



Regional Overview:

(Almost) Everyone Pivots to the Asia-Pacific

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A trifecta of international gatherings – the Asia Pacific Economic Cooperation (APEC) Leaders Meeting in Beijing, the East Asia Summit (EAS) in Nay Pyi Taw, and the G-20 gathering in Brisbane – had heads of state from around the globe, including US President Barack Obama, flocking to the Asia-Pacific as 2014 was winding to a close. North Korea was not included in these confabs but its leaders (although not the paramount one) were taking their charm offensive almost everywhere else in an (unsuccessful) attempt to block a UN General Assembly resolution condemning Pyongyang’s human rights record. More successful was Pyongyang’s (alleged) attempt to undermine and embarrass Sony Studios to block the release of a Hollywood film featuring the assassination of Kim Jong Un.

The democratic pageant

The United States. The Republican Party walloped the Democratic Party in midterm elections, retaking control of the Senate and is now running both houses of Congress for the first time in eight years. The GOP victory was forecast by most analysts; what the party will do with it is not so clear. Optimists argue that Republicans will try to prove their governing credentials and work with the president and moderate Democrats to move forward on consensus issues such as trade agreements – the chief opposition to the Trans-Pacific Partnership (TPP) Free Trade Agreement has been from Democrats, although GOP support for trade deals cannot be taken for granted – tax reform, and perhaps even immigration legislation. Pessimists counter that hardliners in both parties will focus on principles rather than pragmatism, with Democrats joining GOP rejectionists to bring Congress to a halt. The GOP could also focus on symbolic votes to repeal Obama’s legacy health care program or congressional investigations that aim to undermine former Secretary of State Hillary Clinton’s presidential prospects in 2016.

The president won’t be twiddling his thumbs in the meantime. In the two months since the election, he has taken executive action to push immigration reform, normalize relations with Cuba, and signed a historic climate deal with China. Action is expected on Environmental Protection Agency regulations and perhaps even campaign finance. A nuclear deal with Iran may also be in the works. Forget the notion of a chastened, lame duck president: it appears that Obama will be busy during his last two years in office.

Indonesia. In Southeast Asia’s largest democracy, the news was not encouraging. In October, the old guard took its revenge on Joko Widodo, who bested retired Gen. Prabowo Subianto in July’s presidential elections, by restoring the old practice by which local leaders such as mayors and governors were selected by local parliaments, rather than open voting as was adopted in 2005. In

theory, the change was made to save money; in reality the changes prevent newcomers like the new president from rising to power. Local parliaments are controlled by established parties and ensuring that they select local leaders allows them to control the political landscape. The bill was passed in the final hours of the Parliament's five-year term with a 2 AM vote. Since Prabowo and his allies have a majority in the new Parliament, they can override any procedural challenge to the legislation in the new legislature. Recognizing the danger the vote would do to his legacy, outgoing President Susilo Bambang Yudhoyono subsequently repealed the legislation but the new legislature was scheduled to vote again in early January to reinstate the bill.

Taiwan. The ruling Kuomintang (KMT) party took a beating in local elections for positions ranging from village chiefs to mayors. The KMT held 15 of Taiwan's 22 cities and counties before the vote; when the dust cleared, it held just six, and lost control of Taipei, a KMT stronghold for the last 16 years. The Democratic Progressive Party (DPP) controls 13 cities, including four of Taiwan's six special municipalities, the island's largest cities. Three cities went to independents. The results have been heralded as a vote of no-confidence in President Ma Ying-jeou, especially his cross-strait policy that seeks better ties to China. The KMT has challenged that interpretation, insisting that local issues were on the ballot.

Both are true. The vote was a testimony to the unease that young voters feel about their future and a vote of no confidence in the KMT's management of the economy. At the same time, the DPP cannot take the win for granted. Its China policy remains a source of great speculation and finding a middle ground that will satisfy its deep-green supporters, independents, and China will be difficult.

Hong Kong. It took 79 days for the the Occupy Central movement to burn out, but it ended with the protest sites shut down, the final demonstrators sent home, and a deep sense of unease. The Hong Kong government (and the Beijing government behind it) was relieved that the protests ended without significant violence, but the ill will and larger questions remain. The ostensible object of the protest – the right of residents of Hong Kong to select their own leader; Beijing insisted that a committee would screen all candidates – was a proxy for a more general grievance about the Special Administrative Region's future. Residents fear that opportunities are shrinking and that connections to the mainland determine success, not hard work or education.

The decisions that animated the Occupy movement also hardened Taiwanese sentiment against reunification. The “one country, two systems” model that was to induce the island to return to the mainland was exposed as rhetoric. While an overwhelming majority of Taiwanese had long rejected the formula, the recent Hong Kong events put yet another nail in that coffin.

Japan. Prime Minister Abe Shinzo and his Liberal Democratic Party (LDP) have their election win; a mandate is another matter, however. The election was mostly a reminder to Japanese voters of how few choices they have and the poverty of the opposition. That said, the long-term results are not the obvious. The far right end of the political spectrum was weakened, the left-leaning Komeito party was strengthened in the ruling coalition, and the opposition DPJ might have finally hit bottom and begun its rebound. Prime Minister Abe has pledged to double down on Abenomics, his economic agenda, and said he will press for more changes to national security and defense policy, including constitutional reform, although Komei's strong showing in the

ballot will make that harder. Japan's economic outlook will be the barometer for his political future: the country is again in recession and the numbers – inflation, wages, productivity – are going the wrong way. Abe has bought his party two more years in power; whether he is the prime minister throughout that term is another matter.

Thailand. The Thai junta continues to consolidate its grip on power. The country remains under martial law and democracy supporters have been purged. Government criticism is banned, as are demonstrations, along with public gatherings of more than five people. The junta has reportedly forced the cancellation of university seminars on constitutional and political issues. The media is under intense scrutiny and journalists have been told to refrain from asking some questions, such as the wealth of certain government officials.

In late December, the deputy prime minister revealed that there would be no new elections until February 2016 at the earliest. Previously Prime Minister Prayuth Chan-Ocha had said the ballot would be held around October 2015. In the meantime, a new constitution will be written, in theory by September 2015. It must then be approved by the king, and laws written. The king's health remains a question. For all the junta's efforts at repression, there are mounting concerns about its ability to contain the situation in Thailand.

APEC Leaders Meeting: Xi's shindig

The November 2014 Asia Pacific Economic Cooperation (APEC) Leaders Meeting marked APEC's 25th anniversary and the 22nd economic leaders get-together. The meeting was a triumph for China and President Xi Jinping — the choreography of the entire gathering underscored Chinese power, the agenda reflected Beijing's concerns, and Xi emerged as a regional leader perhaps without peer. As always, APEC remains divided, torn between competing visions – one grand, one technocratic – and different needs of member economies.

The meeting produced agreement to study the Free Trade Area of the Asia Pacific (FTAAP), originally a US initiative that Beijing championed to demonstrate its commitment to Asia-Pacific trade and (it is theorized) to slow progress toward the Trans-Pacific Partnership (TPP) trade deal. China originally sought to gain agreement to pursue the FTAAP, but the US objected and the compromise was the feasibility study. The group approved initiatives on global value chains, supply chains, and capacity building. It also adopted a blueprint to promote regional connectivity by 2025 and agreed to a transnational effort that would strengthen cooperation in the fight against corruption, a high priority for China. Among the usual side meetings and bilateral deals, three in particular stand out: the meeting of Xi and Japanese Prime Minister Abe, the summit between Presidents Obama and Xi, and a Xi-Park Guen-hye sit-down that produced a substantive agreement on the China-ROK free trade agreement.

A handshake and a grimace. One of the benefits of international meetings is the opportunity for side meetings, including ones that might otherwise be politically difficult to arrange (see Obama's trilateral meeting with Prime Minister Abe and President Park Guen-hye along the sidelines of the Nuclear Security Summit in our May 2014 report). The main photo op from this year's APEC gathering was the strained handshake between Abe and President Xi. While their foreign ministries laid the groundwork for the historic first meeting between the two with parallel

statements that seemed to acknowledge that a dispute did indeed exist between the two over the contested Senkaku/Diaoyu Islands (a Chinese precondition for the meeting), the [expressions on both their faces](#) told the real story. Backsliding since the meeting by both sides leaves the island dispute unresolved and sure to complicate future relations between the world's number two and three economies. Jim Przystup's chapter provides the details.

Another "shirtsleeve" summit. The APEC gathering also provided Presidents Obama and Xi an opportunity to meet one-on-one for another round of informal summitry, with this meeting appearing less consequential than their Sunnylands meeting 17 months ago. Nonetheless, as explained in greater detail in our US-China chapter, the two leaders did try to regain some of the momentum lost since their first shirtsleeve summit, although Obama this time avoided talking about the "new type of major country relations," a favorite Chinese term that has become politically sensitive in Washington.

East Asia Summit: Myanmar comes of age?

The most significant aspect of the Nov. 12-13 East Asia Summit (EAS) was its venue; the summit was the culmination of Myanmar's successful first year as ASEAN chair and the first major international gathering in its (relatively) new capital, Nay Pyi Taw (NPD). It also brought President Obama to Myanmar for the second time in the past two years. He was careful to stress that much more needed to be done as the country slowly and cautiously proceeds along the path toward greater democracy, even while praising the steps taken thus far to open up this closed society. Obama also met Aung San Suu Kyi (ASSK) in Yangon.

Democratic process incomplete. During his press conference on Suu Kyi's back porch, Obama stressed that Myanmar's reforms were "by no means complete or irreversible"; he called for "free, fair and inclusive elections" and a constitutional amendment process that reflected "inclusion rather than exclusion." He also said the US was "paying attention to how religious minorities are treated in this country" while warning that "journalists can't be jailed simply because they were critical of the government."

For her part, ASSK called for a "healthy balance between optimism and pessimism," while calling for "a culture of democratic compromise." She described Myanmar's constitution as "unfair, unjust and undemocratic," arguing that "the majority of our people understand that this constitution cannot stand as it is if we want to make a true transition to democracy." That said, few believe that the constitution will be amended to allow her to run for president prior to the 2015 nationwide elections. Hopefully Washington (and ASSK) can look beyond this single issue in assessing how much progress Myanmar has made.

EAS "business as usual." The Chairman's Statement for the ninth annual EAS "reaffirmed the importance of the EAS as a Leaders-led Forum for strategic dialogue and cooperation on political, security, economic and social issues of common regional concern and a range of complex challenges facing the region." It contained something for everyone; reiterating the aim to complete Regional Comprehensive Economic Partnership (RCEP) negotiations by the end of 2015 while also welcoming continued negotiations for the Trans-Pacific Partnership (TPP) and

supporting Free Trade Agreements with EAS participating countries, noting that all such activities “contribute to further increasing regional economic integration.”

Turning a blind eye toward myriad activities that are frantically changing the status quo in the South China Sea (not the least of which being Beijing’s efforts to create new islands presumably capable of supporting airstrips), the Statement welcomed the progress on full and effective implementation of the Declaration on the Conduct of Parties in the South China Sea (DOC), and consultation on a code of conduct to govern activity in the South China Sea (COC).

The statement also reaffirmed a “commitment for achieving peace and security and a world free of nuclear weapons and all weapons of mass destruction.” It also “reiterated the importance of fully implementing and complying with obligations under the relevant UNSC resolutions and commitments under the 19 September 2005 Joint Statement of the Six-Party Talks,” while calling for “the creation of necessary conditions for the resumption of Six-Party Talks, based on commitments previously made in these Talks, which would pave the way for the denuclearisation of the Korean Peninsula in a peaceful manner.”

On one issue there was no equivocation: “We condemned the brutal violence, hatred and intolerance of the terrorist organisation operating under the name of the Islamic State of Iraq and the Levant (ISIL) in Iraq and Syria and denounced all acts of terrorism. ISIL negates basic Islamic and human values and poses a deadly threat to the people of Iraq and Syria, the broader Middle East and beyond, including our own societies.”

Member states also reaffirmed their pledge to enhance disaster management cooperation through regional mechanisms, including the EAS, ASEAN Defense Ministers Meeting-Plus and ASEAN Regional Forum. To this end, they adopted the EAS Statement on Rapid Disaster Response.

G-20: more of the same

November was a busy month. Australian Prime Minister Tony Abbott hosted many of the APEC grandees days later in Brisbane for a G-20 Summit. The group’s final communique identified the raising of living standards and creation of jobs through growth as top priorities. Reportedly, Australia was not eager to use the word “inequality” but the rest of the group differed: the final communique mentioned inequality twice. Summit attendees agreed on a plan outlined by their finance ministers earlier in the year, a proposal that has 800 measures that would, if implemented across all members, increase growth by 2.1 percentage points above current forecasts by 2018. In addition, a coordinating body will be set up in Sydney to facilitate infrastructure investment. Other priorities include: more jobs for women with the goal of adding 100 million women to the work force by 2025; urging strong and effective action on climate change; and increasing transparency on corporate reporting of taxes and profits.

As at the APEC meetings, many believe the real work of the G-20 is done in the bilateral meetings on the sidelines. The US and India agreed on ways to move forward the World Trade Organization trade facilitation package agreed in Bali last year. Turkey is now in the rotating chair of the G-20 and China will assume that role in 2016, besting Japan for that opportunity.

“Shirt-fronting” Putin. If his Chinese hosts made Russian President Vladimir Putin feel welcome in Beijing, this was clearly not the case when he ventured to Brisbane. (Russia was represented at the EAS by Prime Minister Dmitri Medvedev.) Just hours before his arrival, Prime Minister Abbott launched a blistering attack against the Kremlin’s leader, accusing him of behaving like a Soviet-era dictator seeking to regain old glories while his nation’s economy faltered. A month earlier, Abbott had said he planned to shirt-front Putin – a term used in Australian rules football, referring to an aggressive, front-on physical challenge – over the downing of Malaysian Airlines Flight 17, which resulted in the death of 38 Australians (and 298 innocent souls overall): “Look, I’m going to shirt-front Mr. Putin ... you bet I am. I am going to be saying to Mr Putin, Australians were murdered. They were murdered by Russian-backed rebels using Russian-supplied equipment.” Much was made of the fact that Putin was the first major leader to leave after the meeting concluded, before the final communique was released, although Putin personally praised the “constructive atmosphere” in Brisbane, despite the pressure put on him by Western leaders over the Ukraine crisis. He acknowledged that “some of our views do not coincide, but the discussions were complete, constructive and very helpful”; he described Abbott as a “very business-like person.”

President Putin’s actions were high on the agenda of a trilateral meeting among Prime Minister Abbott, Prime Minister Abe, and President Obama, who issued a statement condemning Russia over its actions in Ukraine. The G-20 Final Communique contained no references to Russia, Ukraine, or Malaysian Airlines Flight 17, however.

DPRK: charm and not-so-charming offensives

The North Koreans were also busy on the diplomatic front during the last four months of 2014, even though Pyongyang was not included in the APEC, EAS, or G-20 events. North Korea sent its diplomats far and wide seeking to defeat a United Nations General Assembly (UNGA) resolution condemning Pyongyang’s human rights abuses. This included DPRK Foreign Minister Ri Su Yong attending the UN General Assembly meeting in September for the first time since 1999, a high-profile visit to Moscow by special envoy Choe Ryong Hae, and an even higher profile seemingly spur-of-the-moment visit by three of Pyongyang’s senior-most officials – Hwang Pyong So, director of the North Korean Army’s General Political Bureau and vice chairman of the National Defense Commission; Choe Ryong Hae, a secretary of the Central Committee of the Korean Workers’ Party (WPK), who had been widely regarded as North Korea’s number two leader until Hwang reportedly replaced him as second among equals; and Kim Yang Gon, director of the United Front Department of the WPK – to Incheon for the closing ceremonies of the 2014 Asian Games on Oct. 4.

Incheon: hopes raised and dashed. The three North Korean luminaries were apparently hoping to meet ROK President Park at Incheon but she sent her prime minister to the closing ceremonies and the trio reportedly elected not to travel to Seoul to meet her, meeting instead in Incheon with Prime Minister Chung Hong-won, Unification Minister Ryoo Kihl-jae, and National Security Adviser Kim Kwan-jin. Amid applause for a potential “breakthrough,” the two sides agreed to a resumption of high-level dialogue later in the month. Alas, but to no great surprise, the North Koreans reneged. The North’s on-again, off-again charm offensive toward Seoul seemed once again to be off as 2014 drew to a close.

“*Crimes against humanity.*” Meanwhile, Pyongyang’s diplomatic efforts and protests notwithstanding, the UNGA on Dec. 18, 2014 adopted a resolution referring North Korea to the International Criminal Court (ICC) for human right abuses and for charges of crimes against humanity. In February, the *Report of the United Nations Commission of Inquiry on Human Rights in the Democratic People’s Republic of Korea* had detailed wide-ranging abuses in North Korea, which prompted the UN Human Rights Committee to vote in favor of referring North Korea to ICC for its human rights abuses in November, thus setting the stage for December’s action by the UNGA. The UNGA resolution also called for targeted sanctions against the Pyongyang leadership for the repression of civilians in North Korea. China and Russia voted against the resolution and are expected to block any attempt to take the issue to the ICC by exercising their veto rights in the UN Security Council. The North rejected the UN Commission’s report and condemned the actions of the Human Rights Committee and UNGA, calling the actions a “war declaration” and an “insult to the dignity” of its leader. Most ominously, in denouncing the Human Rights Committee statement on Nov. 20, the DPRK Foreign Ministry issued a statement that opening the door to a resumption of nuclear testing by Pyongyang: “Now that the U.S. hostile policy toward the DPRK compels the latter not to exercise restraint any longer in conducting a new nuclear test, its war deterrence will grow stronger unlimitedly to cope with the armed intervention of the US.” Not surprisingly, Pyongyang branded Washington as the “principal architect” behind the UN actions and warned that the US and its “servants” would be held “wholly responsible for all the consequences to be entailed by [the resolution’s] adoption.”

Americans released, but no breakthrough anticipated

US-DPRK relations also ran hot and (mostly) cold over the past four months. When not lambasting Washington for its hostile policy, hypocrisy, nuclear threats, and “stifling strategy,” Pyongyang was welcoming presidential envoy and Director of Central Intelligence James Clapper to North Korea for an early Christmas present; the release of the two remaining US prisoners, Kenneth Bae and Matthew Todd Miller. The third prisoner, Jeffrey Edward Fowle, had been released with considerably less fanfare a few weeks earlier, as an apparent goodwill gesture, which may have set the stage for the subsequent visit and release of the other two.

Clapper’s visit was also seen by some as yet another sign of a “breakthrough” but he reportedly made no promises and wasn’t even sure he would be coming home with the prisoners until the end of his visit. On CBS’s *Face The Nation*, Clapper asserted that North Korean officials were “disappointed” that all he had to offer was a letter from President Obama: “I think the major message from them was their disappointment that there wasn’t some offer or some big – again, the term they used was ‘breakthrough,’” Clapper said, adding “We weren’t sure how this was going to play out.”

Sony attack: who’d believe this movie?

In addition to denying all allegations of human rights abuses, Pyongyang has been equally convincing in denying culpability for the cyberattack on Sony by “Guardians of Peace” (GOP) even while applauding the phantom group’s efforts to protect and defend Kim Jong Un’s dignity.

The drama began with an intrusion into Sony's computers in late November that virtually shut down the studio. Personal details and email of employees were stolen (and released online) along with scripts and even some films. GOP subsequently demanded that the slacker comedy "*The Interview*," in which James Franco and writer, actor Seth Rogen are persuaded by the CIA to kill North Korean leader Kim Jong Un, be withheld from release. The US government blamed North Korea for being behind the attack, although private security firms were much less certain about Pyongyang's role or involvement. Initially Sony agree to pull the film, but after being chastised by President Obama in a press conference – "We cannot have a society in which some dictator someplace can start imposing censorship here in the United States" – and criticism by other actors, the film was made available in a limited release on Christmas Day.

President Obama said that the US "will respond proportionally" to North Korea's cyberattacks and terroristic threatening, "in a place and time and manner that we choose." As *The New York Times* noted, "if he makes good on it, it would be the first time the United States has been known to retaliate for a destructive cyberattack on American soil or to have explicitly accused the leaders of a foreign nation of deliberately damaging American targets, rather than just stealing intellectual property." At least three times since the press conference, North Korean connections to the internet have been cut. The cause of those glitches is unknown.

Kim's first trip? As 2014 was drawing to a close, Moscow revealed that President Putin had invited Kim Jong Un to Moscow next year to mark the 70th anniversary of the Soviet defeat of Nazi Germany in World War II. It will be interesting to see if he comes. Some are speculating that he might travel abroad before then. As North Korea marked the third anniversary of Kim Jong Il's death, Liu Yunshan, fifth in China's ruling Communist Party Standing Committee's hierarchy, paid his respects during a memorial at the DPRK Embassy in Beijing, despite China not being invited to the major ceremony in Pyongyang. Chinese Foreign Ministry spokesman Qin Gang told reporters, "We remember him on this day and we never forget the contributions he made in improving bilateral ties," adding that "China will work with the DPRK side to develop our traditional friendship and to jointly safeguard the peace and stability of the Korean Peninsula," prompting speculation that this could bring about a "breakthrough" in Sino-DPRK relations. The race to be Kim Jong Un's first foreign host appears to be on!

TPP: the end in sight?

The language from the Trans-Pacific Partnership (TPP) Leaders Statement released Nov. 10 hits all the right notes, but measured against the trade pact's original objectives they ring a bit hollow. They "welcome the significant progress in recent months," and "are encouraged that Ministers and negotiators have narrowed the remaining gaps on the legal text of the agreement..." Conclusion of the deal is "a top priority" and the leaders believe that the work so far "sets the stage to bring these landmark Trans-Pacific Partnership (TPP) negotiations to conclusion." Except the deal was supposed to have been done last year. Many observers blame the failure of the US and Japan to reach agreement on their bilateral negotiations for the holdup, but that is overly simplistic. We see the US failure to approve Trade Promotion Authority – "fast track" – as the big problem: why should US trade partners put a final offer on the table when they don't know if Washington can or will accept it?

Still, there is progress, and the best indication of that is the newfound willingness of South Korea to start talks on joining. The ROK Finance Ministry said that it was exploring the possibility of joining TPP. Officials cautioned that this was no commitment to actually join the group but that announcement in combination with the progress toward the bilateral FTA with China and the trade ministry's readiness to talk up the TPP is a good sign. US officials welcomed the statement but warned that new members would only be considered after the original deal is struck among the current 12 negotiating partners.

Asian Infrastructure Investment Bank: China's play

China made another big play to transform the region's economic architecture with a proposal to establish the Asian Infrastructure Investment Bank to fund, well, Asian infrastructure. The bank will operate out of Beijing, with China providing about half of its \$100 billion capital; the other 21 members will provide the rest. The bank is an attempt to satiate East Asia's \$8 trillion appetite for infrastructure investment (that is until 2020) and that demand suggests that existing institutions – the World Bank and the Asian Development Bank – are not doing the job.

Chinese officials (and others) insist that there is a need for new institutions, not only to meet demand, but to have an architecture that better reflects 21st century economic realities. In other words, China, along with other funders, wants its voice better represented in financial governance decisions. That objective is hard to fault, especially when the US Congress continues to delay reforms in the International Monetary Fund and the World Bank that would make those institutions more representative. But there is also a fear that institutions like the AIIB and the New Development Bank launched by the BRICS earlier this year seek to undermine the norms that govern international lending, norms that give rise to conditions that promote transparency and help ensure labor and environmental protection. Recipients claim they smack of financial imperialism and intrude on their sovereignty. China likes to advertise how its loans come with no strings attached. Beijing insists that the new institutions will complement not undermine those older bodies.

This concern prompted the US and like-minded governments to keep their distance from the AIIB, and reportedly Washington made real efforts to oppose its launch. US objections make some sense – and US officials concede that they had questions, not active opposition – but the story *looks* bad: the US is actively opposing an effort to respond to a powerful regional need, and protecting an institutional order that is outdated. In fact, the AIIB and the BRICS bank are too small to do great damage to those other institutions. The US should embrace reform and embrace the new banks; if it is concerned about their impact, Washington will have more leverage inside them than as an observer.

2015: new trajectories?

The year ahead looks as though it will upend some of the conventional wisdom in the Asia-Pacific region. One of the primary lubricants of change is the plummeting price of oil, which has dropped below \$50 a barrel in early January. Cheap oil has profound, and deeply unsettling, impacts on the global economy and geopolitics. First, it transforms the US economy. With gas

prices dropping below \$2 a barrel in some places in the US, consumer spending and confidence are up. That may help explain the blistering 5 percent growth recorded in the third quarter of 2014, a strong expansion that is expected to continue through 2015. US shale production plays a role in falling prices – along with weakening demand worldwide – and has helped shift US trade balances, as well as strengthened its hand internationally. This new outlook, coupled with Obama’s newfound readiness to take executive action, could well transform international perceptions of US strength.

Cheaper oil also helps governments like that of Indonesia push for long-needed reforms such as eliminating fuel subsidies. Shedding those price supports eliminates huge inefficiencies in those economies, and allows governments to better allocate scarce revenues and resources. Japan faces a new calculus as it considers the restart of nuclear reactors stopped after the March 11, 2011 triple catastrophe. Nuclear energy remains very unpopular in Japan and a different cost curve could alter the Tokyo government’s thinking, reducing a real source of friction with the public. China too will be recalculating energy decisions, in particular the agreement it reached with Russia for the long-term supply of energy. While Beijing drove a hard bargain and is generally believed to have “won” the negotiations when the final deal struck, it may yet rue the prices it agreed when the price of oil has fallen by one half since July 2014.

Conversely, this situation is devastating for Russia. That economy – and government revenue – is reliant on oil and natural gas exports, and the downward spiral, in combination with economic sanctions imposed in the aftermath of the annexation of Crimea and the subsequent aggression against Ukraine along with rampant corruption and inefficiency, has left Moscow weakened and exposed. It is not yet clear how Putin will respond to this reversal of his geopolitical position, but it would be dangerous to assume that he will meekly surrender the initiative. Dealing with these new balances of power will be some of the most pressing challenges in the year to come.

Regional Chronology **September – December 2014**

Sept. 1-5, 2014: Fifth round of negotiations on a China-Japan-Korea Free Trade Agreement (FTA) are held in Beijing.

Sept. 1-10, 2014: Negotiators from the 12 countries in the Trans-Pacific Partnership (TPP) trade agreement meet in Hanoi. The focus of discussion is issues such as intellectual property right protection and preferential treatment of state-owned enterprises.

Sept. 3, 2014: Chinese President Xi Jinping and all six other members of the Politburo Standing Committee publicly commemorate Japan’s surrender at the end of World War II.

Sept. 6, 2014: North Korea launches three short-range missiles off its east coast. The missiles reportedly flew 210 km before landing in the Sea of Japan (East Sea).

Sept. 7-9, 2014: US National Security Advisor Susan Rice travels to Beijing to meet senior Chinese officials, including State Councilor Yang Jiechi, to consult on a “range of bilateral, regional, and global issues.”

Sept. 8, 2014: International Atomic Energy Agency (IAEA) confirms in its annual report that North Korea has restarted the 5MWe reactor at its Yongbyon facility.

Sept. 8, 2014: US Chief of Naval Operations Adm. Jonathan Greenert speaking in Washington states that Malaysia has invited the US to fly *P-8 Poseidon* surveillance flights from east Malaysia over the South China Sea. The supposed offer is subsequently denied by Malaysian Defense Minister Hishammuddin Hussein.

Sept. 8-9, 2014: South Korea's Special Representative for Korean Peninsula Peace and Security Affairs Hwang Joon-kook visits Washington to meet US counterpart Glyn Davies to discuss ways to resume the long-stalled Six-Party Talks.

Sept. 11, 2014: South Korean Deputy Foreign Minister for Political Affairs Lee Kyung-soo, Japanese Deputy Foreign Minister Sugiyama Shinsuke, and Chinese Vice Foreign Minister Liu Zhenmin meet in Seoul to discuss the state of trilateral relationship.

Sept. 11-12, 2014: The 14th Shanghai Cooperation Organization (SCO) Summit is held in Dushanbe, Tajikistan. Leaders of the six member countries issue the Dushanbe Declaration, approve documents on SCO expansion, and pass a resolution on the 70th anniversary of the end of World War II.

Sept. 12, 2014: North Korean Coast Guard seizes a Chinese fishing boat and detains the crew of six, demanding a fine of 250,000 yuan (\$40,700) for releasing the boat and its crew.

Sept. 13-18, 2014: President Xi Jinping makes a four-nation Asia visit to Tajikistan, the Maldives, Sri Lanka, and India.

Sept. 14, 2014: North Korea sentences Matthew Miller, a US citizen who ripped up his visa upon arrival in Pyongyang, to six years with labor on charges of entering the country illegally and trying to commit an act of espionage.

Sept. 15-23, 2014: US conducts *Valiant Shield* joint military exercise in Guam. The biennial maneuvers include about 18,000 Army, Navy, Air Force, and Marine Corps personnel and features the Air-Sea Battle concept, which aims to overcome an enemy force's attempt to deny access and maneuverability within sea lanes and air space.

Sept. 17, 2014: Crew of the Chinese fishing boat detained by North Korea on Sept. 12 is returned to Dalian after the captain is forced to admit to poaching in North Korea territorial waters. The captain denies any wrongdoing after his release.

Sept. 17-18, 2014: Northeast Asia Cooperation Dialogue (NEACD) is held in San Diego. Participants include government officials and academics from the US, China, North Korea, South Korea, Japan, and Russia.

Sept. 22, 2014: A group of 70 business leaders from Hong Kong visit Beijing and meets President Xi, who reiterates the need to uphold the “one country, two systems” policy and warns that Beijing will not tolerate political liberalization in Hong Kong.

Sept. 23, 2014: At a meeting on the sidelines of the UN General Assembly in New York, Secretary of State John Kerry denounces human rights abuses in North Korea and states that the international community can no longer ignore the situation in the North given the [findings of the United Nations Commission of Inquiry on Human Rights in North Korea](#) (COI)

Sept. 24, 2014: Japan and China agree to resume talks on launching a bilateral “maritime communication mechanism” designed to avoid accidental military confrontation.

Sept. 24, 2014: South Korean First Vice Foreign Minister Cho Tae-yong meets Japanese counterpart Saiki Akitaka in Tokyo for a strategic dialogue for the first time in nearly two years.

Sept. 25, 2014: South Korean Foreign Minister Yun Byung-se and Japanese Foreign Minister Kishida Fumio meet on the sidelines of the UN General Assembly in New York.

Sept. 25, 2014: North Korea Supreme People’s Assembly (SPA) meets in Pyongyang for the second time in the year. Hwang Pyong So, the top political officer of the Korean People’s Army, is elected as vice chairman of the National Defense Committee replacing Choe Ryong Hae who had taken the position in the SPA session in April.

Sept. 26, 2014: In a [speech at the UN General Assembly](#), North Korean Foreign Minister Ri Su Yong states that the DPRK’s nuclear weapons are not a “bargaining chip” and that the Korean nuclear issue will be resolved with termination of the US hostile policy.

Sept. 26, 2014: US-ASEAN Ministerial Meeting is held on the sidelines of the UN General Assembly in New York.

Sept. 28-Oct 1, 2014: Demonstrations in Hong Kong protest China’s refusal to grant full democracy. The number of protesters increases after the police attempt to disperse by using tear gas. Taiwan’s President Ma Ying-jeou voices support for the protesters’ call for free elections.

Sept. 28-Oct. 3, 2014: US delegation led by Special Representative for North Korea Policy Glyn Davies travels to China, South Korea, and Japan to meet senior officials in each country to discuss North Korea policy.

Sept. 29, 2014: Japan and North Korea hold talks in Shenyang on the abduction of Japanese nationals during the Cold War.

Sept. 29-Oct. 10, 2014: US and Philippines conduct annual *Philippine Amphibious Landing Exercise (PHIBLEX)*, which involves nearly 4,000 troops and includes live-fire exercises on the island of Luzon and a mechanized assault exercise on the island of Mindanao.

Sept. 30, 2014: Prime Minister Narendra Modi meets President Barack Obama at the White House to discuss economic growth and cooperation on security, clean energy, climate change, and other issues.

Oct. 2, 2014: During a visit by Vietnam's Foreign Minister Pham Binh Minh to Washington, the US announces a partial lifting of a ban on the sale of military equipment to Vietnam. Secretary of State Kerry says the policy was "to allow the transfer of defense equipment, including lethal defense equipment, for maritime security purposes only."

Oct. 4, 2014: North Korea's Hwang Pyong So and two others visit South Korea to attend the closing ceremonies of the 17th Asian Games. They also meet South Korean Unification Minister Ryoo Kihl-jae and National Security Director Kim Kwan-jin, agreeing to resume high-level North-South dialogue.

Oct. 4-11, 2014: Assistant Secretary of State for East Asian and Pacific Affairs Daniel Russel travels to Seoul, Tokyo, and Nay Pyi Taw to meet counterparts and, in Nay Pyi Taw, lead the US delegation to the East Asia Summit (EAS) Senior Officials Meeting.

Oct. 7, 2014: Warships from the two Koreas exchange warning shots after a North Korean ship briefly violates the disputed Northern Limit Line in the West (Yellow) Sea.

Oct. 7, 2014: Myanmar announces that it will release over 3,000 prisoners, including former military intelligence officers.

Oct. 7, 2014: Japan-ASEAN Defense Vice-Ministerial Forum is held in Yokohama. Representatives agree to increased cooperation in information sharing, humanitarian assistance and disaster relief, defense exercises, and anti-piracy efforts.

Oct. 8, 2014: US and Japan release the interim report on the revision of the [Guidelines for Japan-US Defense Cooperation](#).

Oct. 9, 2014: Thailand's Prime Minister Prayuth Chan-ocha makes his first official trip abroad to visit Myanmar.

Oct. 10, 2014: Thousands of protesters return to the street in Hong Kong following the collapse of talks between protest leaders and the government.

Oct. 10, 2014: South Korean Coast Guard officers shoot and kill the captain of a Chinese fishing boat in a confrontation in the Yellow (West) Sea, triggering a protest from Beijing.

Oct. 15, 2014: North and South Korea hold their first high-level military talks in seven years following a series of incidents on their land and maritime borders.

Oct. 16, 2014: Japanese government calls for revisions to the 1996 UN report condemning the comfort women/sex slaves issues in light of the recent retraction by *Asahi Shimbun* that relied on questionable wartime accounts by Yoshida Seiji.

Oct. 16-18, 2014: Vietnamese Defense Minister Gen. Phung Quang Thanh leads a delegation of 12 senior military officers on a visit to Beijing at the invitation of Chinese Defense Minister Gen. Chang Wanquan “to strengthen friendly relations and comprehensive cooperation between the two armed forces and discuss measures to promote bilateral defense relations....”

Oct. 17-18, 2014: Secretary of State Kerry hosts State Councilor Yang Jiechi in Boston for private meetings to exchange views on US-China relations and global issues of common interest.

Oct. 20, 2014: Joko Widodo is inaugurated as president of Indonesia.

Oct. 21, 2014: North Korea releases Jeffrey Fowle, a US citizen who was arrested in May for leaving a Bible at a sailor’s club in the city of Chongjin, where he was traveling as a tourist.

Oct. 23, 2014: US and ROK hold their annual Security Consultative Meeting in Washington. It is followed by a 2+2 meeting with Foreign Minister Yun Byung-se and Defense Minister Han Min-koo and Secretary of State Kerry and Secretary of Defense Chuck Hagel.

Oct. 24, 2014: China and 20 other Asian countries sign a Memorandum of Understanding (MoU) establishing the Asian Infrastructure Investment Bank (AIIB) in Beijing.

Oct. 25-27, 2014: Australia hosts a meeting of ministers of the 12 Trans-Pacific Partnership (TPP) negotiating countries in Sydney.

Oct. 27, 2014: China’s State Councilor Yang Jiechi visits Vietnam in an effort to repair relations strained by the territorial dispute in the South China Sea.

Oct. 27-29, 2014: Japanese government officials led by Foreign Ministry Director General for Asian and Oceanic Affairs Ihara Junichi visit Pyongyang to discuss the investigation into Japanese citizens kidnapped by North Korea in the 1970s and 80s.

Oct. 27-Nov. 4, 2014: US Special Envoy for Six-Party Talks Sydney Seiler travels to South Korea, China, and Japan to meet senior officials in each country to discuss North Korea policy. While in Seoul he also represents the US at the first meeting of the Northeast Asia Peace and Cooperation Initiative.

Oct. 28-30, 2014: Inaugural meeting of the Northeast Asia Peace and Cooperation Initiative (NAPCI) is held in Seoul.

Oct. 29, 2014: Delegation headed by Ihara Junichi, director general of the Japanese Foreign Ministry’s Asian and Oceanian Affairs Bureau, travels to Pyongyang to receive an update about progress on the abduction issue.

Oct. 29-31, 2014: Third Seoul Security Summit is held with participation by vice-defense ministers and security experts from 26 different countries.

Nov. 9, 2014: North Korea announces the release of two US citizens, Kenneth Bae and Matthew Miller, to Director of National Intelligence James Clapper, who travels to Pyongyang to meet senior North Korean officials and escort the detainees back to the US.

Nov. 9-16, 2014: President Obama visits Asia with stops in Beijing for APEC Leaders Meeting, Nay Pyi Taw for the East Asia Summit, and Brisbane for the G-20 Summit.

Nov. 10, 2014: Presidents Park Geun-hye and Xi Jinping announce that South Korea and China have concluded years of negotiations on a free trade agreement.

Nov. 10-11, 2014: The 22nd APEC Economic Leaders Meeting is held in Beijing.

Nov. 12-13, 2014: The 25th ASEAN Summit is held in Nay Pyi Taw.

Nov. 13-14, 2014: The ninth East Asia Summit is held in Nay Pyi Taw.

Nov. 14-23, 2014: In conjunction with his participation at the G-20 Summit, President Xi Jinping makes state visits to Australia, New Zealand, and Fiji and meets leaders of Pacific Island countries that have established diplomatic relationship with China.

Nov. 15-16, 2014: G-20 Summit is held in Brisbane.

Nov. 16, 2014: Meeting on the sidelines of the G-20 Summit, President Obama, Prime Minister Abe and Australian Prime Minister Tony Abbot meet and agree to deepen their countries' military cooperation and work to strengthening maritime security in the Asia-Pacific region.

Nov. 17, 2014: Australia and China sign a bilateral declaration of intent to conclude a wide-ranging trade agreement.

Nov. 17-24, 2014: Choe Ryong Hae, a member of the Politburo Presidium and Secretariat of the KWP, leads a DPRK delegation on a visit to Russia with stops in Moscow, Khabarovsk, and Vladivostok. The group meets President Vladimir Putin and Foreign Minister Sergei Lavrov.

Nov. 18, 2014: Russian Defense Minister Sergei Shoigu visits China and meets Defense Minister Chang Wanquan in Beijing to discuss practical bilateral military cooperation in the areas of high-level visits, joint exercises, and professional communication.

Nov. 20, 2014: China and New Zealand announce that the two countries have upgraded their bilateral relationship to a "comprehensive strategic partnership," a decision made during talks between visiting Chinese President Xi Jinping and Prime Minister John Key.

Nov. 20-22, 2014: The Xiangshan Forum with a theme of "cooperation and win-win, build Asian community of destiny" is held in Beijing. Several defense chiefs from the region participate in the forum for the first this year.

Nov. 21, 2014: Japanese Prime Minister Abe dissolves the Lower House of the Diet.

Nov. 24, 2014: Sixth round of China, Japan, and South Korea FTA talks are held in Tokyo.

Nov. 24-26, 2014: Two Vietnamese frigates make the first-ever port call by Vietnam's Navy in the Philippines as part of goodwill visit.

Dec. 1, 2014: Japanese-built facility in Harbaling, China begins destroying some 300,000 chemical weapons abandoned after World War II.

Dec. 9, 2014: US Senate Intelligence Committee releases a [report](#) on the Central Intelligence Agency's detention and interrogation program following 9/11.

Dec. 11, 2014: Russian President Vladimir Putin visits India and meets Prime Minister Narendra Modi. They sign 20 agreements on a range of issues, including ones on defense cooperation and energy exploration.

Dec. 12, 2014: South Korea-ASEAN special summit is held in Busan.

Dec. 14, 2014: LDP-Komeito coalition wins election victory in Japan; *Xinhua* warns against "right-wing" trend in Japanese politics.

Dec. 15, 2014: The 13th annual Shanghai Cooperation Organization Prime Ministers Meeting is held in Astana.

Dec. 16-18, 2014: The 25th session of the US-China Joint Commission on Commerce and Trade (JCCT) is held in Chicago.

Dec. 22-26, 2014: Malaysian Armed Forces and China's People's Liberation Army (PLA) conduct their first-ever bilateral military exercise "to develop a common framework for humanitarian and disaster relief operations."

Dec. 23, 2014: Japanese Diet formally elects Abe Shinzo as prime minister.

Dec. 28, 2014: AirAsia Flight QZ8501 crashes in the Java Sea while enroute from Surabaya to Singapore. Countries from around the region including US, China, South Korea and several Southeast Asian countries provide assistance in the search and recover operation.

Dec. 29, 2014: United States, Japan, and South Korea sign a trilateral agreement on intelligence sharing about North Korea's nuclear and missile programs.