 36 percent say he should continue.

China-Russia Relations: Politics of Anniversaries and Beyond

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Past, present, and prospect were played out in the second quarter of 2005 when Russian and Chinese leaders commemorated the 60th anniversary of Russia's victory (May 9, 1945) in World War II, mended fences in Central Asia in the wake of a surge of "color revolutions" in Ukraine and Kyrgyzstan, and toyed with the idea of a multilateral world order with a Russia-China-Indian trio in Vladivostok. The quarter ended with President Hu Jintao's state visit to Russia, which aimed to elevate the strategic partnership to a new height. Meanwhile, Russian and Chinese generals were hammering out details of their first-ever joint exercises in eastern China to be held in the third quarter.

Summits times four

In less than two months, Chinese and Russian leaders met or will meet for Victory Day in Moscow (May 9), Hu's official visit to Russia (June 30-July 3), the Shanghai Cooperation Organization (SCO) summit in Kazakstan (July 5-6), and the G8 summit in UK (July 7-8). The busy summit politicking began with a journey back to the last world war when nearly 50 million Russians and Chinese died. Hu met with Russian veterans in Moscow, paid tribute at the Tomb of the Unknown Soldier outside the Kremlin Wall, joined 60 other foreign dignitaries in a 75-minute parade, and met Russian President Vladimir Putin in the Kremlin afterward.

In China, there were numerous commemorations: cemeteries for 11,000 Soviet deaths were tended; Chinese veterans who served in the Soviet military during the war were recognized and decorated; sales of Soviet war literature went up; and the Soviet novel/movie *Quiet Dawns* – which dramatizes the death of five young female Soviet soldiers during the war and was banned during China's Cultural Revolution (1966-76) – was reproduced, with Russian actors and Chinese directors, as a soap on Chinese state-run TV, etc. In his meeting with Hu after the Red Square victory parade, President Putin thanked the Chinese side for cooperating with the Soviet Army in defeating the Japanese in August 1945 and for China's efforts to commemorate the sacrifice of Russians during the war.

Russia and China, however, did not revisit the past only for the sake of the past. Moscow's Victory Day celebration – perhaps the last "grand" one with the few remaining survivors from Russia's "greatest generation" – served as a convenient vehicle for both nations to assess an increasingly unbalanced post-Sept. 11 world. China's presence at an event for the European theater was particularly comforting in contrast to Bush's revisionist and critical remarks about Franklin D. Roosevelt and Winston Churchill (Bush linked Yalta to British Prime Minister

Chamberlain's concessions to Hitler at Munich in 1938 and the Molotov-Ribbentrop Pact in 1939), Japanese Prime Minister Koizumi Junichiro's initial reluctance to come, and a general amnesia in the West that discounts the role of the Russians in defeating the Nazis.

Still, the world is irreversibly moving into the 21st century, and distinctions between victors and vanquished of the great war of the past century mean less and less. For Putin, one of Russia's own "boomers," it was "the demise of the Soviet Union" that constituted "the greatest geopolitical catastrophe of the century," stated the former KGB officer in his annual State of the Nation speech from the Kremlin on April 25. If Russia's steep decline makes the world unbalanced and therefore less stable for Putin, China's steady rise, though peaceful so far, has yet to be fully accepted and welcomed by the status quo powers. Despite their divergent fortunes, the sources of their national anxiety relate to relations with the U.S. It was against this backdrop that the Chinese president began his four-day official visit to Russia on June 30.

Moscow summit: eye on world order

President Hu began his official visit to Russia with a private dinner and informal late-night talks at Putin's suburban residence in Novo-Ogaryovo. Despite its informal setting, "high-value" topics dominated the evening talks, along with "an in-depth exchange of views on a wide range of subjects," according to Chinese media. "Military-technical cooperation and interaction in the military area are expanding. We have planned the joint military exercises this year for the first time in many years," the Russian president remarked as he opened the evening meeting with his Chinese guests.

After a three-hour formal talk in the Kremlin the following day, the two sides signed the "Joint Declaration on the International Order in the 21st Century." The two presidents also witnessed the signing of several cooperation documents in the areas of energy, power transmission, banking and credit, debt service, etc.

The 12-article joint statement recognizes the complicated and lengthy process of building a desirable international order (article 1). Such an order can be achieved through four broad approaches:

- adhere to international law and principles (article 2) and a major role of the UN (article 3);
- pay attention to the issue of development (articles 4, 5, 10);
- promote multilateralism, diversity, equal dialogue in human, cultural, and social development (articles 6,7,8,11,12); and,
- construct a new security framework (article 9).

Both sides spoke highly of the joint declaration. It was "a most important document reflecting the coincidence of fundamental views of Russia and China on key questions of the modern world order, our common vision of prospects for development of humanity," remarked a Kremlin official. This was because it "will confirm the commitment of the sides to the formation of a new fair and rational world order based on primacy of international law, multilateral approaches, equality and mutual respect, and the enhancement of the role of the UN in world politics."

It was almost impossible to escape the warm words from both sides for the summit in general and the world order document in particular. Any Sino-Russian summit, however, seems to be run like a Chinese banquet, with numerous courses coded with fancy names, regardless of their nutritional content. One needs to go beyond the fog of summit rhetoric to taste the substance, however. Hu's Russia visit was no exception. Below and beyond the publicly articulated high principles for a desirable world order, Moscow and Beijing had genuine concerns about a world that may not move as they desire: the ever assertive foreign/defense policies of the Bush administration despite the bloody "peace" in Iraq; steadily growing Japanese military power with highly selective national memories of what that country did in the first half of the past century; the precarious Korean nuclear issue still without sight of any meaningful resolution; and, an almost unstoppable arms race across the Taiwan Strait.

Summer breeze for mil-mil

The Russian-Chinese anxiety of a more precarious world was somewhat reflected in seemingly smoother military-military relations between the two nations. This issue topped the agenda of the June summit in Moscow. Throughout the second quarter, Russian arms dealers and makers were busy filling orders from China: 8 *Kilo-class* diesel-electric submarines, 2 *Project 956-EM* destroyers, up to 500 *RD-93* aircraft engines, various types of missiles, etc. The Chinese expect delivery in the second half of 2005. Meanwhile, Moscow and Beijing were busy making final touches on the upcoming joint military exercise, coded *Sodruzhestvo-2005 (Commonwealth-2005)*, to be held in eastern China on Aug. 12-26. On June 6, the two militaries concluded the fifth round of negotiations in Vladivostok. On June 28, an agreement was signed in Moscow on the "status of forces," which covers rights and liabilities of Russian and Chinese personnel to participate in the exercise, the time-frame of their deployment in Russia and China, transportation means, etc.

Since the agreement to hold the exercise was signed during Russian Defense Minister Sergei Ivanov's visit to China on Dec. 12-13, 2004, the nature and content of the exercise have been considerably reshaped. In the beginning, the drill was described as one of "counter-terrorism" within the SCO framework, with a token force of a few hundreds from the Russian side. By June 2005, the SCO "cover" still remained. So was the rhetoric of not being directed against any third party/nation. "Antiterrorism," however, had become a "component." Meanwhile, the Russians and Chinese would use 8,000 men for the drill (3,000 Russians and 5,000 Chinese) for the first-ever exercise. It was unclear how many of the 3,000 Russian personnel would directly operate in China and how many would play supportive roles or remain in Russia or outside Chinese territory (on boats, for example). The type of weaponry (*Tu-95MS* and *Tu-22MZ* strategic bombers) and operations (Russian paratroopers from *Ilyushin-76* transport airplanes and simulated beach assault from large Russian landing craft) involved, however, amount to "overkill" for "antiterrorist" and "peacekeeping" purposes.

Russia and China, however, do differ in their perceptions of and preference for the exercise. China has been more eager to stage a larger and more comprehensive drill involving more personnel and equipment, particularly from the Russian side. On the other hand, Russia seems content with a smaller force, but with selective weaponry for demonstrative, presumably commercial, purposes.

This disparity between the declared goals of the drill and its actual content and execution, however, may be intentional. With both symbolic and real impacts, the first Russo-Chinese military exercise serves several goals for the two nations and the SCO. It will enhance the strategic partnership between two nations in both the geopolitical and regional contexts. Some PRC analysts defined this goal as based on “deep strategic considerations.” Another imperative is to harmonize the interaction between the two militaries beyond mere arms transfers and to test the capability and compatibility of their weapons systems under different operational military doctrines. Last if not least, the demonstration of Russia’s strategic gadgets may result in more weapons sales.

The commercial implications of the exercises should not be underestimated. For quite some time, the Russian side has engaged in a debate, both publicly and internally, about its ability to sell arms. Few were optimistic. The consensus has been rather gloomy: Russia’s global arms sales will inevitably decline in the next 5 to 10 years due to the end of volume orders from a few nations such as China and India. The inability of Russia’s arms industry to provide quality after-sales service and to innovate into high-tech areas, particularly in electronics, would also handicap Russia’s hardware manufacturers in competing with more sophisticated weapon designs in the West. As a result, many in Russia anticipate that India and China will either divert procurement away from Russia or opt for more joint R&D, rather than volume purchasing Russian systems.

Under these circumstances, a growing number of Russian defense analysts and officials call for upgrading the current level of arms sales to China to retain it as a major market for Russian arms. Russia’s strategic bombers are one category of weapons that Moscow has refrained from selling to China. Having provided the Chinese with tactical fighter-bombers such as the *Su-27s* and *Su-30s*, the *Tu-95MS* and *Tu-22MZ* strategic bombers are the natural candidates for the PLA Air Force, which so far only has limited power projection capabilities. More recently, China has shown some “keen interest” in the *Tu*-series bombers, according to Gen. Vladimir Mikhaylov, commander-in-chief of the Russian Air Force. Meanwhile, China is also more interested in joint R&D with the Russian side for more advanced weapons systems. During the second Sino-Russian Unmanned Aerial Vehicles (UAVs) Conference in Beijing in May, Chinese weapons specialists offered Russia cooperation in developing front-line aircraft and supersonic UAVs.

SCO: not so quiet on China’s western front

Closer military-military ties between Moscow and Beijing also have a geopolitical basis, notably the growing instability in Central Asia and among some SCO states. To be fair, the SCO faces divergent trends. One is the continuous broadening of its ranks and external contact with other international organizations. In the SCO’s annual foreign ministerial meeting in early June in the Kazak capital of Astana, the decision was made to accept India, Pakistan, and Iran as new “observers,” a status previously extended only to Mongolia. This was in conjunction with the fourth anniversary of SCO’s founding with a series of activities mostly in Beijing. Meanwhile, the regional security mechanism officially established contact with the Commonwealth of Independent States (CIS) (April 12) and ASEAN (April 21).

Despite this progress, a deeper and more unsettling trend for regional organizations has been in the making, largely from the ripple effect of the so-called “color revolutions” in many, if not all, the former Soviet states. In the aftermath of the popular uprisings against the ruling elite in Georgia (2003), Ukraine (late 2004), and Kyrgyzstan (March 2005), Uzbekistan was apparently the focal point for the “color revolution” in the second quarter.

Both China and Russia came to support the embattled government led by President Islam Karimov. Less than two weeks after the Uzbek government cracked down on prison riots and anti-government uprisings in the Andijon region leaving hundreds dead or wounded, President Karimov found himself in Beijing for a state visit. China’s treatment of the embattled Uzbek government was impressive. This included meeting with Chinese President Hu, signing a treaty of “partnership, friendship, and cooperation” and 14 other agreements for “comprehensively” deepening mutually beneficial cooperation “in all fields,” and signing over 20 economic contracts worth about \$1.5 billion.

It was not until late June that Russian Defense Minister Sergei Ivanov announced that Russian forces would conduct joint military exercises with the Uzbeks this summer. Essentially, the main result of Karimov’s visit to Moscow was that Uzbekistan would offer its territory for deployment of Russian troops – up to 10 airfields – if the situation in Central Asia destabilizes. Thus, “Uzbekistan has made a final decision to change its foreign-policy orientation and turn toward Russia,” stated Karimov after his talks with Putin.

The different approaches by the Chinese and Russian government in their “rescue” effort for Uzbekistan may reflect the different forms of their national power: China is an economic giant while Russia is still a military power. The timing of their intervention in the Uzbek situation – one and half months apart – however, goes beyond the issue of available national means and resources. China was certainly more alarmed than Russia by the domino effect of the “color revolution” following the toppling of Kyrgyzstan’s government in March. With the still unsettled “dust” from the Kyrgyzstan “revolution” in the air, SCO Secretary General Zhang Deguang visited the nation and tried to stabilize and salvage relations between the SCO and one of its founding members.

While Beijing moved relatively swiftly after the unrest in Kyrgyzstan and Uzbekistan, there was anxiety among some Chinese analysts who saw President Putin as “an indifferent spectator” to the deteriorating events in Central Asia. The reasons for Putin’s inaction were two-fold: Russia was a much weaker state and Putin wanted to shift this “hot potato” to China and to use China’s strength to challenge U.S. expansion in Central Asia (according to a pro-PRC newspaper in Hong Kong).

The apparently divergent Russian and Chinese approaches to the unrest in Central Asia seemed to be played out in early June when SCO security councils’ secretaries and foreign ministers met in the Kazak capital Astana to prepare for the SCO’s annual summit in early July. Chinese officials stressed the need to take immediate and effective actions in dealing with the SCO’s problems. “Security cooperation needs to be strengthened, and China is willing to join efforts with other SCO members to further expand consensus, *take real measures to carry out existing*

agreements [emphasis added] and provide a safe environment for social and economic development of the region,” urged Chinese State Councilor Zhou Yongkang in his speech to the SCO security councils’ secretaries on June 2.

Two days later when SCO foreign ministers met in Astana, Chinese Foreign Minister Li Zhaoxing reiterated that “...[I]t is urgently necessary to continually consolidate solidarity and cooperation between its members, grasp implementation, *do practical things*, and *pursue practical results*. All parties must get a tight grasp of preparations and make thorough plans to ensure that the Astana SCO summit in July will be a grand meeting of solidarity, pragmatism, and progress. We should therefore pay attention to the following points: First, it is essential to strengthen security work *without the slightest slackening*; second, focus vision on the long term, increase input in economic cooperation, and *do more practical things...*” [emphasis added]

Russian officials, however, voiced different opinions about the SCO’s operation during the conferences. Foreign Minister Sergei Lavrov, for example, insisted that equal dialogue, consultations, and talks are “the most effective means for resolving conflicts and safe-guarding peace.” “One must respect and protect models of civilization and models of development without resorting to force of the threat of it,” the Russian foreign minister stressed. “The affairs of each country must be resolved independently by its people,” and “These principles make up the fundament of the SCO, give it a life force and the ability to find consensus and rules out the division of states into leaders and the led.” If the words of the Russian foreign minister were still unclear in its reference, *Itar-Tass* offered a more revealing title: “Russian Foreign Minister Calls For Equality in SCO Decision-Making.”

While the rhetoric on the “equality in SCO decision-making” aimed at the perceived inequality among SCO members, Lavrov also pointedly reminded both his fellow SCO member states and perhaps the West that he did not agree that the SCO had become an “anti-orange bloc.” Two days later, Lavrov went public again to address his disagreement with certain opinions within the SCO that the regional organization “is not planning to create any kind of a military structure.” He said the SCO depends on “law enforcement bodies and special services” in fighting terrorism, organized crime, and drug trafficking, not rapid-reaction forces for countering possible external threats within the framework of the Collective Security Treaty Organization (comprised of Russia, Belarus, Kazakhstan, Kyrgyzstan, Tajikistan, and Armenia).

Whatever the case, Moscow seemed to opt for a business-as-usual approach, at least before it offered its own “military option” in late June during Uzbek President Karimov’s visit to Moscow. Meanwhile, China preferred a more immediate and more effective approach in dealing with growing instability in the region. The real reason for Russia’s declared policy over SCO’s operation was perhaps not a less alarming view of the situation in Central Asia. Rather, it may well be the concerns over China’s growing influence in the region, a traditional Russian sphere of influence and part of the former Soviet empire. The SCO, no matter how it evolves, remains an interface for major powers, particularly China and Russia, to adjust their respective policies toward one another as well as with the outside world.

Anniversaries come and go. It remains to be seen how Hu's two trips to Moscow in the second quarter – one for the past and the other the present – will play out in the enduring geopolitical games across and beyond the Eurasian continent.

Chronology of China-Russia Relations April-June 2005

March 31-April 3, 2005: Former Russian Prime Minister Primakov and honorary chairman of the Russia-China Friendship Committee for Peace and Development visits China at the invitation of Chinese counterpart Qian Qichen.

April 3-6, 2005: Russian presidential aide Viktor Ivanov visits China with a delegation of the presidential administration at the invitation of China's Ministry of Personnel. He meets with State Councilor Hua Jianmin, head of the Organization Department of the CCP Central Committee He Guoqiang and Vice Premier Huang Ju.

April 7, 2005: A delegation of the Chinese People's Armed Police (PAP), led by Maj. Gen. Xi Zhongchao, PAP's deputy commander-in-chief, visits Russia at the invitation of the Russian Interior Ministry Forces (IMF). The group meets with Col. Gen. Nikolai Rogozhkin, IMF commander-in-chief, and visits IMF's Central Museum, military units in IMF's Moscow and Northwestern districts, and St. Petersburg.

April 11-14, 2005: CIS Executive Secretary Vladimir Rushaylo visits Beijing to deepen cooperation between CIS and the Shanghai Cooperation Organization (SCO) in economic and security areas. Rushaylo meets with Chinese State Councilor Tang Jiaxuan, and a protocol on mutual understanding and cooperation was signed.

April 14-15, 2005: Chinese First Deputy FM Dai Bingguo visits Russia at the invitation of Russia's First Deputy FM Valery Loshchinin. The two discuss bilateral relations, SCO, CIS, Korea, and the UN. Dai also meets with FM Sergei Lavrov, the president's foreign policy aide Sergei Prikhodko, the president's special representative for human rights Vladimir Lukin, and First Deputy Secretary of the Security Council Yuri A. Zubakov.

April 25, 2005: Putin makes State of Nation speech.

May 4, 2005: Second Russian-Chinese seminar on unmanned aerial vehicles held in Beijing.

May 8-9, 2005: President Hu Jintao travels to Moscow to join more than 50 other state leaders for the May 9 celebration marking the 60th anniversary of Russian victory in the Great Patriotic War against Nazi Germany.

May 12-14, 2005: St. Petersburg Gov. Valentina Matviyenko visits China to sign agreement on the construction of a multifunctional complex Baltic Pearl (\$1.25 billion) in St. Petersburg. Five largest Shanghai companies controlled by the state will invest and construct the 180-hectare project. Matviyenko meets Vice Premier Zeng Peiyan.

May 18, 2005: President Hu Jintao meets with outgoing Russian Ambassador Igor Rogachev before the latter's final departure for home May 21. Rogachev had been ambassador to China since 1992.

May 22, 2005: Russian Motherland Party leader Dmitriy Rogozin visits Beijing and meets with Wang Jiarui, head of the International Department of the CPC Central Committee. The Russian group also meets with officials of China's State Council and the Chinese Foreign Ministry.

May 25-26, 2005: The Sixth Plenary Session of the Sino-Russian Committee on Friendship, Peace, and Development is held in Moscow. It adopts the committee's work program for 2005, which includes 55 activities.

June 1-2, 2005: Tripartite conference between foreign ministries of Russia, China, and India in Vladivostok, the fourth of this kind and first outside any multilateral context. Bilateral meetings also take place in Vladivostok. A joint communique is signed. On June 2, FM Lavrov and FM Li exchange ratifications of an additional agreement on the eastern part of Sino-Russian border signed during President Putin's visit to China in October 2004.

June 2, 2005: SCO holds second security councils' secretaries session in Astana, Kazakhstan.

June 3-4, 2005: SCO holds annual foreign ministerial meeting in Astana. The decision is made to admit Iran, India, and Pakistan as SCO observers. They prepare for the SCO summit in Astana July 5-6.

June 6, 2005: The fifth round of consultations on preparations for the first joint Russian-Chinese military exercise held in Vladivostok. They approve the concept and schedule of the drill and work on legal and international documents, as well as the status of forces agreement for Russian troops on Chinese territory.

June 7-12, 2005: Vice Premier Zeng Peiyan visits Irkutsk en route to St Petersburg to attend the second Russian-Chinese investment forum on June 9-10. He also visits Moscow and talks with Russian Vice Premier Alexander Zhukov. Seven projects (\$1.7 billion) are agreed to during the forum.

June 10, 2005: President Putin appoints deputy FM Sergei Razov as Russia's new ambassador to China.

June 14-16, 2005: Third forum on China-Russia regional cooperation and development takes place in Harbin. 300 government officials, experts, and businessmen from both countries attend.

June 16-19, 2005: The 16th Harbin Trade and Economic Fair concludes with contracts worth \$3.96 billion. Over 7,000 Russian businessmen took part. China's Vice Premier Wu Yi spoke.

June 16-18, 2005: Speaker of the State Duma Lower House of the Russian Parliament Boris Gryzlov visits China at the invitation of NPC Standing Committee Chairman Wu Bangguo. Gryzlov also meets with Premier Wen Jiabao and President Hu. Gryzlov and Wu sign agreement to initiate a cooperation committee for annual regular exchange the NPC and the State Duma.

June 17-19, 2005: Russian and Chinese experts meet in Khabarovsk for the first round of negotiations on the demarcation of the eastern section of their border.

June 25-29, 2005: Russian Federal Space Agency chief Anatoly Perminov travels to Beijing for seventh meeting of intergovernmental commission for space cooperation.

June 27-28, 2005: Col. Gen. Vladimir Moltenskoi, Russian Land Forces first deputy commander-in-chief, and Maj. Gen. Qian Lihua, deputy chief of the Foreign Affairs Chancellery of the Chinese Defense Ministry, sign status of forces agreement for joint exercise “*Commonwealth-2005*” on Aug. 18-26.

June 30-July 3, 2005: President Hu pays official visit to Russia. In addition to talks with Russian leaders and signing various documents including the “Joint Declaration on the International Order in the 21st Century,” Hu visits Novosibirsk, Russia’s third largest city.

About The Contributors

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