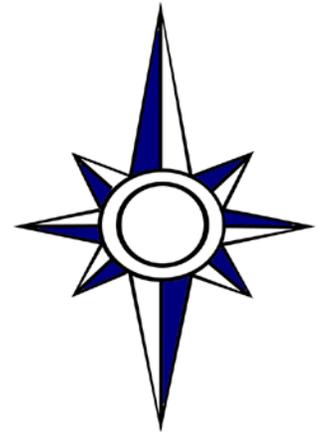




Pacific Forum CSIS



# Comparative Connections



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

*edited by*

Carl Baker  
Brad Glosserman

May – August 2013  
Vol. 15, No.2  
September 2013

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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.

An international Board of Governors guides the Pacific Forum's work. The Forum is funded by grants from foundations, corporations, individuals, and governments, the latter providing a small percentage of the forum's annual budget. The Forum's studies are objective and nonpartisan and it does not engage in classified or proprietary work.

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A Triannual Electronic Journal on East Asian Bilateral Relations

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

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

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

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Relations entered an active phase of leadership exchanges following North Korea’s satellite launch, its nuclear test, and the passage of UN Security Council resolutions condemning these actions. Although the aftermath drove continued debate on the extent of Chinese leverage and patience with Pyongyang, Beijing has reaffirmed its commitment to bring North Korea back to multilateral talks through revived bilateral exchanges with Pyongyang. Beijing’s frustration with its North Korean ally has expanded Chinese willingness to include denuclearization as a policy objective it shares with the US and South Korea, but differences remain regarding long-term strategic interests and the preferred tools for pursuing the objective.

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

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**by David Kang and Jiun Bang, University of Southern California**

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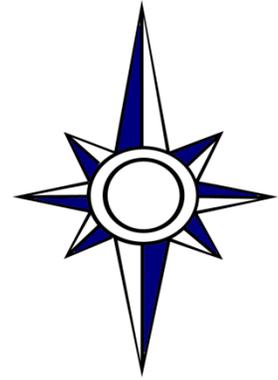
The past year saw the unfolding of the withdrawal timetable from Afghanistan, the second rotation of US Marines to northern Australia, the first “Full Knowledge and Concurrence” statement on US facilities on Australian soil in six years, and the end of Australia’s long-term military deployments in Timor Leste and Solomon Islands. The Gillard government produced a trio of major policy statements built on an understanding that Asia’s “extraordinary ascent” means Australia is entering “a truly transformative period in our history.” Meanwhile, Australian politics experienced a bit of turmoil. With the Labor Parliamentary Caucus in disarray the Liberal-National Coalition led by Tony Abbot won the national election in early September. In the end, not being Julia Gillard or Kevin Rudd was enough for an Abbott triumph.

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A Triannual E-Journal on East Asian Bilateral Relations



## Regional Overview:

### US Rebalance Continues Despite Distractions

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

It was a rough four months for the United States. Washington has struggled to convince foreign audiences that the “rebalance” is sustainable given renewed attention to the Middle East, even before the Syrian crises. Washington did demonstrate that the “pivot” is multidimensional. On the political side, Secretary of State John Kerry made a quick fly-by for the annual ASEAN Regional Forum (ARF) ministerial, while Defense Secretary Chuck Hagel came twice, for the Shangri-La Dialogue and again for the ASEAN Defense Ministers Meeting Plus (ADMM+). On the economic side, Washington continued pressing for Trans-Pacific Partnership (TPP) negotiations, while a return visit to the Korean Peninsula by *B-52s* reminded Pyongyang, among others, of the military dimension. All three aspects were further underscored during Vice President Biden’s address on Asia policy, prior to his own visit to the region in July.

It isn’t clear if North Korea got the message. Kim Jong Un has continued to follow his father’s play book: first create a crisis (nuclear and missile tests), then make lots of threats, and then launch a “smile diplomacy” campaign (this time around with Seoul) aimed at diverting attention away from the real objective, which remains Korean Peninsula denuclearization. Washington stuck to its game plan, insisting on a sign of genuine sincerity before opening a new dialogue process with Pyongyang. Much as we would like to, we also cannot overlook NSA leaker extraordinaire Edward Snowden’s swing through the region and the impact of his revelations on the US standing in the world and on US relations with China in particular.

#### **Kerry flies in (and out) for the ARF**

In our last report, we argued that the new US foreign policy team would not falter in its commitment to the rebalance. So far, so good! As Hillary Clinton (or was it Woody Allen?) once said “90 percent of life is just showing up.” Some were critical of Secretary Kerry’s fly-by; unlike his predecessors, who made multiple stops in Southeast Asia during ARF-related visits (when they showed up, that is), Kerry came to Brunei after some Middle East shuttle diplomacy, with a stop in India thrown in as well. His initial plans included stops in Indonesia and Vietnam, but these were cancelled due to Syria-related consultations. But clearly the ARF visit was no afterthought. Brunei is on the way to nowhere. Yet, Kerry made a concerted effort, despite having been on the road since June 21, to make it to Brunei for the annual ministerial.

The State Department’s Fact Sheet on the visit noted that the ARF holds on average 25 events annually across several key security areas – preventive diplomacy, counterterrorism and transnational crime, disaster relief, maritime security, and nonproliferation and disarmament – further pointing out that the US “is actively engaged in all of these events and is committed to

working through the ARF process to enhance peace, security, and stability in the Asia-Pacific region.” It also recognizes the ARF as “the premier regional venue for multilateral cooperation on nonproliferation and disarmament issues.”

Kerry noted that the US recognizes the history of the 21st century will be written in Asia and seeks to strengthen its economic, security, and people-to-people ties in the region: “Let me be crystal clear, I know that some people have wondered whether in the second term of the Obama administration and with a new secretary of state, we are going to continue on the path that we have been on. And the answer, I say to all of you directly, is yes. Not just yes, but we hope to increase the effort.”

As in the past, the Chairman’s Statement from the 20<sup>th</sup> ARF Ministerial supported “all efforts to bring about the denuclearization of the Korean Peninsula in a peaceful manner,” and called for “peaceful settlement of disputes through friendly consultations and negotiations,” while welcoming the “collective commitments” by China and ASEAN to effectively implement the Declaration on the Conduct of Parties in the South China Sea (DoC), while working toward a more formal code of conduct (CoC). It also “acknowledged the importance of enhancing cooperation in other regional security mechanisms,” citing in particular the need for greater coordination and cooperation between the efforts of the ARF and ADMM+.

### **Hagel on the point**

If Kerry’s visit was fleeting, the same cannot be said for the visits by Defense Secretary Chuck Hagel. Even though the rebalance is intended to reduce the burden that the US military has assumed in US engagement in Asia, Hagel has been an indefatigable advocate and a frequent presence throughout the region. He made two trips to Asia during the last four months, and he reportedly will be making four lengthy trips to the Asia-Pacific, as a matter of course, each year. His first visit took him in late May and June to Singapore for the Shangri-La Dialogue. Hagel continued the US record of high-level attendance, using the meeting to affirm the US message of engagement and to hold sidebar meetings with counterparts from other countries. This wasn’t his first time at the Dialogue: he attended and spoke at the inaugural meeting as a US senator, heading a congressional delegation.

In his remarks, Secretary Hagel again affirmed US commitment to the rebalance, noting that ties to the region are unbreakable, but need to be “renewed and reinvigorated after a decade of war in the Middle East and Central Asia.” This does not mean, however, that the rebalance is a retreat from other regions; the US remains a global power with allies, interests and responsibilities around the world.” He identified “a range of persistent and emerging threats in the region,” which include North Korea’s nuclear weapons, missile programs and continued provocations; land and sea disputes over natural resources; natural disasters, poverty, and pandemic disease; environmental degradation; illicit trafficking in people, drugs and weapons, including the proliferation of weapons of mass destruction; and disruptive activities in space and cyberspace. The US will work with partners throughout the region to tackle those threats, an effort that will include existing alliances, new partnerships, and coalitions based on common interests. He also reassured his audience that the search for new partners represented no flagging in the US determination to remain the world’s leading military power.

While Hagel underscored the US commitment to put the majority of its overseas naval and air forces in the Asia Pacific, he also highlighted US diplomatic and economic efforts, noting increased funding for diplomacy and development in Asia; new resources for regional efforts that improve water management, disaster resilience and public health; and work to foster trade and investment through regional institutions. He stressed that the US will push regional institutions to move beyond talking about cooperation to achieving “real, tangible solutions to shared problems.” To press his point, Hagel invited the ASEAN defense ministers to Hawaii in 2014 for an informal meeting – their first such get-together in the United States.

Like his predecessors, Hagel used the opportunity of the Shangri-La Dialogue to hold bilateral and trilateral side meetings. While in Singapore, he met Singapore’s prime minister, and defense ministers from Australia, Singapore, Indonesia, Malaysia, Japan, the Republic of Korea and the Philippines, as well as Brunei’s deputy defense minister. Significantly, he held a trilateral meeting with his Japan and ROK counterparts, after which they issued a joint statement calling North Korea’s nuclear and missile provocations “serious threats” and reaffirming the value of their trilateral cooperation for promoting regional and global peace and security. At a similar trilateral with the Australian and Japanese defense ministers, the third such meeting of that group, they agreed that North Korea constitutes a serious destabilizing factor for all of East Asia and discussed opportunities for strengthening trilateral cooperation. They also agreed to conduct a joint study on defense capacity building efforts in Southeast Asia and Oceania.

The secretary was back in the region three months later, on an eight-day, four-country trip that allowed him to meet every defense minister in the region. This swing took him to Malaysia, Indonesia, Brunei, and the Philippines. The big stop was in Brunei, where he attended ADMM+. The day before that meeting, he joined the ASEAN defense ministers for lunch, where they accepted his June invitation to visit the US in 2014. In sidebars, he met again with counterparts from Japan, South Korea, Vietnam, Brunei, Burma, and China. Vietnamese Defense Minister Gen. Phung Quang Thanh invited Hagel, a decorated Vietnam War veteran, to visit Vietnam in 2014, an offer that he accepted. His brief sit down with Burma’s defense minister, Lt. Gen. Wai Lwin, was the first such bilateral meeting at the defense minister level in more than 20 years.

The ADMM+ meeting would have been considered a success even without those deliverables. The meeting noted the success of the first ADMM+ humanitarian assistance/disaster relief and military medicine exercise that was held in Brunei in June, and agreed to establish an ADMM+ Expert Working Group on Humanitarian Mine Action, an addition to the existing five expert groups on maritime security, counter-terrorism, disaster management, peacekeeping operations and military medicine. The group also agreed to meet every two years rather than every three.

Hagel’s final stop on his tour was in the Philippines, where meeting government and defense leaders on the 62<sup>nd</sup> anniversary of the signing of the US-Philippines Mutual Defense Treaty, he applauded the “unbreakable alliance” between the two countries. Topping his to-do list was working on the outline of a new framework agreement that would allow US forces to operate in Philippine territory and waters on a rotational basis and to help build local capacity in maritime security. He dismissed claims that the US sought new bases in the Philippines, calling that “an

outdated Cold War mentality. Instead, we are using a new model of military-to-military cooperation befitting two great allies and friends.”

### **Economic smackdown? TPP v RCEP**

We continue to believe that the rebalance is a genuine attempt to reallocate resources within Asia, not merely between theaters. The talk about putting more emphasis on political and economic engagement isn't empty rhetoric and the time and energy devoted to trade negotiations helps make that point. Exhibit A for the US effort to broaden engagement with the region is the Trans-Pacific Partnership free trade agreement. Negotiations progressed this summer and participants insist that a deal that sets a global gold standard for trade deals can be concluded by yearend. The TPP now includes 12 countries – Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States, and Vietnam – and accounts for about 40 percent of global wealth and a third of world trade.

The big news this summer was Japan's entrance to the negotiations, despite doubts about Tokyo's commitment to the trade deal that the other partners seek. While Prime Minister Abe Shinzo surprised many with his decision early in the year to join the TPP talks, his party (and his country) remain divided on the merits. Many fear that Tokyo will be more focused on protecting certain economic sectors than pushing for the deregulation and market opening that the TPP is supposed to provide. To his credit, Abe (along with many of his economic advisors) know that economic reform is fundamental to the prime minister's mantra that “Japan is back.”

Japan became a formal member of the TPP in July, just before the conclusion of the 18<sup>th</sup> round of talks that were held July 15-25 in Malaysia. Tokyo's negotiators missed out on most of the important meetings; the sessions they did join were mostly devoted to briefings on the current state of negotiations and providing background information on accord texts. Despite its late ascension to the talks and the concerns it has, Japanese officials told Malaysian counterparts that they would not delay the talks and they too are committed to a yearend deadline.

That commitment was tested at the 19<sup>th</sup> round of negotiations, held Aug. 23-30 in Brunei. TPP ministers started off that get-together with a show of political support for the talks and tried to close some gaps on sensitive issues by providing guidance to their negotiators. Reportedly, the ministerial meeting tackled the idea of “landing zones” for more contentious issues and sequencing of some topics as negotiations reach their end stages.

Once again, the Brunei round marked progress. According to the statement released at its conclusion, the “discussions both jointly and bilaterally were successful in identifying creative and pragmatic solutions to many issues and further narrowing the remaining work.” Negotiators made progress on market access, rules of origin, investment, financial services, intellectual property, competition, government procurement, and the environment. It concluded that “the majority of issues are now at an advanced stage.”

Future discussions will be “inter-sessional” meetings that focus on issues from just one or two of the 21 working groups. As negotiators work together on specific issues, participants will be engaging bilaterally to work out details as well. The next target date is a TPP Leaders Summit

that is expected to convene in conjunction with the APEC Leaders Meeting that will be held in Bali, Indonesia in early October.

Meanwhile, negotiators for the other big Asia-Pacific trade pact, the Regional Comprehensive Economic Partnership (RCEP) met as well. RCEP consists of the ASEAN Plus Three nations (the ASEAN 10, China, Japan and South Korea) plus three free trade agreement partners (Australia, India, and New Zealand), and includes more than 3 billion people, has a combined GDP of about \$17 trillion, and accounts for about 40 percent of world trade. It is currently set to conclude at the end of 2015.

The RCEP was launched last November; the first meeting of the Trade Negotiating Committee convened in Brunei May 9-13, 2013. The statement they released included boilerplate, calling for a “modern, comprehensive, high-quality and mutually beneficial economic partnership agreement establishing an open trade and investment environment in the region to facilitate the expansion of regional trade and investment and contribute to global economic growth and development” and said that it will be designed to “boost economic growth and equitable economic development, advance economic cooperation and broaden and deepen integration in the region through the RCEP, which will build upon our existing economic linkages.”

In contrast to the TPP, the RCEP explicitly acknowledges the role of “ASEAN centrality” in the emerging regional economic architecture and notes that it will produce an agreement that entails “broader and deeper engagement with significant improvements over the existing ASEAN+1 FTAs.” That isn’t quite a gold standard, but it is progress nevertheless. The next round of RCEP negotiations is scheduled to be held Sept. 23-27 in Australia.

There is a common misperception that the TPP and RCEP are competing economic models, promoting different versions of an Asian economic order: the TPP is trans-Pacific with the US at its core, while the RCEP advances a more Asian design, one that would put China at its center. Many also believe that TPP was established as a counter to that China-centered Asian economic model, and represents an attempt to somehow contain China. Protests that this isn’t true and that TPP is open to all who qualify and have an interest have often fallen on deaf ears. More to the point, TPP predates US involvement and several countries are in both groups. Nevertheless, the charge that TPP represents some grand US design to maintain its regional pre-eminence and choke off rivals persists: why let facts get in the way of a good talking point?

### **Biden’s Asia policy address**

Vice President Joe Biden also visited Asia during July, arriving in India about a month after Secretary Kerry’s visit and then continuing on to Singapore where he not only met that nation’s leaders, but with Japanese Prime Minister Abe Shinzo as well. Prior to his departure, Biden gave a major address on Asia-Pacific policy at George Washington University on July 18. In it, he stressed the multidimensional aspects of the US rebalance to Asia. He said the policy was based on the answer to two basic questions: “We ask ourselves two things in the review of how to proceed: Where should we focus additional attention and resources that would enable us to create greater opportunity at home and generate greater growth – economic growth – around the

world? And where must we make strategic investments that are required to enhance not only our security but global stability? Both pointed to the Asia-Pacific.”

In response, Biden said, the Obama administration set about doing several things: “first of all, strengthening our alliances; deepening security partnerships and investing like never before in regional institutions to help manage disputes peacefully. He also noted that, “closer to home, our intensified engagement within the Western Hemisphere is also part – not just parallel to – our overall rebalancing policy,” pointing out that the Trans-Pacific Partnership includes five countries in the Western Hemisphere. “Our goal,” Biden argued, “is to help tie Asia-Pacific nations together – from India to the Americas – through strong alliances, institutions and partnerships.” The way forward, he said, is fairly clear: “To spark new growth, there has to be: fewer barriers at and behind our borders; protections for intellectual property to reward innovation; new commitments to make sure everyone plays by the same rules because that’s what attracts investment and jobs; as well as greater economic integration.”

Addressing Sino-US relations, Biden argued that “(W)e do not view our relationship and future relations with China in terms of conflict or the talk of inevitable conflict. We view it in terms of a healthy mix of competition and cooperation. A competition that we welcome. It’s stamped into our DNA. We like to compete. Competition is good for both of us, as long as the game is fair.” This message was, of course, underscored during the “shirt sleeve summit” between President Obama and Chinese President Xi Jinping (as discussed in detail in Bonnie Glaser’s and Jacqueline Vitella’s chapter).

Biden described North Korea’s nuclear and missile programs as “a clear and present danger to stability,” making light of Pyongyang’s call for dialogue after months of heated rhetoric – “I’ve seen this movie before. We’ve been there before.” – while asserting Washington’s desire “to engage in genuine negotiations” if the North is prepared to give up its nuclear weapons and “choose a better path for its people.” Its current “smile diplomacy” notwithstanding, thus far there is little evidence Pyongyang is willing to traverse this path.

### **North Korea: the smile offensive begins**

We mentioned in our last report that Kim Jong Un seemed to be following in his father’s footsteps, following through on his threat to conduct North Korea’s third nuclear test and increasing tensions through fiery rhetoric, including (once again) declaring the armistice null and void. Toward the end of that reporting period, again in keeping with past precedent, the North seemed to lower its voice if ever so slightly, signaling that a new charm offensive might be in the offering . . . and indeed it has been.

During a visit to Beijing in late June, North Korean First Vice Foreign Minister Kim Kye Gwan reportedly told his Chinese hosts that “the denuclearization of the Korean peninsula was the dying wish of Chairman Kim Il Sung and General Secretary Kim Jong Il,” and that “North Korea is willing to have dialogue with all sides and attend any kind of meeting, including six-party talks, and hopes to peacefully resolve the nuclear issue via negotiation.” This according to Chinese news accounts. To date, this desire to denuclearize has not been repeated in North Korean broadcasts and broadsides, at least not until Washington ends its “hostile policies”

toward Pyongyang. For its part, Washington remains unconvinced; US officials continue to call on the regime to take “concrete steps toward denuclearization” before the US would agree to a resumption of dialogue.

The North continued to wave other olive branches, however. At one point toward the end of this reporting period, Pyongyang even agreed to allow Robert King, the State Department’s special envoy on DPRK human rights, to visit North Korea, ostensibly to negotiate the release of Kenneth Bae, a tour operator and Christian missionary who was arrested in a northeastern North Korean city last November. A US citizen, Bae had been found guilty of unspecified “crimes against the State” on May 3 and sentenced to 15 years of hard labor. At the eleventh hour, however, Pyongyang withdrew its invitation to King in protest of B-52 flights over the peninsula during a ROK-US joint military exercise. This reportedly left Bae’s fate in the hands of ambassador without portfolio (or credibility) Dennis Rodman, who headed north in early September to talk basketball with his “good friend Kim.”

Some progress has been seen on the North-South front, however, as explained in more detail by Aiden Foster-Carter in his chapter. While reports that a deal has already been struck to reopen the special economic zone in Kaesong seemed premature (this did not occur until Sept. 9), the two sides had at least formed a committee to explore that possibility, pending assurances from Pyongyang that, once reopened, it would no longer be used as a political football whenever Pyongyang wanted to play games with Seoul. Excuse us for remaining skeptical. Many of our readers may be familiar with the story of Charlie Brown, Lucy, and the football. Every year Lucy promised she would hold the ball for Charlie to kick, every year he had faith that she would. And, of course, every year, at the last second, she would pull the ball away, causing Charlie to miss and come crashing to the ground. Had Lucy signed a contract with Charlie in advance, one suspects the outcome would still have been the same.

Clearly the North sees the advantage in reopening Kaesong. North Korean workers receive some \$80-90 million dollars annually in wages, much of which goes to the government and not the employees. It’s an important source of hard currency, as was the Mount Kumgang tourist resort, which Pyongyang is also seeking to reopen. Hopefully, ROK President Park Guen Hye, who has proven herself adept at playing hardball with the North, will gain some real concessions out of the process. We would suggest she begin by insisting that the DPRK start referring to the South by its official name, the Republic of Korea, rather than south (with a small “s”) Korea, as it does in its broadcasts today.

### **Syria: Sending the Wrong Signal?**

While Washington has been sending Pyongyang a clear signal as to its views regarding a resumption of dialogue, South Koreans and Japanese are increasingly worried about the signal the Obama administration may be sending to Pyongyang in the case of its threatened, but not yet realized, decision to conduct limited military strikes in response to the Assad government’s alleged use of chemical weapons against its own people. In meetings in Seoul and Tokyo recently, and in particular at a Pacific Forum CSIS trilateral conference in Seoul addressing Japanese and Korean views on the credibility of the US extended deterrent, senior participants expressed concern about Washington’s hesitancy to conduct the strike: “when a US president

draws a red line, he must be prepared to respond if it is crossed,” was the view expressed by many who wondered aloud about what message was being sent to (or received by) Pyongyang. “This is not the America we knew,” lamented one senior former Korean diplomat. While younger participants were more evenly divided about the wisdom or necessity of military action, one young Korean pointedly said “I remember when President Reagan held a press conference to announce that he had ordered the bombing of Libya, which began two hours before he spoke. Today President Obama holds a meeting to discuss his desire to conduct a strike next week if Congress will let him. What better symbol do we need of American decline?” While the differences between then and now are readily apparent and easily explained, the message is clear. Even if President Obama eventually orders the limited military strike (and we take no position here as to its need or wisdom or to the weight the administration should attach to Asian reactions), his initial hesitancy to enforce his own red line has already sent a counterproductive message as far as reassurance of allies is concerned. At the same time, it is clear that not all challenges to US credibility are equal. Our discussions also demonstrated that US policy makers must be finely attuned to the particulars of each case.

### **Crypto crisis**

Forget John Kerry, Kim Jung-un, or Bashar al-Assad. The person who most impacted US foreign policy in the last four months was a hitherto anonymous government contractor and computer systems administrator named Edward Snowden, who leaked information on super-secret US surveillance programs and then bolted for cover in a televised version of “Where’s Waldo?” While the damage that Snowden may have done to those surveillance efforts may not be as great as some fear – most terrorists likely suspected the extent of US attempts to find and identify them – the damage he has done to the US image and its credibility is impossible to overstate.

Snowden worked for several years as a computer specialist for various US intelligence agencies. Claiming that he was outraged by the scale of the programs he worked on, he downloaded a cache of 15,000-20,000 documents detailing those projects and fed them to journalists around the world. On May 20, Snowden fled to Hong Kong just as a series of articles on those spying efforts was published in several newspapers. Snowden holed up in Hong Kong for a little over a month as he contemplated his options; the prospect of Hong Kong authorities handing him over to the US government spurred him to flee again, this time to Moscow, where he camped out at Sheremetyevo Airport until he sorted out his problems. On Aug. 1, Snowden left the transit lounge after being granted temporary asylum for one year, which could be extended indefinitely on an annual basis.

No doubt, revelations of the content of code-word classified surveillance programs hurt US efforts to track terrorists. But some argue that Snowden merely confirmed what those individuals suspected about the extent of US information collection. Far more damaging are the body blows to the US image and its foreign policy. As Bonnie Glaser and Jacqueline Vitella detail in their chapter on US-China relations, Beijing was quick to make hay of the revelations, charging the US with hypocrisy for alleging that China was engaging in cyber theft of intellectual property. The distinction between economic theft and surveillance was ignored by Beijing (and many others). That defense, however, undercut US (and human rights advocates) complaints about Chinese monitoring of internet communications. Similarly, revelations that the US had installed

“back doors” in encryption software made it look guilty of the very behavior that Huawei and ZTE, two Chinese communications equipment manufacturing companies, were alleged to have done on behalf of Chinese security services.

Whatever the truth, the US *appeared* to have engaged in the monitoring of virtually all communications around the world, with relative indifference to distinctions between allies and adversaries, foreign and domestic audiences, and the restraints imposed by the US constitution. That the US would be acting this way – in some cases with the knowledge of foreign friends and allies, which was bad; and in other cases without their help, which might have been worse – and was then exposed for the entire world to see has hurt Washington and undermined its credibility. There has also been fallout in various relationships. President Obama reportedly voiced anger at China’s failure to extradite Snowden when he was in Hong Kong to senior Chinese participants at the Strategic and Economic Dialogue. They rejected the challenge. Russia’s decision to give Snowden asylum was also a factor in the decision by Obama to cancel a scheduled one-on-one meeting with Russian President Vladimir Putin prior to the St. Petersburg G20 summit (although they managed to talk informally without the usual summitry). Snowden’s revelations aren’t finished. More damage may still be done.

## **Regional Chronology** **May – August 2013**

**April 30-May 4, 2013:** Chinese Foreign Minister Wang Yi visits Thailand, Indonesia, Singapore, and Brunei. He reaffirms China’s support for ASEAN integrationist developments and expresses China’s willingness to discuss the Code of Conduct on the South China Sea.

**May 2, 2013:** US lifts a sweeping ban on visas for Myanmar officials, further easing sanctions despite the increase in ethnic violence. Nevertheless, Washington extends Myanmar’s “national emergency status” because of continued human rights problems.

**May 3, 2013:** South Korea pulls the last seven workers from Kaesong Industrial Complex.

**May 5, 2013:** North Korea seizes a Chinese fishing vessel with 16 crew members for “fishing in its territorial waters” and demands \$98,000 for its release.

**May 5-9, 2013:** South Korean President Park Geun-hye visits the US and meets President Barack Obama. Park unveils her vision for a Northeast Asian multinational coalition rooted in the ROK-US alliance and outlines a “trustpolitik” process.

**May 6, 2013:** US releases annual Pentagon report examining China’s territorial claim to the Diaoyu/Senkaku Islands. It cites China for “improperly drawn straight baseline claims” beginning in September 2012. China responds that the US should avoid taking sides.

**May 6-8, 2013:** Seventh ASEAN Defense Ministers Meeting (ADMM) is held in Brunei. They outline support networks for cyber security, climate change, and communicable diseases; agree to conduct the Humanitarian Assistance and Disaster Relief and Military Medicine Exercise in Brunei; and reiterate commitment to pursue Code of Conduct talks with China.

**May 6-10, 2013:** South Korea and the US hold joint anti-submarine warfare drills in the Yellow Sea/East Sea, which involve the *USS Nimitz*, *Los Angeles*-class submarines, *Aegis* destroyers, and *P-3C* maritime surveillance aircraft.

**May 8, 2013:** Bank of China shuts down a North Korean Foreign Trade Bank account with ties to North Korean nuclear and missile development programs.

**May 8, 2013:** Japan makes a formal complaint against the Chinese *People's Daily*, for publishing remarks that question Japan's sovereignty over the Ryukyu Islands. The Chinese government stresses that the commentary reflects outside research opinions.

**May 9, 2013:** Philippine Coast Guard fires on one of four Taiwanese fishing vessels that it claims entered its territorial waters, killing a Taiwanese fisherman. Taiwan demands a formal investigation, apology, compensation, and punishment for those responsible within 72 hours.

**May 10, 2013:** Cambodia's National Assembly ratifies a maritime transportation agreement between ASEAN and China that will expand cooperation on passenger and cargo transport. All ASEAN member states except for Indonesia have ratified the agreement.

**May 13-15:** US Special Representative for North Korea Policy Glyn Davies visits South Korea, Japan, and China. China maintains that they are implementing sanctions and Japan expresses a desire to "keep the door open" for talks with North Korea.

**May 14, 2013:** US citizen Kenneth Bae begins 15-year prison sentence in North Korea.

**May 14-18, 2013:** Prime Minister Abe Shinzo's special Cabinet adviser Iijima Isao visits Pyongyang to make progress on the "abduction issue."

**May 15, 2013:** Philippines issues an apology to Taiwan regarding the May 9 fishing boat incident. Taiwan rejects the apology as insincere and implements new sanctions against the Philippines, including a tourist "red alert" and suspension of all Philippine laborer applications.

**May 17, 2013:** The US Energy Department conditionally authorizes exports of domestically produced liquefied natural gas (LNG) from the Freeport LNG Terminal on Quintana Island, Texas to countries that do not have a Free Trade Agreement (FTA) with the United States.

**May 17-20, 2013:** Myanmar President Thein Sein visits Washington and meets President Barack Obama. Trade officials sign a bilateral trade and investment framework agreement.

**May 18-20, 2013:** North Korea fires six short-range guided missiles into the East Sea, as part of "normal military training."

**May 19-22, 2013:** Chinese Premier Li Keqiang visits India and meets Prime Minister Manmohan Singh. They sign eight documents pertaining to border and economic issues.

**May 20, 2013:** Former National Security Administration (NSA) contractor Edward Snowden arrives in Hong Kong after releasing classified documents regarding US intelligence operations.

**May 21-24, 2013:** Singapore's Prime Minister Lee Hsien Loong visits Japan and meets Japanese Prime Minister Abe. They agree to enhance bilateral economic ties.

**May 21-29, 2013:** Malaysia and US conduct 19<sup>th</sup> Indonesia *Cooperation and Readiness Afloat (CARAT)* military exercise.

**May 21, 2013:** North Korea releases held Chinese fishing boat and crew.

**May 22, 2013:** Taipei announces that the Taiwan Coast Guard will protect Taiwanese fishing boats them from "harassment by the Philippines."

**May 22, 2013:** North Korea invites South Korea to commemorate the June 15 Joint Declaration.

**May 23, 2013:** Brunei hosts 10<sup>th</sup> ASEAN Regional Forum (ARF) Security Policy Conference.

**May 24-26, 2013:** Japanese Prime Minister Abe visits Myanmar and meets President Thein Sein. Japan pledges \$498.5 million in economic development loans.

**May 27, 2013:** Nine North Korean defectors are deported from Laos back to North Korea.

**May 29, 2013:** ASEAN and China hold eighth joint meeting on the Declaration on the Conduct of Parties in the South China Sea. They agree to implement the declaration and develop maritime emergency measures.

**May 31-June 2, 2013:** Singapore hosts the 12<sup>th</sup> Shangri-La Dialogue; Institute for International Security Studies' annual Asian Security Dialogue.

**June 1, 2013:** Defense ministers of the US, Japan, and South Korea meet on the sidelines of the Shangri-La Dialogue to discuss a coordinated response to North Korea's nuclear and missile development and related provocations to discuss a coordinated response to North Korea's nuclear and missile development and related provocations.

**June 3, 2013:** Arms Trade Treaty is opened for signature at the UN; 67 countries sign the treaty.

**June 3-7, 2013:** Cambodia hosts and 20 nations participate in *Pacific Airlift Rally* to improve regional airlift cooperation and disaster relief.

**June 3-12, 2013:** Thailand and the US conduct the 19<sup>th</sup> Thailand *CARAT* military exercise.

**June 4, 2013:** US and South Korea fail to reach consensus on revising the *Agreement for Cooperation Between the Government of the United States of America and the Government of the Republic of Korea Concerning Civil Uses of Atomic Energy* (123 civil nuclear agreement) to allow Seoul the right to independently enrich uranium and reprocess its spent nuclear fuel.

**June 4, 2013:** China asks Japan to cancel joint US-Japan *Dawn Blitz 2013* military exercise scheduled to start June 10, which involves a Navy/Marine amphibious assault on an island.

**June 7, 2013:** North and South Korea reopen cross-border phone line.

**June 7-8, 2013:** President Xi Jinping meets President Obama in California. They agree to working-level talks to tackle cyber security disputes. North Korea and ongoing tensions in the South and East China Sea are also discussed.

**June 11-21, 2013:** China and Russia hold joint *Cooperation 2013* military exercise designed to improve counter-terrorism efforts.

**June 12, 2013:** The Myanmar portion of the Myanmar-China natural gas pipeline is completed.

**June 13, 2013:** Philippines National Bureau of Investigation announces it will pursue criminal charges against Philippine Coast Guard members for the May 9 death of a Taiwanese fisherman.

**June 15-23, 2013:** US and Malaysia conduct 19<sup>th</sup> Malaysia *CARAT* naval exercise.

**June 17, 2013:** Cambodia and Thailand vow to maintain peace along the border and to abide by the International Court of Justice's decision on the Preah Vihear Temple territorial dispute.

**June 17-20, 2013:** Brunei hosts a military exercise focusing on humanitarian assistance, disaster relief, and military medicine conducted under the auspices of the ASEAN Defense Ministers Meeting-Plus (ADMM+). Participants include military personnel from 18 countries.

**June 19, 2013:** Philippines deploys fresh troops and supplies to its grounded ship located on the Second Thomas Shoal (Philippines: Ayungin Reef; Chinese: Ren'ai Reef) in the Spratly Islands.

**June 19-22, 2013:** China and North Korea conduct a strategic dialogue. DPRK Vice Foreign Minister Kim Kye Gwan says his government is willing to reconvene the Six-Party Talks.

**June 19-20, 2013:** Representatives from ASEAN and China meet in Vietnam for a workshop to strengthen search and rescue coordination in the South China Sea.

**June 19-21, 2013:** Vietnam's President Truong Tan Sang visits China and meets President Xi Jinping. They agree to establish a maritime hotline to handle fishing disputes in the South China Sea, to implement the Declaration on Conduct of Parties in the South China Sea, and to hold two joint patrols of the Beibu Gulf later this year.

**June 21, 2013:** China says the Philippine occupation of Ren'ai Reef violates the Declaration of Code of Conduct of Parties in the South China Sea and undermines Chinese sovereignty.

**June 23, 2013:** Edward Snowden leaves Hong Kong for Russia despite a US arrest warrant issued on charges of espionage.

**June 26, 2013:** The UN Security Council’s North Korea Sanctions Committee Panel of Experts releases its annual report; it states that North Korea deliberately transformed Chinese lumber vehicles into missile launch transporters.

**June 27-28, 2013:** Japanese Defense Minister Onodera Itsunori visits the Philippines and meets Defense Secretary Voltaire Gazmin. They agree to cooperate in defending “remote islands” and Gazmin announces that the Philippines will allow foreign allies like the US and Japan greater access to the country’s military bases.

**June 27-28, 2013:** Vietnam’s President Truong Tan Sang visits Indonesia and meets President Susilo Bambang Yudhoyono. They reaffirm their support for implementing the Declaration on the Conduct of Parties in the South China Sea and completing the Code of Conduct in the South China Sea. They also agree to coordinate joint naval patrols in their maritime territories.

**June 27-30, 2013:** South Korea’s President Park visits China and meets President Xi Jinping.

**June 27-July 2, 2013:** US and the Philippines conduct the 19<sup>th</sup> Philippine *CARAT* exercise.

**June 29-July 2, 2013:** ASEAN-related meetings including the ASEAN Foreign Ministers Meeting, the 20<sup>th</sup> ASEAN Regional Forum, and the third East Asia Summit Foreign Ministers Meeting are held in Brunei.

**July 2, 2013:** US Treasury Department adds Myanmar’s Lt. Gen. Thein Htay to its Specially Designated Nationals list, charging that he purchased weapons and materials from North Korea.

**July 3-4, 2013:** North Korean First Vice Minister Kim Kye Gwan visits Russia and meets Deputy Foreign Minister Igor Morgulov and other senior diplomats.

**July 5-11, 2013:** China and Russia conduct *Joint Sea 2013* naval exercise in the Sea of Japan. China’s Ministry of Defense describes the exercise as the People’s Liberation Army (PLA) Navy’s single biggest deployment of military force in a joint exercise.

**July 10, 2013:** South Korean court orders Japan’s Nippon Steel & Sumitomo Metal Corp. to pay \$88,000 to each of four Korean plaintiffs forcibly drafted to work for the company in 1941.

**July 10-11, 2013:** China-US Strategic and Economic Dialogue (S&ED) is held in Washington.

**July 11, 2013:** UN tribunal hearing the Philippines’ case against Chinese claims in the South China Sea is convened in The Hague, Netherlands.

**July 14-15, 2013:** Australian Prime Minister Kevin Rudd visits Port Moresby, Papua New Guinea and meets Prime Minister Peter O’Neill.

**July 15, 2013:** Panama detains a North Korean ship departing from Cuba carrying missile parts and two Soviet *MiG-21* fighter jets.

**July 15-25, 2013:** The 18<sup>th</sup> round of the Trans-Pacific Partnership free trade negotiations is held in Malaysia. Japan officially joins the negotiations.

**July 15-26, 2013:** US and Singapore conduct bilateral *CARAT 2013* military exercise.

**July 19, 2013:** Australia and Papua New Guinea sign an agreement stating any refugee arriving by boat to Australia will be sent to Manus Island to have refugee status appraised.

**July 21, 2013:** Japan's Liberal Democratic Party and its coalition partner, New Komeito, win a combined total of 135 seats in the House of Councillors, uniting a majority in both lower and upper houses behind Prime Minister Abe's "Abenomics" plan.

**July 23-27, 2013:** US Vice President Joe Biden visits Asia with stops in India and Singapore.

**July 24-26, 2013:** Vietnam's President Truong Tan Sang visits US and meets President Obama. In a joint statement they announce the establishment of a "US-Vietnam Comprehensive Partnership to provide an overarching framework for advancing the relationship."

**July 25-28, 2013:** China's Vice President Li Yuanchao visits North Korea. Li reaffirms China's commitment to a denuclearized Korean Peninsula.

**July 25-27, 2013:** Japan's Prime Minister Abe visits Southeast Asia with stops in Malaysia, Singapore and the Philippines. In the three capitals, Abe briefs his counterparts on his so-called Abenomics prescription for revitalizing the Japanese economy and discusses the perceived security threat from China. While in Singapore, he also meets US Vice President Biden.

**July 27-Aug. 15, 2013:** Russia and China participate in anti-terrorism bilateral military exercise *Peace Mission-2013* in Chelyabinsk.

**July 28, 2013:** Cambodia holds general elections. Of 123 seats being contested, Prime Minister Hun Sen's Cambodia People's Party wins 68 seats and Sam Rainsy's Cambodian National Rescue Party (CNRP) wins 55 seats.

**July 28, 2013:** The natural gas portion of the Myanmar-China Oil and Gas Pipeline begins transporting gas to China.

**July 29, 2013:** Japan rejects Russia's June proposal to commence joint development and energy projects in the Kuril Islands because of the sovereignty implications.

**July 30, 2013:** South Korean court finds Japan's Mitsubishi Heavy Industries guilty of forced wartime labor and orders it to pay 80 million won to five South Koreans taken in 1944.

**July 30-Aug. 2, 2013:** Japan, China, and South Korea hold the second round of three-way free trade agreement talks in Shanghai.

**Aug. 1, 2013:** Vietnam's Foreign Minister Pham Binh Minh visits the Philippines and meets Foreign Secretary Albert del Rosario.

**Aug. 1-6, 2013:** Chinese Foreign Minister Wang Yi attends China-ASEAN forum and visits Malaysia, Laos, and Vietnam.

**Aug. 5, 2013:** Sam Rainsy, leader of the CNRP, urges the United Nations to “referee” an investigation into the results of the July 28 Cambodian general elections, claiming massive fraud has prevented his party from assuming a majority in the Parliament.

**Aug. 7, 2013:** The US Institute for Science and International Security warns of satellite images that reveal North Korea is expanding its Yongbyon uranium enrichment facility, which is believed to hold a gas centrifuge plant.

**Aug. 7, 2013:** Philippine Justice Department announces that they recommended homicide charges against eight Filipino coastguards for the fatal shooting of a Taiwanese fisherman in disputed waters on May 9. Taiwan welcomes the move as a “constructive response.”

**Aug. 8, 2013:** The Philippines offers an official apology to the family of the Taiwanese fisherman shot on May 9.

**Aug. 12, 2013:** The 35<sup>th</sup> anniversary of the Japan-China Treaty of Peace and Friendship is affirmed by delegations, but receives no celebratory fanfare.

**Aug. 13, 2013:** United Nations Refugee Agency strongly urges the Myanmar government to hold a peace dialogue with the Rohingya and other “internally displaced persons.”

**Aug. 14, 2013:** North and South Korea reach agreement to reopen the joint Kaesong Industrial Complex and to open it up to international investors. No official date is set for the reopening.

**Aug. 15, 2013:** Three Japanese Cabinet members visit Yasukuni Shrine to honor Japan's war dead on the 68<sup>th</sup> anniversary of Japan's surrender. China and South Korea condemn the actions.

**Aug. 16-19, 2013:** Chinese Gen. Chang Wanquan visits the US and meets Defense Secretary Chuck Hagel. He says China is committed to resolving territorial disputes through dialogue, but will not “barter” away core maritime interests. He also notes that increased US involvement in regional military drills “complicates” the situation.

**Aug. 18-30, 2013:** South Korea and US conduct joint military exercise *Ulchi Freedom Guardian*. North Korea condemns the exercise as a “confrontational policy.”

**Aug. 19, 2013:** South Korea's Ambassador to Japan Lee Byung-kee meets Foreign Minister Kishida Fumio. Lee applauds Prime Minister Abe's decision not to visit the Yasukuni Shrine, but expresses dissatisfaction with his Memorial Day speech.

**Aug. 19, 2013:** Deputy foreign ministers of Japan and Russia begin preliminary negotiations regarding a formal peace treaty in the Northern Territories (Southern Kurile Islands).

**Aug. 19, 2013:** Panel of 20 experts from China and Japan meet in Toyoko to discuss bilateral crisis management concerning military stand-offs in the Diaoyus/Senkakus.

**Aug. 19, 2013:** First China-Thailand Strategic Dialogue is held in Bangkok.

**Aug. 20-21, 2013:** China's Foreign Minister Wang Yi visits Cambodia and meets Prime Minister Hun Sen.

**Aug. 22, 2013:** An operator from the Fukushima No. 1 nuclear power plant acknowledges that contaminated water has been leaking into the sea since May 2011.

**Aug. 22-23, 2013:** The US and South Korea fail to reach a resolution on renewing the 5-year Special Measure Agreement (SMA) to fund US Forces Korea (USFK).

**Aug. 22-29, 2013:** Secretary of Defense Hagel travels to Asia with stops in Malaysia, Indonesia, Brunei, and Philippines.

**Aug. 25-31, 2013:** Singapore's Prime Minister Lee Hsien Loong visits China and meets President Xi Jinping.

**Aug. 27, 2013:** United Nation's Arbitral Tribunal asks the Philippines to submit all necessary documentation concerning its territorial dispute with China by March 30, 2014.

**Aug. 27-29, 2013:** ASEAN Defense Officials Meeting (ADSOM) Retreat, ASEAN Defense Ministers Meeting (ADMM) Retreat, and ADMM Plus are held in Brunei.

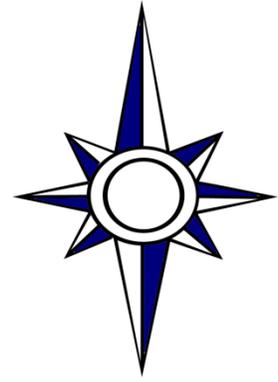
**Aug. 28, 2013:** China requests Philippine President Benigno Aquino cancel his visit to the Sept. 3 Nanning Trade Expo and reschedule it for a "more conducive time."

**Aug. 28, 2013:** Japan's Nuclear Regulation Authority raises Fukushima nuclear power plant leak crisis to level three: "serious incident."

**Aug. 30, 2013:** North Korea rescinds its invitation for US Envoy Robert King to visit.

# Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



## US-Japan Relations: Abe Settles In

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

Prime Minister Abe focused intently on economic policy and led his Liberal Democratic Party to a resounding victory in the July Upper House election, securing full control of the Diet and a period of political stability that bodes well for his policy agenda. Multilateral gatherings in Asia yielded several opportunities for bilateral and trilateral consultations on security issues, and the economic pillar of the alliance also took shape with Japan's entry into the Trans-Pacific Partnership negotiations and discussions on energy cooperation. Comments on sensitive history issues sparked controversy but did not derail bilateral diplomacy. The nomination of Caroline Kennedy as US ambassador to Japan marks a new chapter in the relationship.

### **The Upper House election and Abe's agenda: it's the economy, stupid**

After introducing a fiscal stimulus package and monetary easing measures meant to provide a near-term boost to the Japanese economy earlier in the year, Prime Minister Abe Shinzo turned to the "third arrow" of his economic plan: a strategy for sustainable growth. On June 5, the government released a 90-page document including structural reform measures most analysts deemed critical to the success of "Abenomics." The growth strategy seeks to increase Japan's per capita income by ¥1.5 million (approximately \$15,000) over the next decade and incorporates numerous themes including measures to increase capital investment, special economic zones, infrastructure, health care sector reform, female labor participation, education, energy market reform, agricultural exports, and the pursuit of free trade agreements. Critics lamented the dearth of details in the growth strategy amid expectations that the government would confront issues such as deregulation, labor market flexibility, and tax reform. (Japan has the second highest corporate tax rates in the world after the United States.) But with an election for the Upper House of the Diet scheduled for July, observers would have to wait until later in the year to fully evaluate Abe's commitment to structural reform.

Government data showing the economy grew at an annualized rate of 4.4 percent in the first quarter helped Abe sustain a public approval rating above 60 percent on average, and with opposition parties in disarray after the December 2012 Lower House election that returned the Liberal Democratic Party (LDP) to power, the stage was set for another vote of confidence from the public in the Upper House election on July 21. The ruling coalition of the LDP and Komeito (Clean Government Party) won 76 seats out of 121 contested for a total of 135 in the 242-seat chamber, a comfortable majority that guarantees control of both houses and the legislative agenda after six years of political paralysis in the Diet. Having cleared two electoral hurdles and no polls constitutionally mandated before 2016, Abe is well poised to build on his economic growth strategy and pursue other elements of his policy agenda.

Numerous commentators in and out of Japan speculated that an Upper House win would embolden the nationalistic “dangerous” Abe and lead to renewed controversies over history issues with neighboring countries and the United States. Such warnings were entirely speculative and Abe sent signals after the July 21 polling that his priority would be on strengthening Japan’s economy and national security institutions and not the ideologically colored agenda that emerged during last year’s election. The Kantei (Prime Minister’s Office) is focused on implementing and supplementing as necessary the “third Arrow” economic growth strategy; building support for some resumption of nuclear power in Japan’s comprehensive energy mix; establishing a National Security Council aimed at centralizing and improving policy coordination across government agencies, expected to clear the Diet this fall; recognizing Japan’s right to exercise collective self-defense (enumerated in the UN Charter as a right of all states, but one the Japanese Cabinet Legal Office has determined Japan would not exercise, without ever explicitly stating it was unconstitutional); and managing the decision on a planned raise in the consumption tax. The controversial issues that emerged in the Lower House election last year were quietly put off. The prime minister did not visit Yasukuni Shrine on Aug. 15 (he sent an offering instead and three junior ministers went to the shrine); he has stuck with his pledge to craft a “forward looking” statement on the 70<sup>th</sup> anniversary of the end of the war (August 2015) rather than revise the Murayama and Kono Statements on the war and comfort women respectively as pledged during the Lower House election; he has put off Article 96 legislation, which would have lowered the bar to revising the Constitution; and he refrained from touching on controversial historical issues as he did in the first few months of his administration. None of this represents anything close to a “resolution” of the history issue, but the trend did not go unnoticed in other capitals, including Washington.

While the economy is the centerpiece of Abe’s plan to strengthen Japan’s position (and his hold on power) overall, defense policy also featured prominently in this period. The Abe government prepared new National Defense Program Guidelines (NDPG) due at the end of this year. In July, the Ministry of Defense (MoD) issued its annual white paper explicitly addressing concerns about China’s military build-up and the need to enhance Japan’s defense capabilities with emphasis on maritime domain awareness and amphibious capabilities. MoD also issued an interim report of a defense policy review that garnered attention for a reference to exploring offensive strike capability, which would mark a departure from traditionally restrictive interpretations of Article IX of the constitution limiting the use of force. A government advisory panel is expected to issue a report this fall including recommendations on whether Japan should reinterpret the constitution to exercise the right of collective self-defense, which would have significant implications for the US-Japan alliance. These examinations of defense policy coincided with an event calendar that afforded multiple opportunities for Japanese and US officials to discuss defense issues and develop an agenda for alliance cooperation in other areas, as well as launch a bilateral review of defense guidelines.

### **Shoring up the bilateral agenda**

With Abe’s tempered stance on history issues, determined focus on practical national security topics, and forward movement on the Trans-Pacific Partnership (TPP), the subterranean tensions that earlier seemed to characterize these two ideologically divergent leaders abated. The Obama

administration has warmed to Abe and is now settling in for a steady course of bilateral engagement on security, energy, and economic issues. The two governments also took advantage of multilateral gatherings to facilitate trilateral cooperation, a hallmark of the alliance in recent years. In June, Defense Secretary Chuck Hagel and Minister of Defense Onodera Itsunori conducted trilateral ministerials with counterparts from Australia and South Korea on the margins of the Shangri-La Dialogue in Singapore. The dialogue with Australia yielded plans for a joint study on defense capacity building in Southeast Asia and Oceania and strategic goals for trilateral cooperation such as promoting freedom of navigation and maritime security, the peaceful resolution of disputes based on international law, and leadership in humanitarian assistance and disaster relief (HADR). The ROK ministerial centered naturally on North Korea and areas for trilateral cooperation including counter-piracy operations in the Gulf of Aden, HADR, search-and-rescue, and counter-proliferation. Hagel and Onodera also met in late August on the sidelines of the ASEAN Defense Ministers' Meeting Plus (ADMM+) in Brunei to take stock of regional security developments and discuss a bilateral review of defense guidelines.

Secretary of State John Kerry also discussed North Korea in a trilateral dialogue with Foreign Minister Kishida Fumio and ROK Foreign Minister Yun Byung-se during the ASEAN Regional Forum in Brunei at the beginning of July. Prime Minister Abe and Vice President Joe Biden met in Singapore in late July to address a range of issues including the importance of bilateral coordination on North Korea and the TPP trade negotiations. Biden also reaffirmed US alliance commitments to Japan with respect to the Senkaku Islands and urged Japan and China to take steps to reduce tensions. On July 29, the US Senate also reaffirmed the alliance commitment to Japan when it adopted a resolution calling for the peaceful resolution of maritime and territorial claims in the South and East China Seas and condemning the use of coercion to assert disputed maritime or territorial claims or alter the status quo.

Motegi Toshimitsu, Japan's minister of economy, trade and industry (METI), visited Washington in late July to bolster the economic pillar of the alliance. Motegi met with Energy Secretary Ernest Moniz and called on the US government to approve additional permits for liquefied natural gas (LNG) exports to Japan following an announcement by the Department of Energy in May conditionally authorizing exports of domestically produced LNG from the Freeport LNG Terminal on Quintana Island, Texas, to countries such as Japan that do not have a Free Trade Agreement (FTA) with the US. METI and the Department of Energy issued a joint statement on energy cooperation including civil nuclear cooperation, climate change, clean energy technology, and natural gas. The two governments also agreed to pursue bilateral research on extracting natural gas from methane hydrates in the North Slope of Alaska and pledged further cooperation and consideration of a long-term gas production experiment in Alaska. Motegi also met US Trade Representative (USTR) Michael Froman to discuss Japan's participation in TPP and US-Japan cooperation on multilateral trade issues. The US and the other parties to TPP officially welcomed Japan as the 12<sup>th</sup> member country during the 18<sup>th</sup> round of negotiations in July and Japan participated fully in the 19<sup>th</sup> round held in Brunei in late August. USTR Froman visited Japan on his way to the Brunei negotiations after US and Japanese officials conducted the first round of bilateral trade negotiations on autos, insurance, and non-tariff measures designed to take place in parallel to the TPP talks.

Leadership-level exchanges were scarce in this period, and the Japanese press highlighted the lack of US-Japan summits in contrast to President Obama's extended meetings with President Xi Jinping in Sunnylands, California in early June. However, Obama's nomination of Caroline Kennedy to succeed John Roos as US ambassador to Japan on July 24 captured the Japanese media's attention and added positive atmospherics to the relationship.

### **History: still a wrinkle**

While Abe himself has tempered his public positions on sensitive history issues, there were nevertheless small- and medium-sized controversies in this period that demonstrate how difficult this problem will remain going forward. In mid-May, Osaka Mayor Hashimoto Toru brought tensions over history back to the surface when he noted that so-called comfort women were necessary to support Japanese soldiers during World War II. Hashimoto's comments sparked international condemnation and he was forced to cancel a visit to the US. The distasteful off-the-cuff remarks also sank public support for Hashimoto's political party "Ishin no Kai" going into the Upper House elections – a teachable moment for other politicians who might have thought about using hyper-charged nationalist rhetoric to advance their political careers. In late July, Deputy Prime Minister and Minister of Finance Aso Taro also invited controversy by making a clumsy reference to Nazi Germany in the context of Japan's current debate on constitutional revision – a statement he unequivocally retracted, which again indicated both the continued penchant for such statements from Japanese politicians, but also their recognition (particularly after Hashimoto) of the significant political downsides.

### **A challenging agenda**

Prime Minister Abe will continue to focus on economic policy and have to decide whether to increase the consumption tax per legislation passed last year and offer more details on structural reform. The end of the year also serves as a deadline for strategy documents on energy and defense that will round out his policy agenda. And the participants in the TPP negotiations continue to aim for completing "substantially all" of the TPP negotiations. Any one of these items would be a heavy political lift, and the Abe administration is trying to achieve them all at once. His popular support appears to be holding steady, though new revelations about leaks at the Fukushima nuclear power plant and uncertainty caused by China's economic slowdown or possible conflict with Syria all hang over the LDP's future. President Obama and Prime Minister Abe will have multiple opportunities to confer on the margins of multilateral forums over the next several months including the G20, the United Nations General Assembly, the Asia Pacific Economic Cooperation (APEC) Leaders Meeting, and the East Asia Summit. Bilateral agenda-setting across a range of issues areas could culminate in a session of the bilateral Security Consultative Committee ("2+2") and a joint vision statement for the alliance.

## **Chronology of US-Japan Relations May – August 2013**

**May 1, 2013:** Assistant Secretary of State for South and Central Asia Robert Blake, Jr. and Acting Principal Deputy Assistant Secretary of State for East Asia and Pacific Affairs James Zumwalt co-host the fourth US-Japan-India trilateral dialogue in Washington.

**May 2, 2013:** Eighty-nine percent of over 120 Japanese corporations surveyed by *Mainichi Shimbun* express confidence in Japan's economic recovery.

**May 6-8, 2013:** Acting Under Secretary of State for Arms Control and International Security Rose Gottemoeller visits Tokyo to discuss extended deterrence, missile defense cooperation, and arms control and nonproliferation issues with Japanese counterparts.

**May 6, 2013:** A report on military and security developments in China issued by the US Department of Defense states that in September 2012, China began using improperly drawn straight baseline claims around the Senkaku Islands, adding to its network of maritime claims that are inconsistent with international law.

**May 7, 2013:** Foreign Minister Kishida Fumio states that Prime Minister Abe shares the views expressed in the 1995 Murayama Statement apologizing for Japan's actions during World War II and Chief Cabinet Secretary Suga Yoshihide indicates that the government would abide by the 1993 Kono Statement on the issue of comfort women.

**May 8, 2013:** Prime Minister Abe reflects on World War II during an Upper House Budget Committee hearing, stating that Japan "caused tremendous damage and suffering to the people of Asian nations."

**May 9-10, 2013:** US and Japanese governments host first US-Japan Cyber Dialogue in Tokyo.

**May 12, 2013:** Survey by *Yomiuri Shimbun* reveals a 72 percent approval rating for the Abe Cabinet. Fifty-five percent of respondents support Japan's participation in the Trans-Pacific Partnership (TPP) trade negotiations, while 28 percent disapprove.

**May 13, 2013:** Osaka Mayor Hashimoto Toru states that comfort women were necessary for Japanese soldiers during World War II.

**May 16, 2013:** The Cabinet Office of Japan announces the economy grew at an annualized rate of 3.5 percent in the first quarter.

**May 16-18, 2013:** US Special Representative for North Korea Policy Glyn Davies visits Tokyo for meetings with senior Japanese government officials.

**May 17, 2013:** The US Energy Department conditionally authorizes exports of domestically produced liquefied natural gas (LNG) from the Freeport LNG Terminal on Quintana Island, Texas to countries that do not have a Free Trade Agreement (FTA) with the United States.

**May 17, 2013:** Prime Minister Abe outlines his government's growth strategy in a speech to business leaders in Tokyo.

**May 20, 2013:** Prime Minister Abe posts a 65 percent public approval rating in a survey by *Asahi Shimbun*.

**May 20, 2013:** Fifty-two percent of the Japanese public opposes amending Article 96 of the constitution, which includes criteria for revising the constitution; 41 percent support the measure.

**May 24, 2013:** US Special Envoy for North Korean Human Rights Issues Robert King visits Tokyo for consultations with Japanese government officials.

**June 1, 2013:** Australian Minister for Defense Stephen Smith, Japanese Minister of Defense Onodera Itsunori, and US Secretary of Defense Chuck Hagel meet on the margins of Shangri-La Dialogue and issue a joint statement outlining strategic goals for trilateral cooperation.

**June 1, 2013:** Japanese Minister of Defense Onodera, Republic of Korea Minister of National Defense Kim Kwan-jin, and Defense Secretary Hagel meet on the margins of the Shangri La dialogue in Singapore to discuss the regional security situation and North Korea.

**June 5, 2013:** Prime Minister Abe unveils additional details of his strategy to revive the Japanese economy.

**June 7, 2013:** The Abe government approves legislation to set up a National Security Council housed in the Prime Minister's Office.

**June 10, 2013:** The government of Japan revises first quarter economic growth numbers to an annualized rate of 4.4 percent from 3.5 percent.

**June 10, 2013:** *Yomiuri Shimbun* survey on the Upper House election in Japan finds 44 percent support for the ruling Liberal Democratic Party (LDP), 7 percent for the Democratic Party of Japan (DPJ), and 5 percent for the Japan Restoration Party (JRP). When asked which policy issues are most important, 86 percent of respondents cited the economy and employment, followed by social security at 84 percent and recovery from the March 11, 2011 disasters at 79 percent. Prime Minister Abe's approval rating stands at 67 percent.

**June 10-26, 2013:** Japan Self-Defense Forces participate in the amphibious exercise *Dawn Blitz* hosted by the US Navy and Marine Corps at Camp Pendleton, California.

**June 12, 2013:** Japanese Diet ratifies the Hague Convention on the Civil Aspects of International Child Abduction.

**June 13, 2013:** President Obama telephones Prime Minister Abe to brief him on his meeting with Xi Jinping at the Sunnylands resort in California.

**June 14, 2013:** The Abe Cabinet approves the economic revitalization strategy outlined previously by Prime Minister Abe.

**June 19, 2013:** US Special Representative for North Korea Policy Glyn Davies hosts a US-Japan-South Korea trilateral meeting in Washington to exchange views on North Korea.

**June 20, 2013:** Japan's Nuclear Regulation Authority issues new safety regulations for nuclear power plants.

**June 23, 2014:** The LDP makes a strong showing in the Tokyo Metropolitan Assembly election, taking 59 of 127 seats.

**July 1, 2013:** US Secretary of State John Kerry, Japanese Foreign Minister Kishida, and Republic of Korea Foreign Minister Yun Byung-se conduct a trilateral meeting on the margins of the Association of Southeast Asian Nations (ASEAN) Regional Forum meeting in Brunei. Kerry and Kishida also confer separately on bilateral issues.

**July 9, 2013:** Japan releases its annual defense white paper expressing concern about China's military build-up.

**July 12, 2013:** Daniel Russel is appointed assistant secretary of state for East Asian and Pacific affairs.

**July 18, 2013:** US Trade Representative Michael Froman testifies before the House Ways and Means Committee on the Obama administration's trade policy agenda.

**July 20, 2013:** Deputy Prime Minister and Minister of Finance Aso Taro meets US Treasury Secretary Jacob Lew on the margins of the G20 Finance Ministers Meeting in Moscow.

**July 21, 2013:** Ruling coalition of the LDP and Komeito secure a majority in elections for the Upper House of the Diet, together winning 76 seats out of 121 contested for a total of 135 in the 242-seat chamber.

**July 23, 2013:** The US and the other parties to the Trans-Pacific Partnership (TPP) trade talks welcome Japan as the 12<sup>th</sup> member country at the 18<sup>th</sup> round of negotiations held in Malaysia.

**July 24, 2013:** President Obama nominates Caroline Kennedy to succeed John Roos as US ambassador to Japan.

**July 24, 2013:** Minister of Economy, Trade and Industry (METI) Motegi Toshimitsu meets Energy Secretary Ernest Moniz in Washington and issue a joint statement on bilateral energy cooperation. Motegi also meets USTR Froman to discuss Japan's participation in the TPP negotiations and US-Japan cooperation on multilateral trade issues.

**July 26, 2013:** Japan's Ministry of Defense issues an interim report of a government review of defense policy that will inform new National Defense Program Guidelines due later in the year.

**July 26, 2013:** Prime Minister Abe meets with Vice President Joe Biden in Singapore to discuss a range of bilateral, regional, and global issues.

**July 29, 2013:** US Senate adopts a resolution condemning "the use of coercion, threats, or force by naval, maritime security, or fishing vessels and military or civilian aircraft in the South China

Sea and the East China Sea to assert disputed maritime or territorial claims or alter the status quo.”

**July 29, 2013:** Parliamentary Senior Vice Minister of Defense Eto Akinori meets Deputy Secretary of State William Burns and Deputy Secretary of Defense Ash Carter in Washington to discuss the Japanese government’s review of defense policy.

**July 29, 2013:** Deputy Prime Minister and Minister of Finance Aso references lessons to be learned from Nazi Germany while discussing the debate in Japan over whether to revise the constitution during a speech in Tokyo.

**Aug. 1, 2013:** Deputy Prime Minister and Minister of Finance Aso issues a statement retracting his comments on Nazi Germany in reference to Japan’s debate on constitutional revision.

**Aug. 5, 2013:** US military helicopter crashes on the grounds of Camp Hansen in Okinawa.

**Aug. 7-9, 2013:** US and Japanese officials conduct the first round of bilateral trade negotiations on autos, insurance and non-tariff measures in parallel to the TPP trade talks.

**Aug. 12, 2013:** Government of Japan reports that the economy grew at an annualized rate of 2.6 percent in the second quarter.

**Aug. 12, 2013:** Public opinion survey by *NHK* reveals a 57 percent approval rating for the Abe cabinet and a disapproval rating of 29 percent.

**Aug. 15, 2013:** Sen. Robert Menendez (D-NJ), chairman of the US Senate Foreign Relations Committee, visits Japan and meets Prime Minister Abe and other Japanese government officials.

**Aug. 19, 2013:** USTR Froman visits Tokyo for meetings with counterparts on TPP.

**Aug. 21, 2013:** Sen. John McCain (R-AZ), ranking member of the US Senate Armed Services Committee visits Japan and meets Prime Minister Abe and other Japanese government officials.

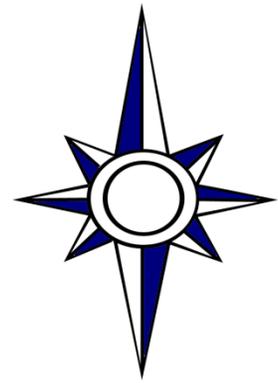
**Aug. 22-30, 2013:** The 19<sup>th</sup> round of TPP negotiations is held in Brunei.

**Aug. 26, 2013:** METI Motegi announces the central government will assume control of efforts to contain radioactive water leaking from storage tanks at the Fukushima Daiichi nuclear plant.

**Aug. 28, 2013:** Defense Minister Onodera and Defense Secretary Hagel meet on the sidelines of the ASEAN Defense Ministers Meeting Plus (ADMM+) in Brunei.

# Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



**US-China Relations:**

## **Sizing Each Other Up at Sunnylands**

**Bonnie Glaser, CSIS/Pacific Forum CSIS  
Jacqueline Vitello, CSIS**

With their domestic challenges in mind and a shared need for a stable bilateral relationship, Presidents Barack Obama and Xi Jinping met for a day and a half “no necktie” official working meeting to discuss the panoply of bilateral, regional, and global issues that affect US and Chinese interests. The fifth annual Strategic and Economic Dialogue (S&ED) was held in Washington on July 10-11, along with the Strategic Security Dialogue (SSD) and the first Cyber Working Group. Cyber security, especially cyber theft, was a prominent and contentious issue, aggravated by the revelations of former NSA contractor Edward Snowden. Maritime disputes in the East and South China Seas were also a source of tension. The bilateral military relationship was a bright spot, with the visit to the US of Chinese Defense Minister Chang Wanquan.

### **Sunnylands “no necktie” summit**

President Obama hosted Xi Jinping for an official working meeting June 7-8 at the Annenberg Retreat at Sunnylands in Rancho Mirage, California. The meeting was unusual in several respects. First, the two presidents had not been scheduled to meet this year until the G20 meeting in St. Petersburg in September. Former National Security Adviser Tom Donilon told the press after the close of the Sunnylands discussions that the US believed postponing a meeting between the two leaders until the fall would have created a “vacuum.” China had also been eager to have an early opportunity for a meeting with President Obama. Second, prior Chinese leaders had insisted that their first visit to the United States as president be a formal state visit with a meeting in the Oval Office, a lavish state dinner, and a 21-gun salute. The only previous meeting between US and Chinese presidents in an informal setting took place in Crawford, Texas when George W. Bush hosted Jiang Zemin at the end of his tenure in 2002. Third, presidential meetings rarely last more than a few hours and usually focus on a small number of issues. Obama and Xi met at Sunnylands for eight hours over two days. The discussions were “quite strategic and covered virtually every aspect of the United States-China relationship,” according to Donilon.

The primary goal of the meeting was to establish a personal rapport between the two leaders that would better enable them to navigate problems in the bilateral relationship going forward. Donilon described the conversations as “positive and constructive, wide-ranging and quite successful.” Chinese State Councilor Yang Jiechi stated that the two heads of state “enhanced mutual understanding and trust, reached an important consensus on an array of issues . . . point(ed) the way and map(ped) out a blueprint for the future development of China-US relations.”

The talks covered their respective domestic circumstances, various aspects of the bilateral relationship, regional challenges such as North Korea and Iran, and global issues, including cyber security and climate change. Equally important, the US and Chinese presidents formed an opinion about each other. In a candid interview with Charlie Rose eight days after their meetings, Obama commented that Xi is “younger and more forceful and more robust and more confident, perhaps, than some [Chinese] leaders in the past.” Not surprisingly, Xi has not publicly offered his impressions of Obama.

On specific issues, Obama and Xi appear to have had the most common ground on North Korea, which was one of the topics discussed over dinner. They agreed that neither country would recognize North Korea as a nuclear weapon state and pledged to deepen cooperation to achieve denuclearization. In addition, Obama and Xi stressed the importance of continuing to apply pressure on North Korea to prevent proliferation and to compel Pyongyang to choose between nuclear weapons and becoming an economically prosperous country. Donilon indicated that there was “absolute agreement” that the US and China would “continue to work together on concrete steps” to achieve their joint goals with respect to North Korea’s nuclear program.

Another area of agreement was the need to bolster the US-China military relationship. According to Yang Jiechi, both sides said “they were ready to move forward with the building of a new type of military relationship.” In the only tangible outcome of the summit, Obama and Xi agreed to cooperate in fighting climate change by cutting the use of hydrofluorocarbons (HFCs), which are greenhouse gases.

Among the most contentious issues were the territorial disputes in the East and South China Seas. Xi Jinping expressed China’s determination to defend its claims and safeguard China’s national sovereignty and territorial integrity while at the same time supporting resolution through dialogue. President Obama reiterated US commitments under the US-Japan Mutual Security Treaty, and indicated his hope that Beijing and Tokyo would de-escalate, not escalate tension, and seek to have conversations through diplomatic channels rather than through actions in the waters of the East China Sea. The discussion about cyber issues was also contentious. Obama made clear the threat posed to US economic and national security by the use of cyber for the purpose of economic espionage. Apparently, Obama presented specific evidence of China’s widespread theft of intellectual property from US companies. According to Donilon, the president underscored that resolving this issue is the key to the future of US-China relations and asked that Xi Jinping take steps to investigate the problem.

There were some disappointments on both sides, although these were not explicitly expressed by either president or in the briefings provided by senior officials to the press. On the US side, officials commented privately that the meetings were more scripted than they had hoped; the presidents respectively presented their positions, but did not engage in a free flowing, back and forth conversation. On the Chinese side, there was some disappointment that President Obama was unwilling to fully embrace President Xi’s definition of a “new model of major country relationship.” (note: This is China’s preferred translation of *xinxing daguo guanxi*, rather than “new type of great power relationship.”) Xi proposed that the concept be defined as 1) no conflict and no confrontation; 2) mutual respect, including for each other’s core interests and major concerns; and 3) win-win cooperation. Based on Donilon’s read-out to the press, it

appears that Obama agrees that the US and China should avoid the historical phenomenon of a rising power and an existing power going to war, and agrees to build a new model of relations between great powers. However, it seems that Obama is unwilling to put forward a positive description of the new type of relationship, and did not accept Xi's proposed definition.

The Chinese side was also disappointed that first lady Michelle Obama did not attend the summit, opting to remain in Washington with her daughters who were finishing the school year. President Obama attempted to remedy this by meeting Xi Jinping's wife, Peng Liyuan, for tea. In addition, Michelle wrote a letter to Liyuan, welcoming her to the United States and saying that she regretted missing the opportunity to meet and hoped to have the chance to do so soon.

Following the summit, President Obama revealed some of his concerns about the US-China relationship in an interview with Charlie Rose. He described China's leadership as seeking to exploit the international system to "get as much as they can," while not being a "full stakeholder." China "can't have all the rights of a major world power but none of the responsibilities," Obama asserted, adding that if China accepts both, it will have a strong partner in the United States. He additionally stated that in working with the Chinese government, it is necessary to be candid, be clear about American values, and push back when the Chinese are trying to take advantage of the US.

### **Strategic and Economic Dialogue, round five**

The fifth round of the US-China Strategic and Economic Dialogue (S&ED) opened on July 10 in Washington, DC. Both sides agreed that this year's dialogue built upon the budding mutual trust established at the Sunnylands summit. The annual event had four new co-chairs: Secretary of State John Kerry, Secretary of Treasury Jack Lew, Vice Premier Wang Yang, and State Councilor Yang Jiechi. Secretary Kerry, whose wife had taken ill just prior to the S&ED, attended for only a portion of the Dialogue, and was replaced by Deputy Secretary of State William Burns as the co-chair of the strategic track plenary session. Vice President Joe Biden also attended the joint opening session and in his remarks stated that the US-China relationship "is and will continue to be a mix of competition and cooperation."

The Chinese delegation stressed the "new model of major country relationship" throughout the S&ED in an effort to win more enthusiastic US support and commitment for Xi Jinping's proposal. In his opening remarks at the S&ED, Vice-Premier Wang stated that the "new model of major-country relationship ... is based on non-conflict, non-confrontation, mutual respect and win-win cooperation." Yang Jiechi told the Chinese media on July 11 that the "new type of major power relationship" should adhere to two principles: 1) the relationship should be built on foundations and common interests and 2) the relationship should be built in the spirit of mutual respect, and strive to obtain win-win results through cooperation. Despite Chinese efforts to forge a consensus on a definition of Xi's concept, the US remained hesitant to endorse it.

#### *Economic track*

In the economic track of the S&ED, both sides agreed to move forward with negotiations on a Bilateral Investment Treaty (BIT). While there have been nine previous rounds of BIT

negotiations between the US and China over the past five years, this year's S&ED seems to have brought a renewed sense of determination to sign an accord. In his closing remarks on July 11, Secretary Lew announced China's intention to include all stages of investment and all sectors in the BIT, which he called "a significant breakthrough," noting that this is "the first time China has agreed to do so with another country." Chinese Commerce Minister Gao Hucheng also reacted favorably, stating that the two sides had agreed to enter the "substantive stage" of negotiations.

In advance of the S&ED, China publicly stressed three economic track items that it planned to put on the agenda for discussion: 1) easing of US restrictions on high-tech transfer to China; 2) granting of market economy status by the US to China; and 3) taking steps to enable Chinese companies to more easily invest in the United States. Some progress seems to have been made to satisfy Chinese investors on the third item, as suggested by Vice Premier Wang's statement that the US had pledged to treat Chinese investment equally and fairly, and to welcome such investment from China including from SOEs and sovereign wealth funds. Wang was less positive about the US reaction to China's desire for market economy status, except to note that the US said it would "seriously consider" granting it.

China once again announced its intention to submit an offer to join the WTO Government Procurement Agreement (GPA) by the end of this year. This marks the fifth time China will submit an offer in as many years, the previous four having been deemed too weak by its US and European trading partners. Chinese officials signaled their readiness to begin technical talks with Washington to tackle the remaining obstacles to join the WTO GPA.

The US business community, economists, and scholars were less than fully satisfied with the outcomes of the economic track. China expert Nicholas Lardy at the Peterson Institute for International Economics told the *Wall Street Journal* that the BIT was a "noble goal" but would at best take a long time to negotiate and at worst might fail. The US-China Business Council voiced concern that China made no commitments to reduce barriers to investment in specific sectors. Former Treasury Secretary Hank Paulson was more upbeat, however, saying that a BIT would help level the playing field and assure access by eliminating discriminatory policies and practices.

### *Strategic track*

In the spirit of building a new type of major country relationship, the two sides focused on expanding cooperation on issues where interests overlap and cooperation is possible. Climate change and energy policy have proven to be among such issues, since both countries face serious challenges and see opportunities for working together. At this year's S&ED, the US and China signed six new agreements to reduce greenhouse gas emissions and implement new, more energy efficient policies. They also upgraded their energy policy dialogue to the ministerial level.

Several breakout sessions were held under the strategic dialogue framework, including meetings to discuss bilateral cooperation on United Nations peacekeeping operations, South Asia, Latin America, wildlife trafficking, and customs. The two sides also agreed to implement joint projects in Afghanistan and Timor-Leste and announced a new Dialogue on Global Development. This dialogue, the first of its kind, will be chaired by the US Agency for International Development

(USAID) and the Chinese Ministry of Commerce. In an effort to promote the development of personal relationships as well as more effective cooperation, it was agreed that hot lines would be established between the two sets of US and Chinese co-chairs.

The third meeting of the Strategic Security Dialogue (SSD) that brings together senior civilian officials and military officers responsible for sensitive security matters was also held. The first SSD, held in 2011, lasted two hours and the second SSD, held in 2012, was extended to a half-day meeting. In both of those meetings, only two topics were on the agenda: cyber and maritime security. The SSD held alongside the S&ED this year lasted an entire day and the topics were expanded to include nuclear policy and missile defense. Deputy Secretary Burns and Chinese Executive Vice Foreign Minister Zhang Yesui were the civilian co-chairs; Under Secretary of Defense for Policy James Miller and Deputy Chief of the PLA General Staff Lt. Gen. Wang Guanzhong were the military co-chairs. Importantly, China agreed to hold another SSD meeting before the end of 2013, something the US has been pushing since the creation of this mechanism.

In keeping with past practice, President Obama met Chinese co-chairs Wang Yang and Yang Jiechi. The White House press release on the meeting noted that Obama underscored the importance of increasing practical cooperation on regional and global challenges while constructively managing differences and areas of competition. Wang Yang conveyed a similar message to Obama from Xi Jinping, urging both sides to “actively conduct cooperation at bilateral, regional and global levels and properly manage sensitive issues concerning each other’s vital interest to push forward the overall development of the bilateral relations based on mutual respect and win-win cooperation, according to the Chinese foreign ministry’s press release. They exchanged views on North Korea, maritime disputes, and cyber security, and Obama raised international norms and human rights.

### **Cyber espionage threatens setback**

Obama administration concern about cyber threats from China has been mounting over the past year. In early 2013, those concerns were expressed privately and then publicly by senior US officials. In this second quadrimester of the year, the issue was broached at the highest level in Obama’s face-to-face meeting with Xi in California. Although attention is being paid to the hacking of US government websites and the potential for the use of cyber in a military conflict, the cause of greatest concern is the alleged use of cyber by Chinese government- and military-backed entities for the purpose of stealing US intellectual property.

The importance and protection of Intellectual Property (IP) rights first captured national attention in February, when US computer security firm Mandiant released a report associating a PLA unit in Shanghai with the systematic hacking of over 140 US organizations. The Chinese government rejected the report and claimed the evidence therein was “groundless.” One month later, in a speech at the Asia Society in March, National Security Advisor Thomas Donilon overtly associated China with the issue of cyber security – the first time a White House official had done so. Donilon warned that any cyber attack by China could seriously harm US-China relations. To that end, he outlined three Obama administration goals to accomplish in the area of cyber security with respect to China: 1) gaining Chinese recognition of the urgency and scope of the problem; 2) getting Beijing to begin investigating cyber theft coming out of China; and

3) engaging in constructive bilateral dialogue to establish rules and norms for activity in cyberspace. These three goals have since served as the basis for cyber-related talks with Beijing.

Building on the already substantive evidence provided in the Mandiant report, former US Ambassador to China Jon Huntsman and former Director of National Intelligence Dennis Blair released a report on May 21, which claimed that China is responsible for 50-80 percent of global IP theft. The report maintained that US companies have lost \$300 billion in revenue as a result of Chinese cyber espionage, and endorsed the contention of Gen. Keith Alexander, director of the National Security Agency, that this IP theft represents the “greatest transfer of wealth in history.”

In early June, immediately prior to the much anticipated Sunnylands summit, US charges of Chinese cyber espionage were undercut by revelations in the British newspaper *The Guardian* of US electronic surveillance activities based on information supplied by Edward Snowden, a former contracted employee for the National Security Agency (NSA). According to Snowden, the NSA was monitoring telephone and internet usage of US citizens, as well as targets in other countries, including China. The Chinese media reacted harshly to news of the Snowden affair, and went so far as to accuse the US of having double standards. The government-run Chinese newspaper *Xinhua* stated that, “the recent leakage of the two top-secret US surveillance programs of the National Security Agency has smashed the image of the US as a cyber liberty advocate and revealed its hypocrisy.” On June 27, Chinese Ministry of Defense spokesman Col. Yang Yujun accused the US of abusing advantages in IT while simultaneously “making baseless accusations against other countries.” He said this “shows double standards that will be of no help for peace and security in cyberspace.”

Following *The Guardian* reports, Snowden turned up in Hong Kong seeking asylum from any country that would provide it. Beijing apparently encouraged Hong Kong’s government to allow Snowden to leave for Russia on June 23, despite strong pleas from Washington to hold him for subsequent extradition. In Washington, this was seen as a slap in the face to President Obama and in direct contradiction to Xi Jinping’s professed desire for a positive and cooperative bilateral relationship. White House Press Secretary Jay Carney said bluntly, “we see this as a setback in terms of their efforts to build mutual trust.”

As discussed above, when the two presidents met at Sunnylands, Obama clearly conveyed his concerns about the use of cyber hacking to steal IP from US companies. In a subsequent White House briefing, Donilon stated that the Obama administration believes cyber issues need “to be at the center of the economic discussions that the United States and China are having.” Donilon related that Obama told Xi that “if it’s not addressed ... this (cyber issue) was going to be (a) very difficult problem in the economic relationship and was going to be an inhibitor to the relationship really reaching its full potential.” China downplayed the issue, however, claiming that cyber security is a multilateral rather than a bilateral issue. Moreover, in a briefing to the press following the Sunnylands summit, State Councilor Yang Jiechi emphasized that China and the US are facing the same threat and that, rather than becoming a point of contention, cyber security should be “a new bright spot in our cooperation.”

The Chinese seem to reject the distinction between the use of cyber to steal intellectual property and the use of cyber for more traditional intelligence collection, believing that they are both fair

game if not adequately protected. President Obama attempted to drive home the US view that the two are not the same on the Charlie Rose show, saying that IP theft is akin to, “a hacker directly connected with the Chinese government or the Chinese military breaking into Apple’s software systems to see if they can obtain the designs for the latest Apple product.” He called this type of activity theft, and said that the US government would not tolerate it.

When President Obama met Chinese S&ED co-chairs Wang Yang and Yang Jiechi, he conveyed his strong dissatisfaction with China’s decision to permit Snowden to leave Hong Kong. The issue was also apparently a source of contention in the closed-door meetings. At the closing session of the S&ED, Deputy Secretary of State Burns stated “over the past two days we’ve made clear that China’s handling of this case was not consistent with the spirit of Sunnylands ... or with the type of relationship, the new model that we both seek to build.” Yang Jiechi responded by insisting that Hong Kong’s handling of the Snowden affair was “beyond reproach.” The first ever US-China bilateral cyber working group was held on July 8, two days prior to the start of the fifth annual S&ED, and included civilian and military representatives from various agencies in the US and Chinese government that have responsibility for cyber-related matters. According to the US chair, Christopher Painter, the State Department’s coordinator for cyber issues, participants had constructive discussions, exchanged views, and made proposals to establish transparency and international rules for operating in cyberspace. The State Department also noted that the two sides are working to strengthen coordination and cooperation in the cyber realm between their Computer Emergency Readiness Teams (CERT).

### **Maritime disputes are front and center**

US and Chinese officials sent clear signals regarding their respective policy stances and interests in the East China Sea and South China Sea in June, July, and August. At the Shangri-La Dialogue in Singapore in early June, Secretary of Defense Chuck Hagel called for all claimants to exercise restraint and employ peaceful means to resolve their differences. He also welcomed the agreement between China and ASEAN to establish crisis hotlines to help manage maritime incidents. A week later, as noted above, Presidents Obama and Xi Jinping had a tense exchange on the maritime disputes in the waters off China’s coast. Toward the end of June, Danny Russel told a Senate panel during his confirmation hearings for the position of assistant secretary of state for East Asia and Pacific Affairs that it was “unacceptable” for China to demand only bilateral negotiations with the other claimants. He stated that “America stands by our allies” and that he was committed to doing “everything in my power to try to lower the temperature, push claimants, including China, into a diplomatic track and continue to warn them that the region in which China will flourish is a region of law, a region of order, and a region of respect for neighbors, not one in which there is space for coercion and bullying.”

In his opening remarks at the 20<sup>th</sup> ASEAN Regional Forum in Brunei Darussalam on July 1, Secretary of State Kerry called on all parties to stop using coercion or other provocative actions to advance their claims in the South China Sea. Echoing the message delivered by his predecessor Hillary Clinton at the same meeting three years earlier, Kerry stated that the US has a national interest in the maintenance of peace and stability, respect for international law, unimpeded lawful commerce, and freedom of navigation in the South China Sea. He called for the signing of a “substantive” code of conduct (CoC) to “help ensure stability in this vital region”

and endorsed the use of legal mechanisms, including arbitration, to resolve disagreements. In a veiled warning to China, Kerry said that states should be able to seek peaceful means of dispute resolution without fear of retribution. While welcoming the announcement of official consultations a day earlier between ASEAN and China, he expressed hope that the talks would not be just a one-time event, but rather would result in progress toward a CoC. An unnamed State Department official was even less diplomatic in comments provided to the *Washington Post*, saying that the US “was more interested in China’s behavior toward its neighbors than in talks about documents.”

On the margins of the ARF, Kerry met Foreign Minister Wang Yi. Their talks focused primarily on North Korea, with Kerry pressing China to use its influence to persuade Pyongyang to honor its denuclearization commitments made in the Six-Party Talks. On the South China Sea disputes, according to an account of the meeting posted on the Chinese Foreign Ministry website, Wang Yi complained that Chinese efforts to seek cooperation were being undermined by “some individual country” that is “seeking confrontation.” He was undoubtedly referencing the Philippines, which continues to stand up to Beijing and determinedly defend its claims.

In a briefing on the upcoming Strategic and Economic Dialogue a week later, Chinese Assistant Foreign Minister Zheng Zeguang told reporters in Beijing that China wants the US to actively take steps to lower tensions arising from territorial disputes in the region. In the South China Sea, he urged the US to “do more to contribute to a proper settlement of the issue.” Regarding the East China Sea, Zheng encouraged the US to “send correct instead of wrong signals and do more to contribute to the cooling of the situation.”

Vice President Biden weighed in on the maritime disputes in a speech at George Washington University on July 18. All nations must have a clear understanding of what constitutes acceptable international behavior, Biden asserted, saying that means “no intimidation, no coercion, no aggression, and a commitment from all parties to reduce the risk of mistake and miscalculation.” He specifically urged China and ASEAN to set clear rules to manage their disputes and to sign a CoC.

A similar message was conveyed by the US Senate at the end of July in a unanimously adopted resolution condemning the use of force to assert territorial claims to disputed islands in the East and South China Seas. The resolution contained language condemning “the use of coercion, threats, or force by naval, maritime security, or fishing vessels and military or civilian aircraft in the South China Sea and East China Sea to assert disputed maritime or territorial claims or alter the status quo.” China lodged a formal complaint with the United States and the Foreign Ministry spokesman stated that China objected strongly to the resolution, which the ministry claimed failed to heed history or facts and “unjustifiably” blamed China.

A Politburo study session was held in late July at which Xi Jinping discussed China’s ongoing maritime disputes. Xi combined a tough stance with hints that priority may be accorded to lowering tensions with China’s neighbors going forward. The former was reflected in Xi’s assertion that Beijing would never give up its legitimate rights and interests, especially the nation’s core interests. The softer signal was embodied in his reaffirmation of Deng Xiaoping’s guideline that maritime disputes should be shelved and joint exploration of resources be pursued.

China's determination to staunchly defend its territorial claims was reiterated by Defense Minister Chang Wanquan when he visited the US in mid-August. At a news conference following his discussions with Secretary of Defense Hagel, Chang maintained that while Beijing prefers to solve disputes in the region through "dialogue and negotiation, no one should fantasize that China would barter away our core interests." He warned others to not "underestimate our will and determination in defending our territorial sovereignty and maritime rights."

In a speech at the end of August to Malaysia's Institute of Defense and Security, Secretary Hagel banged the drums again. He said the US was "troubled" by the increase in tensions and incidents in waters throughout the region, including in the South China Sea, and called on all parties to exercise restraint and "resolve incidents peacefully and without use of intimidation or aggression." Once again, Hagel reiterated US support for negotiation of a binding code of conduct for the South China Sea, and called on claimants to use means consistent with international law to settle their disputes. A few days later at the ASEAN Defense Ministers Meeting Plus gathering in Brunei, Hagel again voiced concerns about actions at sea aimed at advancing territorial claims that "increase the risk of confrontation, undermine regional stability, and dim the prospects for diplomacy."

### **China's defense minister visits the US**

Prior to visiting Washington, Defense Minister Chang Wanquan traveled to the US Pacific Command, US Northern Command and North American Aerospace Defense Command (NORAD). In the nation's capital, Chang met Defense Secretary Hagel, Chairman of the Joint Chiefs Martin Dempsey, and National Security Adviser Susan Rice. The military exchange was one of 60 on the US-China bilateral agenda for this year. At the Pentagon, the talks focused on ways to promote the bilateral military-to-military relationship as well as regional and global security issues.

In their joint press briefing, Secretary Hagel stressed the US commitment to building a positive and constructive relationship with China. He noted that ties between the US and China are important for stability and security in the Asia Pacific. In order to strengthen the overall bilateral relationship, Hagel repeated a central tenet of the Obama administration's policy: that a "sustained, substantive military-to military relationship" is essential. In addition, Hagel stated that "the United States welcomes and supports the rise of a prosperous and responsible China that helps solve regional and global problems."

Gen. Chang described five agreements that were reached: 1) to implement the Xi-Obama consensus to strengthen the bilateral military relationship; 2) to increase high-level visits, and deepen consultations and dialogues with the aim of increasing mutual trust; 3) to strengthen coordination and cooperation under Asia-Pacific multilateral security dialogues, mechanisms, and frameworks; 4) to further enhance exchanges and cooperation in humanitarian assistance and disaster relief, counterterrorism, anti-piracy and peacekeeping; and 5) to work with other international community members to strengthen communication, coordination, and cooperation and to maintain strategic balance and stability of the world.

In their private meeting, Gen. Chang raised two of the initiatives that President Xi proposed to President Obama at their Sunnylands summit in June. The first is pursuing an agreement on advance notification of major military activities and the second is to negotiate an agreement on rules of behavior for military air and naval activities. It wasn't clear how far along these discussions are or whether progress was made during Chang's visit. Secretary Hagel noted that the venue for talks on establishing rules of the road at sea and in the air, the US-China Military Maritime Consultative Agreement, was holding a working group meeting in Hawaii on the same day as Chang's visit to the Pentagon to discuss humanitarian assistance and disaster relief. And within the week, the US and Chinese navies were scheduled to conduct second a counter-piracy exercise in the Gulf of Aden.

Additional agreements announced by Gen. Chang included plans to conduct the first bilateral humanitarian assistance and disaster relief exercise with active forces in Hawaii this November and to hold an exploratory discussion on logistics issues in support of nontraditional security missions later this year. The two sides also made a commitment to hold regular exchanges between the J5, the Joint Staff's strategic plans and policy directorate, and the PLA's strategic planning department. A series of high-level military visits between the two countries this year and next year were announced, including trips to China by Chief of Staff of the Air Force Gen. Mark Welsh and Chief of Staff of the Army Gen. Ray Odierno, and a visit by PLA Navy Commander Adm. Wu Shengli to the United States later this year. Gen. Dempsey invited his counterpart, Gen. Fang Fenghui, for a visit to the US next year. Secretary Hagel accepted Gen. Chang's invitation to visit China next year, and US Chief of Naval Operations Adm. Jonathan Greenert will also travel to China in 2014.

Briefing the press on the visit, Gen. Guan Youfei, director of the Chinese Ministry of Defense Foreign Affairs Office, claimed that the US had agreed to establish a working group to discuss the obstacles to better US-China military ties, including US arms sales to Taiwan. The Pentagon spokesman subsequently denied this, however, saying "I believe that the two sides, the US and China, agreed to set up working groups to discuss issues of mutual concern. But I have not heard of any specific working group on arms sales to Taiwan being established as of now." He maintained that the issues to be discussed would include crime prevention, particularly in regard to arms proliferation, piracy, and online crime. Gen. Chang reportedly told Secretary Hagel that the risk of war across the Taiwan Strait would decrease if US arms sales cease. Hagel maintained that US arms sales seek to ensure Taiwan's confidence in its self-defense. Guan also revealed that Xi Jinping pledged to President Obama that China would adjust the deployment of coastal PLA units once the US terminates arms sales to Taiwan. A US State Department spokesman said that Washington would continue to honor its commitments under the Taiwan Relations Act, which requires the US to make available defensive arms to the island. "We believe this longstanding policy contributes to the maintenance of peace and stability across the Taiwan Strait," State Department spokeswoman Jennifer Psaki said at a briefing.

### **Looking ahead to the rest of 2013**

The US and China have an active agenda of meetings and exchanges in the last four months of the year. President Obama will meet Xi Jinping again on the margins of the G20 Summit in St. Petersburg, Russia, scheduled for Sept. 5–6. Foreign Minister Wang Yi will head the Chinese

delegation to the 68<sup>th</sup> United Nations General Assembly (UNGA) to be held in New York starting on Sept. 17, and may also visit Washington DC. Vice President Biden may visit China, Japan, and South Korea in late September or early October. Another meeting between Presidents Obama and Xi Jinping could take place on the sidelines of the APEC Leaders Meeting Oct. 7-8 in Bali, Indonesia. Premier Li Keqiang and President Obama will attend the 8<sup>th</sup> East Asia Summit on Oct. 10 in Brunei Darussalam, providing another opportunity for a high-level meeting.

At the working level, Special Representative for North Korea Policy Glyn Davies will visit Beijing, as well as Seoul and Tokyo, in September to coordinate policy toward Pyongyang. Also in September, Danny Russel will make his first trip to Northeast Asia since being appointed assistant secretary for East Asian and Pacific affairs. In addition to the numerous exchanges in the military sphere mentioned above, the Defense Consultative Talks, which had been scheduled to take place in June but were postponed, will now be held in September.

### **Chronology of US-China Relations\*** **May – August 2013**

**May 1, 2013:** US Trade Representative's office places China, along with Ukraine, Venezuela, and seven other countries on its Priority Foreign Country list in its 2013 Special 301 Report due to deteriorating intellectual property rights protection and market access.

**May 1, 2013:** US Department of Commerce issues a preliminary determination on antidumping duties against hardwood plywood manufactured in China and imported to the US, leading to a combined CVD/AD rate of 44.77 percent against Chinese manufacturers.

**May 1, 2013:** US Commission on International Religious Freedom releases its annual report on religious freedom in China.

**May 6, 2013:** US Department of Defense releases its *2013 Military and Security Developments Involving the People's Republic of China*, analyzing the progress, expansion, and modernization of the Chinese People's Liberation Army.

**May 7, 2013:** Houston hosts the third US-China Petroleum Forum and the 2013 China-US Shale Gas Technology Forum on the sidelines of the Offshore Technology Conference.

**May 9, 2013:** US Treasury Secretary Jacob Lew and Chinese Vice Premier Wang Yang hold talks by phone to discuss bilateral relations.

**May 15, 2013:** US Special Representative on North Korea Policy Glyn Davies visits Beijing on a trip that includes Seoul and Tokyo.

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\* Chronology and research assistance by CSIS interns Sheridan Hyland and Jessica Drun

**May 23, 2013:** Fang Fenghui, chief of the PLA General Staff, and Martin Dempsey, US chairman of the Joint Chiefs of Staff, hold talks by phone to discuss strengthening coordination and communication between US and Chinese militaries.

**May 26-28, 2013:** National Security Advisor Tom Donilon visits Beijing to prepare for the upcoming summit between Presidents Obama and Xi Jinping.

**May 28, 2013:** Qi Jianguo, deputy chief of the General Staff of the PLA, meets Cecil Haney, commander of the US Pacific Fleet in Beijing.

**May 28, 2013:** Xi Jinping meets Los Angeles Mayor Antonio Villaraigosa in Beijing to discuss tourism and trade relations between China and California.

**May 30, 2013:** *USS Shiloh* visits the PLA Navy South Sea Fleet base as part of a larger military-to-military exchange between the US and China.

**May 31, 2013:** State Department releases its annual statement calling for China to fully account for the June 1989 Tiananmen Square Incident and to adhere to universal human rights standards.

**June 1, 2013:** USPACOM Commander Adm. Samuel Locklear meets PLA Deputy Chief of the General Staff Qi Jianguo in Singapore on the margins of the Shangri-La Dialogue.

**June 5, 2013:** The Obama administration announces six-month sanctions waivers to China and eight other countries for reducing their imports of Iranian oil.

**June 5, 2013:** Secretary of Treasury Lew holds a phone conversation with Vice Premier Wang Yang on US-China economic relations and the upcoming US-China Strategic Dialogue.

**June 5-7, 2013:** Acting Under Secretary for Arms Control and International Security Rose Gottemoeller visits Beijing to co-chair the sixth consultation on strategic security and multilateral arms control with Assistant Foreign Minister Ma Zhaoxu.

**June 7-8, 2013:** President Xi meets President Obama at the Sunnylands estate in California.

**June 8, 2013:** State Councilor Yang Jiechi announces that China has accepted an invitation from the US to take part in the *2014 Rim of the Pacific (RIMPAC)* military exercises.

**June 17, 2013:** Chinese Foreign Ministry spokeswoman calls for the US to explain its NSA surveillance programs after they were revealed by Edward Snowden.

**June 18, 2013:** US Navy medical team gives a presentation aboard the Chinese hospital ship *Peace Ark* during the ASEAN Humanitarian Assistance/ Disaster Relief and Military Medicine Exercise in Brunei.

**June 19, 2013:** US State Department releases its annual Trafficking in Persons Report, relegating China, along with Russia and Uzbekistan, to the lowest tier, indicating that the US could apply non-trade related sanctions.

**June 20, 2013:** Under Secretary of State for Political Affairs Wendy Sherman and Vice Foreign Minister Zhai Jun hold the second round of US-China Middle East Dialogue in Washington.

**June 23, 2013:** Former NSA contract worker Edward Snowden leaves Hong Kong for Moscow. White House Press Secretary Jay Carney says the decision by the Hong Kong government “unquestionably has a negative impact on the US-China relationship.”

**June 26-27, 2013:** Under Secretary of the Treasury for International Affairs Lael Brainard visits Beijing for talks and to prepare for the US-China Strategic and Economic Dialogue.

**June 26-28, 2013:** US Ambassador to China Gary Locke makes a three-day visit to Tibet to talk with local officials, marking the first time since September 2010 that China has approved a US Embassy request to visit the region.

**June 27, 2013:** Martin Dempsey, chairman of the Joint Chiefs of Staff, rejects comparisons between cyber hacking by the US and China, saying that China’s program is aimed at stealing intellectual property.

**June 28, 2013:** US Department of Justice indicts Sinovel, a Chinese wind turbine company, for stealing trade secrets from a supplier, American Superconductor Corp.

**July 1, 2013:** Secretary of State Kerry meets Foreign Minister Wang Yi on the sidelines of the ASEAN Regional Forum in Brunei.

**July 8, 2013:** Inaugural US-China cyber security working group is held in Washington in advance of the S&ED. The working group is led by Christopher Painter, State Department coordinator for cyber issues, and Dai Bing, a senior Chinese Foreign Ministry official.

**July 9, 2013:** Third US-China Strategic Security Dialogue is held in Washington.

**July 9, 2013:** China Securities Regulatory Commission agrees to share Chinese audit papers with the US Securities and Exchange Commission and the Public Company Accounting Oversight Board.

**July 10-11, 2013:** Fifth meeting of the US-China S&ED is held in Washington DC. Secretary of State Kerry and Secretary of the Treasury Lew chair the meeting with counterparts, State Councilor Yang Jiechi and Vice Premier Wang Yang.

**July 10, 2013:** Under Secretary of State for Economic and Growth, Energy, and the Environment Robert Hormats and Administrator of the Chinese State Forestry Administration Zhao Shucong hold a breakout session on wildlife trafficking and agree on cooperation on combatting the trade during the S&ED.

**July 10, 2013:** US Air Force National Air and Space Intelligence Center releases an update to its 2009 Ballistic and Cruise Missile Threat Report, indicating that the PLA has the world's "most active and diverse ballistic missile program."

**July 12, 2013:** Daniel Russel begins serving as assistant secretary of state for East Asian and Pacific affairs. Evan Medeiros is promoted to senior director for East Asia on the National Security Council.

**July 12, 2013:** State Councilor Yang Jiechi visits Washington and meets Secretary of Defense Hagel and National Security Advisor Susan Rice.

**July 17, 2013:** US Trade Representative Michael Froman holds China responsible for the breakdown of negotiations on the Information Technology Agreement, which would have amended the 1996 agreement to eliminate tariffs from new millennium technologies.

**July 18, 2013:** China's Ministry of Commerce imposes preliminary anti-dumping duties on solar-grade polysilicon from the United States and South Korea.

**July 27, 2013:** Vice President Biden calls for China to agree to a code of conduct in the South China Sea while visiting Singapore.

**July 30-31, 2013:** US-China Human Rights Dialogue is held in Kunming, China.

**July 30, 2013:** US Senate passes a resolution condemning the use of force in territorial disputes in the East and South China Seas in response to rising Chinese aggression.

**Aug. 1, 2013:** Foreign Ministry spokeswoman says that China "strongly" opposes the US Senate resolution on the East and South China Seas, arguing that it blames China and is "sending the wrong message."

**Aug. 1, 2013:** Congressman and co-chair of the Tom Lantos Human Rights Commissions Frank Wolf says in a press release that the annual human rights dialogue between the US and China has "failed to produce meaningful results."

**Aug. 1, 2013:** US and Chinese Customs conclude a bilateral, month-long operation against counterfeit electronics in the largest collaboration between the two agencies to date.

**Aug. 2, 2013:** China's Ministry of Foreign Affairs repeats its opposition to US sanctions on Iran, saying that it "opposes sanctions that will hurt the interests of a third party." The statement came after the House of Representatives passed the Nuclear Iran Prevention Act.

**Aug. 2, 2013:** World Trade Organization determines that Chinese tariffs on chicken boiler imports from the US violated its rules.

**Aug. 5, 2013:** Chinese Vice Premier Liu Yandong meets a visiting delegation of representatives from the US Congressional Black Caucus to discuss people-to-people relations.

**Aug. 12-17, 2013:** United States joins China, New Zealand, and Australia in the *Phoenix Spirit* military disaster relief exercise hosted in Christchurch, New Zealand.

**Aug. 15, 2013:** US National Nuclear Security Administration announces a cooperative agreement with the General Administration of China Customs to counter the smuggling of nuclear materials by installing radiation scanners at airports, ports, and border checkpoints.

**Aug. 16-19, 2013:** Chinese Defense Minister Chang Wanquan visits several military installations in the US, ending the visit in Washington where he meets Secretary of Defense Hagel and National Security Advisor Rice.

**Aug. 19-21, 2013:** Chairman of the Senate Foreign Relations Committee Sen. Robert Menendez visits China. He also makes stops in Japan, Taiwan, and South Korea.

**Aug. 19, 2013:** US and Chinese forces discuss disaster relief and humanitarian aid at the Military Maritime Consultative Agreement Working Group meeting in Hawaii.

**Aug. 19-21, 2013:** US Special Envoy for North Korean Human Rights Issues Robert King visits China on a trip that also includes South Korea, and Japan to discuss human rights and humanitarian issues in North Korea with senior officials and civil society groups.

**Aug. 23, 2013:** State Councilor Yang Jiechi meets visiting US Senators John McCain and Sheldon Whitehouse.

**Aug. 24-25, 2013:** US and Chinese navies conduct second annual counter-piracy exercise in the Gulf of Aden.

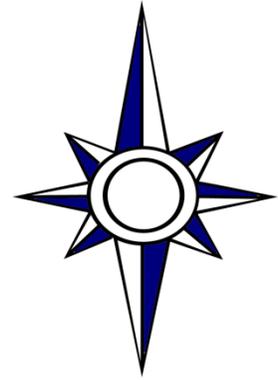
**Aug. 28, 2013:** Secretary of Defense Hagel and Defense Minister Chang Wanquan meet on the sidelines of the ASEAN Defense Ministers Meeting-Plus in Bandar Seri Begawan.

**Aug. 30, 2013:** Vice Premier Wang Yang holds talks by phone with Treasury Secretary Lew to discuss the global economic and financial situation, the upcoming G20 Summit in St. Petersburg and bilateral trade and economic relations.



# Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



## US-Korea Relations: A Good Start

Victor Cha, Georgetown University/CSIS  
Ellen Kim, CSIS

The highlight of US-ROK relations was the first summit between Barack Obama and Park Geun-hye in Washington where the two presidents celebrated the 60<sup>th</sup> birthday of the alliance. Obama announced his support for Park's "trustpolitik" initiative, demonstrating bilateral agreement on policies toward North Korea. The US also voiced support for the thaw in inter-Korean relations reflected in resumption of dialogue over the Kaesong Industrial Complex. Meanwhile, South Korea and the US agreed to an extension of the US-ROK civil nuclear agreement, began negotiations on a Special Measures Agreement (host nation support for US forces), and restarted discussions on a possible delay of OPCON transfer.

### Obama-Park summit: trustpolitik gains support

The most significant event in US-ROK relations over the summer of 2013 was the summit between Presidents Barack Obama and Park Geun-hye in early May. The overall tone and atmosphere of the meeting was very positive. In commemoration of the 60<sup>th</sup> anniversary of the alliance, Presidents Obama and Park signed a joint declaration, where they referred to the alliance as the "linchpin of peace and stability in the Asia-Pacific." On the evening of the summit, Park hosted a 500-person dinner at the National Portrait Gallery in DC to celebrate the alliance. While some complained that the Obama administration's representative, Secretary of Defense Chuck Hagel, vacated his seat next to Park halfway through the dinner, the event was memorable. The two presidents held the usual Oval Office and larger Cabinet meetings, but Park wanted some one-on-one time with the president and managed to do this en route to lunch. Both sides expressed satisfaction with the agreement between the two leaders on North Korea as well as other global issues. Following her summit with Obama at the White House, on May 8, President Park addressed a Chamber of Commerce lunch with US and Korean business executives to promote greater trade, investment, and economic cooperation between the two countries. At this lunch, Park assured the business community (in eloquent English) that she would not allow North Korean provocations to roil South Korean markets, delivering a message of confidence in the Korean economy. The statement brought loud applause from the ballroom full of corporate executives.

President Park was given the honor of addressing a joint session of Congress, which turned out to be a highlight of the visit. In recognition of the historic significance of being East Asia's first female to be elected head of state, Congress rolled out the red carpet (despite the fact that they had just done the same for the previous South Korean president in 2011). Park became the sixth Korean leader to address the US Congress – which is itself a testament to the strength of the alliance (by comparison, no Japanese prime minister has addressed a joint session of Congress).

Her speech, which was delivered in perfect English, included several themes including democracy, free trade, partnership, and resolve to deal with the North Korean threat. She drew six standing ovations. At the private reception in Speaker John Boehner's office afterward, Park reached "rock star" status as Congressmen and Congresswomen and other invitees all jockeyed to take a photo with her, with finger sandwiches still in hand.

In terms of deliverables, this summit was long on ceremony but short on substance. There were suggestions about a possible statement regarding flexibility in the ROK's opposition to the Trans-Pacific Partnership (TPP) trade agreement in the run-up to the summit, but nothing to this effect came out of the meeting. The two leaders tried to avert a negative optic on the stalled renegotiation of the *Agreement for Cooperation Between the Government of the United States of America and the Government of the Republic of Korea Concerning Civil Uses of Atomic Energy* (US-ROK 123 civil nuclear agreement) by making the announcement that they were "punting" the issue for an additional two years through a simple extension of the agreement. President Park knows the details of this issue well and undoubtedly pressed her position with President Obama behind closed doors, but publicly the two leaders spoke in unison about their enthusiasm for a new deal.

North Korea was an important topic of discussion. The Obama administration, at a loss for what to do in response to the North's harsh rhetoric and belligerence, welcomed any ideas the new ROK president had for pushing the ball forward with North Korea. Park unveiled her "Korean Peninsula Trust-Building" plan and Obama supported the concept. Trust-building requires a degree of engagement but this does not mean Park Guen-hye is headed off the "Sunshine Policy" cliff anytime soon. She is familiar with how the North Koreans operate and wears no rose-colored glasses.

While there was much on the agenda between President Park and President Obama, first summits are really about building a relationship between the leaders. Personal chemistry is an underestimated variable in international relations. When it exists, it permeates through the bureaucracies and cements working relations between two governments. In the run-up to the summit, Park's people were very conscious of the fact that Obama had a famous personal friendship with her predecessor, and were preoccupied with carving out her own unique relationship with the US president. Preparations for the summit oscillated between doing similar events as her predecessor and doing wholly different ones. In the end, all were relieved that Park made a successful debut in Washington and built good rapport with Obama.

### **Return to dialogue?**

By the end of August, there were signs of progress in inter-Korean relations. Although North Korea's provocations continued until mid-May with the launch of six short-range missiles seemingly as a response to US-ROK joint military exercises, tensions began to ratchet down in June after the two Koreas broke their standoff over the Kaesong Industrial Complex (KIC) with an agreement to discuss reopening the joint industrial zone. The KIC is the last working legacy of the "Sunshine" era and an important source of hard currency for the North. In spite of this latter fact, Pyongyang effectively shut down the complex in April when it unilaterally withdrew its 53,000 workers in the midst of high tensions with the South.

Why has the North expressed renewed interest in re-opening Kaesong? The need for hard currency is certainly one plausible answer. (According various sources, the North Korean regime earns approximately \$90-100 million per year in hard currency from Kaesong). But another reason could be the cold shoulder North Korea has received from China. The Bank of China's sudden announcement in early May that it would join in sanctions against North Korea's Foreign Trade Bank by closing all bank account(s) and suspending financial transactions must have shocked Pyongyang. North Korea's Vice Marshal Choe Ryong Hae's visit to Beijing at the end of May almost certainly was aimed at mending ties with the Xi government, but the coolness from Beijing remained. Growing frustration with the DPRK in Chinese press statements spurred media buzz and speculation in Seoul that there was a shift underway in Beijing's North Korea policy and its strategic calculations on the peninsula.

It was in this context that President Park traveled to Beijing in June 27-28 to meet President Xi. The optics of the summit were very positive, and this must have spooked those in Pyongyang a little bit. The Xi government has shown greater openness and willingness to cooperate with Washington and Seoul on the denuclearization issue since North Korea's third nuclear test and recent escalation of tensions on the peninsula. Xi reaffirmed China's willingness to cooperate on the denuclearization of North Korea at both the Obama-Xi Sunnylands summit and Xi-Park Beijing summit in June. This consensus allowed the three countries to hold the first trilateral track 1.5 strategic dialogue in late July in Seoul (CSIS was the US participating institution). China had previously shunned participation in this dialogue process.

Those who surmise that Park's outreach to China is somehow detrimental to the US-ROK alliance do not have an accurate understanding of the ROK president's worldview. Engagement with China under this government has been a natural result of the rather poor relations that her predecessor had with Beijing. Moreover, the ROK wants a free trade agreement with China. But Park has no doubts about where the ROK-US alliance stands in these calculations. It remains the center of gravity for Seoul's foreign relations, and indeed a strong alliance with the US puts Seoul in a better position with its engagement of China. So, there is nothing of concern here for the United States. Indeed, Park probably believes she is slowly peeling the Chinese off from the North Koreans. Meanwhile, the Chinese think they are peeling the South Koreans off from the US. Neither is probably right.

There was no change in status regarding the imprisonment of Kenneth Bae. He is the first US citizen in recent memory to have been detained for nearly one year in the North, and the first to have been tried, convicted, and sentenced to hard labor at a camp in North Korea. The administration has been less than proactive in securing his release. Indeed, Dennis Rodman has probably said more in public about Bae than the administration. And no solution appears in sight. The DPRK abruptly turned off a scheduled trip to Pyongyang at the end of August by Robert King, the DPRK human rights envoy for the US. To the embarrassment of many Korea watchers, North Korea extended an invitation to Rodman, a former NBA basketball star and the most unlikely diplomat. He last met with Kim Jong Un in Pyongyang in February this year and has had more access to the new North Korean leader than any other American, describing himself a "best buddy" with Kim. Following the visit, Rodman reported that Kim has a baby girl and that he is reform-oriented. Perhaps he should bring the denuclearization brief to Pyongyang.

### 123 Agreement talks, SMA, OPCON Transfer

Three important, but difficult negotiations are underway in US-ROK relations. The newest one is the Special Measures Agreement (SMA), or burden-sharing agreement, which is about sharing the costs of keeping US forces in South Korea. In early July, ROK and the US negotiators met in Washington to initiate the official negotiations on the renewal of the agreement before it expires at the end of 2013. The negotiators faced challenges from the start as the two countries had wide differences – more than \$89 million – on the desired amount of South Korea's contribution. With the US request for the ROK to increase its share of the cost to 50 percent and the ROK opposed to that level, negotiators could not agree. A further complication is South Korea's demand to revamp the cost-sharing system, which met strong opposition from the US negotiators. South Korea is seeking to amend and adopt new measures to restrict usage of South Korean funds for US Forces Korea relocation plans. In late August, the two sides remained entrenched in their positions and concluded the third round of negotiations without any progress.

Meanwhile, the war-time operational control (OPCON) debate has resurfaced following South Korea's formal request for another delay. At the May summit Presidents Obama and Park expressed their intent to proceed with the transfer of operational control as scheduled in 2015. The reversal in South Korea's position in July reflected ongoing concerns in Seoul about North Korea's rapidly advancing nuclear weapons and missile programs.

OPCON transfer has already been delayed twice. The latest extension came against the backdrop of the *Cheonan* incident in 2010 when a North Korean torpedo attack on a South Korean Navy *corvette* killed 46 South Korean sailors. The sinking of the *Cheonan* changed the security outlook of the peninsula and this made the Obama and Lee administrations decide to delay the transfer until 2015. On the sidelines of the ASEAN Defense Ministers Meeting-Plus (ADMM+) in Brunei on Aug. 28, Secretary of Defense Chuck Hagel and ROK Defense Minister Kim Kwan-jin agreed on the need for the delay but could not come to agreement on the timing of the transfer. Ultimately, OPCON transfer is President Obama's call to make. Although it would be difficult for him to reverse his decision again, OPCON transfer should be carried out based on an evaluation of security conditions on the peninsula as the US is rebalancing to Asia.

In addition to the SMA and OPCON issues, South Korea's new fighter procurement project is another issue affecting US-ROK relations. There are two US companies in the bidding process with Lockheed Martin offering the *F-35 Lightning II* and Boeing offering the *F-15 Silent Eagle*. A third aircraft being offered by European Aeronautic Defense and Space (EADS) is the *Eurofighter Typhoon*. This summer South Korea's Defense Acquisition Program Agency (DAPA) briefly halted the bidding process because all three contenders exceeded the South Korean budget limit of 8.3 trillion won (\$7.2 billion). The bidding process resumed in late July and competition is likely to heat up in the next couple of months. This project to procure advanced fighter jets between 2017 and 2021 is the South Korean government plan to reinforce its air power against North Korea.

Renegotiation of the US-ROK civil nuclear agreement remained in limbo. Both sides bought time by agreeing to a two-year extension in late April while President Obama and Park called for

continued cooperation to find a mutual solution during their summit in May. Negotiators treaded water in their latest round of talks in July without showing any realistic short-term prospect for settling the contentious issues.

Other developments associated with the negotiations occurred in each country. In the US, Thomas Countryman replaced Robert Einhorn as the new chief negotiator, and the US House Foreign Affairs Committee passed a bill approving the two-year extension agreement. In South Korea, the recent revelation of safety violations in its nuclear industry has complicated Seoul's position in the talks. The Park government has taken a very firm stance in addressing the problems, but, these violations put the very complex nature of maintaining a civilian nuclear program in stark relief for the public. The issue is not simply demanding reprocessing and enrichment rights so that Korea can be treated like Japan. There are serious responsibilities that come with ensuring the safety and security of a nuclear power industry. The United States and Japan have a long history of safety problems related to nuclear industries that should be shared with the South Korean public to understand the responsibility that comes with their desired objectives. These responsibilities go beyond safety and extend to nonproliferation. The latter concern is one glaring element missing from the current South Korean position on the 123 civil nuclear agreement talks. For the ROK, the discussion is all about the right to reprocess and to enrich fuel, but there is no sense of responsibility to become a global champion and stakeholder in the nonproliferation agenda. In the end, safety and nonproliferation are the two most important issues. Losing sight of them would be tragic.

### **Chronology of US-South Korea Relations\*** **May – August 2013**

**May 2, 2013:** DPRK Supreme Court sentences Korean-American Kenneth Bae to 15 years of hard labor. Former President Jimmy Carter conveys his plans to visit North Korea and possibly secure Bae's release in a letter to Secretary of State John Kerry.

**May 5-10, 2013:** ROK Special Representative for Korean Peninsula Peace and Security Affairs Lim Sung Nam visits Washington, DC to discuss North Korean issues with US Special Representative on North Korea Policy Glyn Davies and other US officials.

**May 6-9, 2013:** ROK President Park Geun-hye visits the US. She meets UN Secretary General Ban Ki-moon in New York, President Barack Obama in Washington, and Mayor Antonio Villaraigosa in Los Angeles; she delivers a speech to a joint session of the US Congress.

**May 6-10, 2013:** *USS Nimitz* Strike Group participates in a joint US-ROK anti-submarine exercise in the Yellow Sea.

**May 9, 2013:** ROK Defense Ministry states that Seoul will focus on developing its own Korea air and missile defense system instead of joining the US-led missile defense system.

**May 10, 2013:** North Korea criticizes President Park's US trip as "a prelude to war."

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\* Chronology compiled by Andy Sau Ngai Lim and Jung Dae Suh.

**May 13-14, 2013:** ROK and the US conduct joint naval exercises off the east coast near Pohang.

**May 14, 2013:** Special Representative Glyn Davies visits Seoul and meets ROK counterpart Lim Sung-nam. He stresses China's role in the denuclearization process.

**May 14, 2013:** *Rodong Sinmun* refutes assessments that tensions have eased on the Korean Peninsula, citing US hostile actions such as the military exercises involving the *USS Nimitz*.

**May 15, 2013:** US State Department spokesperson urges the DPRK to grant Kenneth Bae amnesty and immediate release.

**May 18-20, 2013:** North Korea launches six short-range missiles from its east coast in response to "hostile" US-ROK joint military exercises.

**May 19-23, 2013:** US Special Envoy for North Korean Human Rights Issues Robert King travels to Korea to meet ROK officials, including Special Representative Lim Sung-nam.

**May 23, 2013:** North Korea reiterates that nuclear weapons are necessary to maintain its sovereignty in the face of a hostile US.

**May 27, 2013:** Cho Tae-yong replaces nuclear envoy Lim Sung-nam as South Korea's special representative for Korean Peninsula peace and security affairs.

**May 28, 2013:** *Rodong Sinmun* releases an article stating that North Korea has no plans to unilaterally renounce its nuclear weapons and programs in face of constant threats from the US.

**June 1, 2013:** ROK Defense Minister Kim Kwan-jin and US Defense Secretary Chuck Hagel meet on the sidelines for the Shangri-La Dialogue in Singapore and agree to develop a joint deterrence posture in response to North Korea's nuclear and conventional weapons.

**June 2, 2013:** ROK Defense Ministry announces an agreement with the US to establish a new Combined Theater Command for post-OPCON transition, replacing the initial Combined Forces Command plan.

**June 3-4, 2013:** ROK chief negotiator Park Ro-byug and US chief negotiator Thomas Countryman meet for the 7<sup>th</sup> round of the US-ROK 123 civil nuclear agreement negotiations in Washington, DC.

**June 5, 2013:** US Secretary of State John Kerry announces that South Korea is exempt from the Iran sanctions outlined in Section 1245 of the National Defense Authorization Act (NDAA).

**June 6, 2013:** *Rodong Sinmun* criticizes Seoul for creating a new combined command body with the US after the transfer of wartime operation control in 2015, stating that the presence of the US in South Korea is the primary reason for the tension in the Korean Peninsula.

**June 8, 2013:** President Obama and Chinese President Xi Jinping agree to cooperate on the denuclearization of North Korea at a summit in Sunnylands, California.

**June 12, 2013:** US Deputy Defense Secretary Ashton Carter announces that the Pentagon will not cut its budget for security operations on the Korean Peninsula.

**June 12, 2013:** Reps. Ileana Ros-Lehtinen (R-FL) and other republicans send a letter urging Secretary of State John Kerry to recategorize North Korea as a state sponsor of terrorism.

**June 18, 2013:** South Korea and the US establish a joint committee to investigate pollution around the USFK base in Seoul.

**June 19, 2013:** ROK Special Representative Cho Tae-yong, US Special Representative Glyn Davies, and Director General of Japan's Ministry of Foreign Affairs Shinsuke Sugiyama meet in Washington and agree to enforce stricter terms on North Korea for resuming dialogue.

**June 24, 2013:** President Obama sends a statement to Congress notifying it that the White House will extend economic sanctions on North Korea under the International Emergency Economic Power Act for another year.

**June 26, 2013:** South Korean police and USFK agree to establish joint patrols near Yongsan in Seoul to prevent civil-military incidents.

**June 27, 2013:** US Assistant Secretary of State for International Security and Nonproliferation Thomas Countryman testifies before the House Foreign Affairs Committee emphasizing the importance of the extension of the existing 123-Agreement to allow enough time to secure nonproliferation and civil nuclear cooperation objectives with South Korea.

**July 1, 2013:** Secretary of State Kerry comments at the ASEAN Regional Forum (ARF) that the US, Korea, China, and Japan are united in working toward the denuclearization of North Korea.

**July 2, 2013:** ROK and the US hold the first round of negotiations for the Special Measures Agreement. They exchange demands and express hope of reaching an agreement by October.

**July 2, 2013:** DPRK Foreign Minister Pak Ui Chun calls on the US to hold talks without precondition at the ARF meeting in Brunei.

**July 4, 2013:** US State Department spokesperson expresses concerns about the health of Kenneth Bae, who has been detained in North Korea since November 2012.

**July 5, 2013:** Department of Homeland Security Secretary Janet Napolitano visits Seoul to meet Foreign Minister Yun Byung-se and Deputy Prime Minister and Minister of Strategy and Finance Hyun Oh-seok.

**July 5, 2013:** ROK Defense Acquisition Program Administration suspends the F-X project bidding, as all bidding contenders exceeded the budget limit of \$7.3 billion.

**July 15, 2013:** ROK Ambassador for International Security Affairs Choi Sung-joo and US State Department's coordinator for cyber issues Christopher Painter meet at the second Cyber Policy Consultation in Washington.

**July 16, 2013:** US Defense Department announces that the ROK requested a delay in OPCON transfer. The ROK Defense Ministry in response releases a statement that the ROK would like to review all options regarding the transfer due to the current situation with North Korea.

**July 17, 2013:** USFK holds a ground-breaking ceremony for its headquarters relocation to Camp Humphrey in Pyeongtaek.

**July 18:** US Defense Security Cooperation Agency notifies Congress that the ROK government has asked to buy *AIM-120C-7* Advanced Medium Range Air-to-Air Missiles to be installed in *KF-16* and *F-15K* aircraft, with an estimated budget of US \$452 million.

**July 18, 2013:** Chairman of the US Joint Chiefs of Staff Gen. Martin Dempsey acknowledges that there are "some setbacks" to completing the OPCON transfer plan in his written testimony to the US Senate Armed Services Committee.

**July 21, 2013:** ROK government offers an increase in South Korea's cost-sharing of the Special Measures Agreement from \$778.1 million to \$780 million.

**July 22, 2013:** Track 1.5 US-ROK-China strategic dialogue is for the first time held in Seoul to discuss North Korea's nuclear program.

**July 24, 2013:** US House Foreign Affairs Committee passes a bill to extend the existing agreement on the civilian nuclear energy cooperation between South Korea and US.

**July 25, 2013:** South Korea and the US fail to agree on the cost-sharing burden of the USFK.

**July 25, 2013:** ROK Defense Acquisition Program Administration spokesperson announces that it will resume the bidding for the F-X Project and increase the overall budget if necessary.

**July 27, 2013:** The 60<sup>th</sup> anniversary of the Korean War Armistice is commemorated at the Yongsan Korean War Memorial, honoring the sacrifices of Korean soldiers and UN allies. The US also holds a commemoration ceremony at the Korean War Memorial in Washington, with President Obama delivering remarks to honor the people who served in the "forgotten victory."

**July 29, 2013:** ROK Vice Foreign Minister Kim Kyou-hyun and US Treasury Department Undersecretary for Terrorism and Financial Intelligence David Cohen meet in Seoul to review recent sanctions on Iran and North Korea.

**July 30-31, 2013:** Korea-US Integrated Defense Dialogue (KIDD) is held in Seoul in preparation for the OPCON transfer.

**Aug. 2, 2013:** US Senate confirms Lt Gen. Curtis Scaparrotti as the new commander for USFK, replacing Gen. James Thurman.

**Aug. 7, 2013:** Institute for Science and International Security updates a satellite image of Yongbyun nuclear complex in North Korea showing a possible expansion of the building that houses centrifuge plant for uranium enrichment.

**Aug. 12, 2013:** Six South Korea *F-15K* jet fighters participate in the *Red Flag* exercise, an aerial combat training exercise hosted by the US Air Force, in Eielson AFB, Alaska.

**Aug. 15, 2013:** Secretary of State John Kerry sends a congratulating message to South Korea for Aug. 15 Independence Day.

**Aug. 15, 2013:** UN Resident Coordinator Ghulam Isaczai announces a UN appeals to international community for \$98 million to support the North Korea humanitarian program.

**Aug. 16, 2013:** Eighth US Army confers the title of the honorary commanding general to retired Korean Army Gen. Paik Sun-yup for his service during the Korean War.

**Aug. 18-30:** ROK-US Combined Forces Command (CFC) conducts the annual joint military exercise *Ulchi Freedom Guardian*.

**Aug. 19, 2013:** Lockheed Martin announces that they are working with the US to make the sale of the *F-35* fighter jet to South Korea, denying that the plane was eliminated by South Korean government.

**Aug. 22, 2013:** South Korea and the US hold the third round of negotiations for the Special Measures Agreement (SMA) in Seoul. ROK also proposed an amendment to regulate the USFK fund usage to restrict it as a source for USFK base relocation from Yongsan to Pyeongtak.

**Aug. 22, 2013:** Robert King, special envoy for DPRK human rights issues, visits South Korea.

**Aug. 25, 2013:** US Sen. John McCain says the US will not resume the Six-Party Talks until North Korea shows concrete action towards denuclearization.

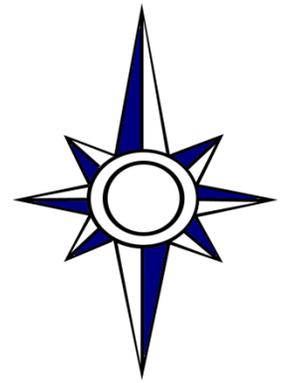
**Aug. 28, 2013:** ROK Defense Minister Kim Kwan-jin and US Defense Secretary Chuck Hagel meet on the sidelines of the ASEAN Defense Ministers' Meeting-Plus in Brunei.

**Aug. 30, 2013:** North Korea rescinds its invitation for US human rights envoy Robert King who was scheduled to visit Pyongyang to seek the release of Kenneth Bae.



# Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



**US-Southeast Asia Relations:**

## **Philippines – An Exemplar of the US Rebalance**

**Sheldon Simon  
Arizona State University**

The Philippines under President Benigno Aquino III has linked its military modernization and overall external defense to the US rebalance. Washington has raised its annual military assistance by two-thirds to \$50 million and is providing surplus military equipment. To further cement the relationship, Philippine and US defense officials announced that the two countries would negotiate a new “framework agreement” under the 1951 Mutual Defense Treaty providing for greater access by US forces to Philippine bases and the positioning of equipment at these facilities. Washington is also stepping up participation in ASEAN-based security organizations, sending forces in June to an 18-nation ASEAN Defense Ministers Plus exercise covering military medicine and humanitarian assistance in Brunei. A July visit to Washington by Vietnam’s President Truong Tan Sang resulted in a US-Vietnam Comprehensive Partnership, actually seen as a step below the Strategic Partnerships Hanoi has negotiated with several other countries. Myanmar’s president came to Washington in May, the first visit by the country’s head of state since 1966. An economic agreement was the chief deliverable. While President Obama praised Myanmar’s democratic progress, he also expressed concern about increased sectarian violence that the government seems unable (or unwilling) to bring under control.

### **The rebalance and the Philippines**

While the Obama administration’s foreign and defense policies’ rebalance to Asia is portrayed as a “whole of government” endeavor, involving civilian as well as security agencies, its military components have received the most attention, especially in Southeast Asia. China’s maritime claims in the South China Sea have led the ASEAN states to welcome an enhanced US military presence, stepped up joint exercises, and the provision of more military equipment to Southeast Asian allies and partners. Indicative of this regional welcome for an enhanced US military presence was a June statement by Malaysian Navy Chief Adm. Abdul Aziz Jaafar stating that the presence of the US Navy in Southeast Asia will have a positive impact on regional security and that he looks forward to more military exchanges.

Other examples of a growing US military profile in Southeast Asia include Singapore’s offer to host up to four littoral combat ships for exercises with ASEAN navies; the rotational presence of up to 2,500 US Marines and an unspecified number of Air Force combat jets in northern and western Australia; the planned transfer of six destroyers from Europe to the Pacific; and maritime patrol aircraft and UAVs for rotational deployments in Singapore and Thailand as cited by the July 15 edition of *Defense News*. As for concerns that the significant reduction incurred by the US defense budget beginning in 2013 resulting from the wind down of the wars in Iraq and Afghanistan as well as the Congressional sequestration, US Pacific Command (USPACOM)

Commander Adm. Samuel Locklear at the annual Singapore Shangri-La Dialogue in June averred: “Even under the most severe budgetary predictions, the US defense will still make up 40 percent of all defense spending in the world.” Activities that are scheduled to grow include military exercises with allies and partners.

The Southeast Asian state that may arguably be considered the focal point of the US rebalance is the Philippines. A defense treaty ally from 1951, but with one of the weakest navies and air forces in the region, the Aquino government has linked its own program for territorial defense to the US rebalance. Manila has acquired two old *Hamilton-class* ex-US Coast Guard cutters that have become flagships for the navy and will also receive six river patrol boats. It is purchasing 12 *FA-50* fighter jets from South Korea to initiate the rebuilding of the Philippine Air Force. The Philippine military’s shopping list also includes radar systems, anti-submarine helicopters, amphibious assault vehicles, and surface-to-air missiles.

Washington also agreed in late July to raise its military assistance to the Philippines by two-thirds from \$30 million to \$50 million. Since 2002, the US has provided the Philippines with \$312 million in military aid as well as surplus equipment such as the two *Hamilton-class* cutters. In fact, President Benigno Aquino has laid out a \$1.82 billion multi-year military modernization program emphasizing the navy. Washington has been approached with the shopping list described in the preceding paragraph. In discussions with the US, these acquisitions will be designed to improve maritime domain awareness in what the Philippines has named the West Philippine Sea.

In addition to building its own capabilities, Manila is also increasingly relying on the US Seventh Fleet. On July 31, Foreign Secretary Albert del Rosario stated that US Navy surveillance aircraft have been providing “crucial intelligence on Chinese military activities” in disputed areas of the South China Sea for the past several years. Also in July and August, Philippine and US defense officials announced that upcoming negotiations would provide for greater access by the US military to Philippine bases through a new “framework agreement” that would be “nested” under the 1951 Mutual Defense Treaty, therefore not requiring any additional action by the Philippine Congress. Both sides also affirmed that no new agreement would provide for either a permanent US military presence or the basing of US combat aircraft, which is prohibited under the Philippine constitution. The proposed framework agreement would authorize the positioning of US equipment and the rotation of more US personnel for longer periods of time than currently allowed on Philippine military bases. During a visit back to the Philippines in early July, Manila’s ambassador to Washington praised the prospect of greater US troop access to the Philippines as paving the way for more joint military training and modernization for the Philippine armed forces.

Parallel to the US rebalance for the Philippines is the establishment of a strategic partnership with Japan on July 27. With the beginning of Prime Minister Abe’s second term, maritime security cooperation has become a main pillar in Japan-Philippine strategic cooperation. Japan’s approach has been capacity building of the Philippine Coast Guard by providing 10 patrol boats through a loan agreement. As Manila’s only strategic partners, President Aquino has offered access for the US and Japan to Subic Bay Naval Base, the former US naval facility facing the South China Sea. Moreover, the Philippine government has stated that it supports a rearmed

Japan to balance China in the Asia-Pacific even if Tokyo amends its pacifist constitution. For Japan, maritime assistance to the Philippines may be a way of diverting some of China's naval assets away from the East China Sea. As Japan's defense minister put it in a June visit to the Philippines, the two countries would cooperate "in terms of the defense of remote islands." More broadly, Prime Minister Abe in his July 27 press conference stated: "I intend to attach particular importance to our relationship with ASEAN." ASEAN members Brunei, Malaysia, Vietnam, and the Philippines are all involved in overlapping maritime claims in the South China Sea.

President Aquino's offer of the use of Philippine bases to the US and Japan has elicited condemnation from Philippine nationalist and leftist commentators as an attack on the country's sovereignty. In late June, Sen. Juan Ponce Enrile stated that the bases offer would be a violation of the 1999 Visiting Forces Agreement (VFA) which provided only for temporary deployments of US soldiers. The new arrangement seems to allow them to stay in the Philippines for an unlimited period. Philippine Defense Secretary Voltaire Gazmin replied to this concern by differentiating the situation of US forces and potentially those from Japan. The latter, he explained, could only have access to Philippine facilities after Tokyo and Manila negotiate a separate VFA. However, US forces, according to Gazmin, would be able to preposition aircraft to be used in exercises with the Philippines to save on turnaround time and fuel instead of having to bring them from bases in Hawaii, Guam, or Okinawa. Gazmin went on to assure Filipinos that the United States and various allies would not be permitted to build their own bases in the Philippines. Their forces would be located on Philippine facilities.

Former Philippine presidential spokesman Ricardo Saludo in the July 13 issue of *The Manila Times Online* warned that the permanent deployment of US and Japanese forces in the country would make China add these facilities to its ballistic missile targets, thus bringing the Philippines closer to war with the PRC. At the very least, Saludo claimed, China would increase its own naval deployments in the South China Sea to balance any US and possibly Japanese permanent air and naval presence in the Philippines.

In August, the Philippine Department of Foreign Affairs – in hopes of dampening the controversy over an enhanced US military presence through the VFA – stated that the negotiations under way would simply be an executive agreement under existing defense pacts and within the bounds of the Philippine constitution. This statement was in response to a claim by Sen. Miriam Defensor-Santiago that any base access agreement would require Senate concurrence. So, the traditional disagreement continues between those nationalists and leftists who view any enhanced US military role in Philippine defense to be a retrogression toward the country's colonial history vs. the mainstream Philippine leadership who believe that Washington can help the Philippines build its own defense capacity and in an extreme security confrontation with China could be called upon for protection under the 1951 Mutual Defense Treaty. In practical terms, for the Manila government, the Philippine-US relationship constitutes a deterrent against PRC adventurism.

### **ASEAN and maritime multilateralism**

A major goal of the US rebalance is to enhance maritime stability in Asia-Pacific waters. As Asian nations build up their own navies, there is a need for "rules of the road." Hence, for

several years the ASEAN states have attempted to craft a code of conduct (CoC) for the South China Sea. A milestone was reached on Aug. 14 in Thailand when a two-day informal meeting of ASEAN foreign ministers agreed to a united front in future discussions of a draft code with China scheduled for the end of August and mid-September. The US has long supported this projected CoC, most recently in another endorsement by USPACOM Commander Adm. Locklear at the June Shangri-La Dialogue in Singapore and by Secretary of State John Kerry at the July ASEAN Regional Forum. At the Shangri-La conference, Secretary of Defense Chuck Hagel for the first time invited all ASEAN defense ministers to meet in Hawaii in 2014. Other recent indicators of Washington's augmented ASEAN ties include participation in the Expanded ASEAN Defense Forum and a proposal for an expanded ASEAN seafarer training program as well as a promise to join the Regional Cooperation Agreement on Combating Piracy and Armed Robbery (ReCAAP). The Obama administration has raised US participation in all ASEAN-based organizations as another sign of acknowledging Southeast Asia's importance.

Among the most intriguing of Washington's enhanced ASEAN endeavors has been US participation in ASEAN Defense Minister Meetings Plus (ADMM+) activities. In the past year, under ADMM+ auspices, the US and Indonesia are cohosting antiterrorism training in September, and in June elements of the US Pacific Fleet participated in an 18-nation joint exercise in Brunei focusing on military medical cooperation involving humanitarian aid and disaster relief.

### **The US and Vietnam: approach-avoidance relations**

In discussions with an official of the Institute for South China Sea Studies of the Diplomatic Academy of Vietnam in June, this author was told that Vietnam would like to have joint naval exercises with the United States as well as support to build Vietnam's own capacity for maritime protection. Hanoi would welcome training from both the US and Japan. More specifically, the official asked for US and Japanese attention to Vietnam's Coast Guard and that Washington share more real time technical intelligence on developments in the South China Sea. Nevertheless, State Department officials also in June told a congressional subcommittee that weapons sales to Vietnam are on hold until the country's human rights situation improves. Hanoi has jailed 43 dissidents in the first six months of this year, twice the pace of 2012. According to testimony by then Acting Assistant Secretary of State for East Asian and Pacific Affairs Joseph Yun on June 5, "more than 120 political prisoners are in jail for exercising their right to freedom of expression."

In a series of background briefings in July by Carlyle Thayer, a well-known Vietnam expert from Australia, burgeoning trade relations between the United States and Vietnam were detailed. President Truong Tan Sang's July 24-26 visit to Washington where he met President Obama elicited the announcement of a "US-Vietnam Comprehensive Partnership" to provide an "overarching framework" for advancing the relationship. However, this designation is somewhat less than the strategic partnership first broached by Secretary of State Hillary Clinton in 2010. In fact, Hanoi has formed strategic partnerships with 11 countries since 2001, but not yet with the United States. Thayer speculates that hard liners in the Hanoi leadership did not want to elevate the relationship to that level. The less formal comprehensive partnership is neither a plan of action nor a high-level coordination body; it will create dialogue mechanisms at the ministerial

level for political and diplomatic relations, economic ties, science and technology education, environment and health, war legacy issues, defense and security, human rights, and culture, sports, and tourism. However, these sectors are already subjects of bilateral discourse. There are no innovations here.

Nevertheless, President Sang's visit may be judged a success as it was the first high-level meeting in five years and included an agreement for regular consultation at the foreign minister level. Additionally, Vietnam decided to apply for membership in the trade-based Trans-Pacific Partnership (TPP). Also noteworthy is that the visit's concluding joint statement included specific references to cooperation between the US oil companies Exxon Mobil and Murphy Oil with Petro Vietnam. Sang also reached out to both houses of Congress, State Department, and the influential think tank Center for Strategic and International Studies. Meeting Secretary Kerry, he emphasized that "major powers, including the United States, have an important responsibility in dealing with hot spots in the region such as the East Sea [South China Sea]."

### **Myanmar: A White House visit but continued human rights concerns**

President Thien Sein's May visit to the White House, the first by Myanmar's head of state since 1966, followed by six months President Obama's historic trip to Myanmar. Departing from official State Department policy, Obama repeatedly referred to the country as Myanmar as a sign of respect of the government's reform agenda. Emphasizing economic relations, a long awaited Trade and Investment Framework Agreement (TIFA) was signed on May 21, establishing a dialogue on trade as well as an understanding that International Labor Organization standards should be followed by Myanmar's workers. The two governments also pledged to build transparency in the country's notoriously corrupt energy sector where opacity constitutes a significant obstacle to US companies' entry.

Human rights groups criticized President Obama for inviting Thein Sein at a time when depredations against Muslims continue throughout the country. Hundreds of thousands have been displaced, and there is little indication that security forces are doing anything to prevent the attacks and may even be complicit in them. Nevertheless, most US economic sanctions have been lifted, and the Treasury Department is now permitting US companies to offer financial services and make new investments. Limitations on military assistance to Myanmar continue, however, including the prohibition of the country's armed forces personnel to attend the International Military Education and Training (IMET) – in this author's opinion an unwise policy given the fact that IMET emphasizes the importance of civilian leadership and respect for human rights in civil-military relations.

The US Congress, too, has expressed dismay at the behavior of Myanmar's military. The June National Defense Authorization Act asks the Department of Defense to determine the military's responsibility for human rights abuses "before expanding military-to-military cooperation beyond initial dialogue and isolated engagements." Moreover, effective July 1, US companies doing business in Myanmar must issue public reports detailing the steps they are taking to respect human and labor rights, protect the environment, and avoid corruption. Although there are no explicit penalties for noncompliance, the US Chamber of Commerce lobbied against these requirements as making US businesses less competitive than their European

competitors. Among the requirements is a provision to report any payment exceeding \$10,000 to government agencies, any contact with the Myanmar military, arrangements with private security companies, and the specifics of any purchases of land or real property.

On a separate dimension, Washington remains concerned about continued military cooperation between Myanmar and North Korea. US Assistant Secretary of State Philip Crowley on July 17 at a press briefing stated that Nay Pyi Daw needed to clarify military cooperation with the DPRK in building an underground nuclear complex. The North Korean relationship is troubling to the United States and, on July 2, the Obama administration sanctioned a Myanmar general for arms trade involvement with Pyongyang. US citizens are barred from doing business with Lt. Gen. Thein Tay, the head of Myanmar's Directorate of Defense Industries. A US Treasury official stated that the proceeds from these sales "directly support North Korea's illicit activities." The US action stopped short of penalizing the Myanmar government, which has continued to take "positive steps" in severing its military tie with Pyongyang.

In fact, two members of Thein Sein's delegation meeting President Obama in May were among Myanmar's most senior generals, who had changed their uniforms for business suits. A few years ago their presence in Washington would have been impossible due to sanctions against the regime. Now, their welcome was a signal that the US accepted the military's entrenched grip on power. While the military's monopoly and dominance of industries have been significantly eroded, their control of internal security has not. In collaboration with the notorious national police, they have for the most part stood aside while Buddhist mobs have beaten Muslim citizens and destroyed their homes and businesses. Currently, there is little evidence that sectarian violence in Myanmar is abating or that the government is moving to repress it. Thus, a whole new problem arises in US-Myanmar relations.

### **A few concluding thoughts**

US policies toward Southeast Asia have an almost schizophrenic quality. On the one hand, the rebalance represents US strategic interests, working to enhance bilateral diplomatic relations with allies and partners and helping their armed forces to build their defense capacities. On the other hand, Washington seems to interfere in the domestic politics of several states – Philippines, Vietnam, Burma, Laos, and Cambodia – criticizing their human rights records as well as rampant corruption. The Philippines is taken to task for extra-judicial killing of journalists, Vietnam and the other Indochinese states for jailing political dissidents and suppressing demonstrations against land seizures, and Myanmar for its growing sectarian violence. While these US policies seem contradictory, they are probably the inevitable outcome of a liberal, democratic great power's support for both the regional defense status quo and the promotion of human rights and good governance. This dynamic tension in US foreign policy complicates the rebalance, though there is probably no way to square this circle.

## **Chronology of US - Southeast Asian Relations**

### **May - August 2013**

**May 2, 2013:** US lifts a sweeping ban on visas for Myanmar officials, further easing sanctions despite the increase in ethnic violence. Nevertheless, Washington extends Myanmar's "national emergency status" because of continued human rights problems.

**May 2, 2013:** US Defense Department report to Congress notes that Myanmar has still not stopped the import of weapons from North Korea.

**May 6, 2013:** Joint statement is released by the 26<sup>th</sup> ASEAN-US Dialogue in Washington. Discussions include political-security, economic, and socio-cultural issues and attendees include senior officials of all member states and the ASEAN Secretariat.

**May 6, 2013:** Thai Foreign Minister Surapong Tovichakchaipul visits Washington with talks emphasizing security ties.

**May 16, 2013:** Soldiers from Idaho National Guard engage in a joint peacekeeping exercise with elements of the Cambodian Army. This is the fourth joint effort begun originally in 2000.

**May 20, 2013:** Myanmar's President Thein Sein meets President Obama who, while praising the country's political reforms, states that it must release more political prisoners and take steps to end ethnic violence against Muslims.

**May 20, 2013:** State Department's annual report on religious freedom voices alarm at the lack of "any improvement in religious freedom" in Myanmar.

**May 21-29, 2013:** US and Indonesia conduct annual *Cooperation Afloat Readiness and Training (CARAT)* exercises, involving four Indonesian and three US ships and 4,000-5,000 personnel.

**May 31-June 2, 2013:** At the 12<sup>th</sup> annual Shangri-La Dialogue in Singapore US Defense Secretary Chuck Hagel reassures Asia that the US would maintain its "decisive military edge" in the region. He also invites ASEAN defense ministers as a group to meet in Hawaii in 2014.

**June 3-7, 2013:** US and Cambodia conduct an air transport exercise with a number of other countries participating. The biannual exercise includes air drops of humanitarian aid. US Ambassador William Todd affirms the exercise is part of the US rebalance.

**June 6, 2013:** Malaysia's naval chief Abdul Aziz Jaafar states that the US Navy's presence in Asia has a "positive impact" and helps maintain peace and stability.

**June 7, 2013:** US Pacific Fleet command ship, *USS Blue Ridge* visits Malaysia's Port Klang for four days, its first port call in Malaysia since 2008.

**June 15-23, 2013:** Littoral combat ship *USS Freedom* takes part in a *CARAT* exercise with Malaysia.

**June 17, 2013:** US State Department annual report on persecution of minorities criticizes the Indonesian government for failing to prevent attacks and apprehend those responsible for the destruction of one of the country's two remaining synagogues.

**June 17-20, 2013:** ASEAN Defense Ministers Plus group, including the US, carries out a humanitarian assistance exercise involving over 2,000 personnel from 18 countries in Brunei.

**June 18, 2013:** US Secretary of the Navy Ray Mabus in Manila discusses security issues with Philippine Defense Secretary Voltaire Guzman and Philippine Armed Forces Chief of Staff Emmanuel Bautista.

**June 20-26, 2013:** Gen. Do Ba Ty, chief of the General Staff of the Vietnam People's Army, visits the Pentagon and meets Chairman of the Joint Chiefs of Staff Gen. Martin Dempsey, the first such high-level visit nearly 40 years after the Vietnam War.

**June 22, 2013:** US State Department's annual trafficking in persons report contains a blistering indictment of Thailand for the fourth consecutive year for corrupt officials engaging in sex trafficking as well as protecting sweatshops.

**June 25, 2013:** Myanmar bans the July 1 issue of *Time* magazine because its cover article attributes anti-Muslim violence to Buddhist terrorism. The cover features the photo of a controversial monk accused of encouraging the violence.

**June 27, 2013:** Defense Secretary Voltaire Guzman states that Manila can allow the United States, Japan, and other allies to use Philippine bases to help the Philippines roll back China's extensive claims in the West Philippine Sea (South China Sea).

**June 28-July 2, 2013:** The US and Philippine navies hold their annual *CARAT* exercises which includes an exercise off the coast of Zambales province near the China-occupied Scarborough Shoal. The exercise emphasizes interoperability and involves desk top as well as sea maneuvers.

**July 1-2, 2013:** Secretary of State Kerry attends his first ASEAN-US Foreign Ministers Meeting followed by the annual meeting of the ASEAN Regional Forum in Brunei.

**July 2, 2013:** US Treasury Department sanctions a Myanmar general in charge of military procurement for continuing to purchase military equipment from North Korea – a practice prohibited by US law and UN Security Council resolutions.

**July 12, 2013:** Cambodian Prime Minister Hun Sen, after US State Department pressure, pardons exiled opposition leader Sam Rainsy, allowing him to return to Cambodia in time for the July 28 general election, although he is subsequently barred from seeking election.

**July 15-26, 2013:** US and Singapore hold their annual *CARAT* exercises, focusing on maritime warfare capabilities and involving 1,400 personnel. It is the first Singapore *CARAT* involving the littoral combat ship *USS Freedom*.

**July 18, 2013:** Vice President Joe Biden at George Washington University delivers a speech prior to his trip to India and Singapore, emphasizing that the Asia-Pacific rebalance includes both sides of the ocean – Asia and Latin America.

**July 24-26, 2013:** Vietnam’s President Truong Tan Sang visits Washington at the invitation of President Obama to discuss bilateral and regional issues.

**July 26-27, 2013:** Vice President Biden visits Singapore, emphasizing the positive effect of the US presence in Southeast Asia’s prosperity and stability.

**July 31, 2013:** Philippine Foreign Minister Albert Del Rosario announces that the US will raise its military assistance next year by two-thirds from \$30 million to \$50 million.

**Aug. 2, 2013:** US Deputy National Security Advisor Ben Rhodes, visiting Malaysia, states that President Obama sees the country as a “strong partner” and an important partner in strengthening US relations with ASEAN.

**Aug. 6, 2013:** A second *Hamilton-class* former US Coast Guard cutter joins the Philippine Navy. Provided *gratis*, Manila spent \$15 million to add updated weapons and communications.

**Aug. 6, 2013:** Secretary of State Kerry sends a congratulatory message to ASEAN on its 46<sup>th</sup> anniversary, noting that the “the United States stands with you as a steadfast partner.”

**Aug. 12, 2013:** Cambodia cancels or postpones military cooperation programs with the US and other countries that have challenged Phnom Penh’s recent disputed election.

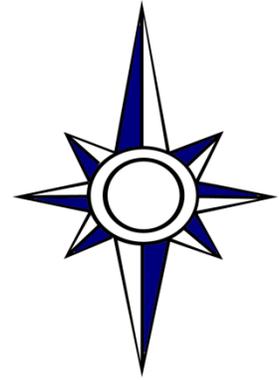
**Aug. 20-24, 2013:** US Trade Representative Michael Froman attends the ASEAN Economic Ministers Meeting, which has become the unofficial economic track of the East Asia Summit.

**Aug. 22-29, 2013:** Secretary of State Hagel travels to Asia with stops in Malaysia, Indonesia, Brunei, and Philippines. While in Brunei he participates in the second ASEAN Defense Ministers Meeting Plus (ADMM+), the security ministerial input for the East Asia Summit.



# Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



**China-Southeast Asia Relations:**

## **China's Toughness on the South China Sea – Year II**

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

China's tough stand on maritime territorial disputes evident first in 2012 confrontations with the Philippines in the South China Sea and Japan in the East China Sea has endured into 2013. Leaders' statements, supporting commentary, military and paramilitary activity, economic developments, and administrative advances all point to determined support of an important shift in China's foreign policy with serious implications for China's neighbors and concerned powers, including the US. China's success in advancing its control of disputed areas in the South China Sea and its overall assertiveness in support of China's broad territorial claims along its maritime rim head the list of reasons why the new Chinese policy is likely to continue and intensify. Few governments are prepared to resist.

### **Explaining the shift in Chinese foreign policy**

China's foreign policy shift is the most important in a decade. China has long maintained that its foreign policy is consistent but experience shows repeated shifts and changes, with serious consequences, particularly for its neighbors. Mao Zedong was notorious for changing foreign policy; Deng Xiaoping shifted repeatedly in seeking advantage in the US-Soviet-Chinese triangular dynamic. Post-Cold War Chinese leaders focused on advancing conventional relations in neighboring Asia. A major shift happened in the mid-1990s when negative reactions to Chinese military assertiveness over Taiwan and the South China Sea in 1995 prompted China to emphasize reassurance of neighbors in its so-called "New Security Concept," although the US and its allies were still targeted and sharply criticized by China. Beijing eventually felt compelled to shift again at the turn of the century to an approach of "peaceful rise," later called "peaceful development," which endeavored to reassure the US, its allies, and other Asian neighbors. The focus on peace, development, and cooperation was welcomed and continues as the main emphasis in Chinese foreign policy. But now it is accompanied by repeated use of coercion and intimidation well beyond internationally accepted norms along with other means in support of Chinese broad maritime claims.

Chinese commentaries have laid out the implications clearly. Those neighbors and other concerned powers that accept Chinese claims are promised a peaceful and mutually beneficial relationship of "win-win" cooperation. Those that don't, including US allies the Philippines and Japan, are subjected to heavy coercion and threats, thus far stopping short of direct use of military force. US interventions against bullying, which were attacked strongly to the satisfaction of Chinese commentators, have become less frequent over the past year. Most concerned governments have come to recognize that China's "win-win" formula emphasizing cooperation over common ground is premised on the foreign government eschewing actions seen as acutely

sensitive to China regarding Taiwan, Tibet, and Xinjiang, and that the scope of Chinese acute sensitivity has now been broadened to include the maritime disputes along China's rim.

### **Firm resolve and advancing capabilities**

On July 31, Xi Jinping vowed to protect Chinese maritime interests in a major speech to a group study session of the Politburo of the Chinese Communist Party (CCP) that was discussing China becoming a maritime power. According to official media reportage of the speech, Xi followed recent practice in emphasizing China's pursuit of peaceful development with neighbors and other concerned powers, while strongly protecting what China views as increasingly important maritime interests.

Supporting commentary in official Chinese media saw the roots of Xi's stance in leadership decisions of last year's 18<sup>th</sup> CCP National Congress, which in the view of the commentators, showed that "China will use all its strength – political, diplomatic, economic, legal, cultural and military – to safeguard its maritime rights and interests." Underlining such resolve was the analysis on April 30 of the biannual Chinese national defense white paper by the director of the Academy of Military Sciences. The director stressed the important role of the PLA Navy in supporting China's maritime law enforcement, fisheries, and oil and gas exploration in Chinese claimed maritime areas along China's rim. A lengthy Aug. 2 *China Daily* report also highlighted Xi's speech as supportive of the PLA Navy's growing "blue water" capabilities and applauded its ability to "break through" the so-called first island chain involving Japan, Taiwan, and the Philippines to gain freer access to and to carry out military operations in the western Pacific Ocean. On Aug. 27, Prime Minister Li Keqiang reaffirmed China's "unswerving" resolve on sovereignty and territorial issues in welcoming Singapore's Prime Minister Lee Hsien Loong for an extensive visit to China. Official commentary on the meeting recalled criticisms of Lee's comments in May regarding the negative international consequences for China in adopting a "non-peaceful approach" to territorial disputes.

Foreign commentary highlighted the timing of Xi's speech on the eve of China's annual Aug. 1 celebration of the founding of the People's Liberation Army (PLA) and just prior to important leadership deliberations at the beach resort Beidaihe in August to decide a range of important policies for the plenum of the Chinese Communist Party (CCP) to be held this fall. They judged that Xi saw his interests well served by sustaining firm resolve on territorial issues in boosting his leadership stature and control over policy decisions.

Other significant indicators during this reporting period regarding the South China Sea included:

- The PLA Navy in late May used ships from its three fleets to carry out a joint exercise in the South China Sea, the first such three-fleet exercise since 2010.
- Official reportage on China's expanding maritime security forces noted on July 10 that the various maritime security forces consolidated under plans adopted at the National People's Congress in March would number 16,300. On July 22 and July 23, Chinese and foreign media said that China's new unified Coast Guard Agency had gone into operation in the South China Sea and other maritime areas with the 16,000 personnel divided into

11 squadrons. According to some Chinese commentators and foreign specialists, Chinese Coast Guard officials are planning to arm their ships with weapons along the lines of those used by US, Japanese, and South Korean Coast Guard forces.

- A report from the State Oceanic Administration (SOA) in May said that China's maritime economy, which now accounts for 9.6 percent of China's GDP, will grow to at least 13 percent of GDP by 2020 and will likely amount to 18 percent of GDP in 2030. Official commentary on the report highlighted the oil reserves in the South China Sea, saying that they represent 33 percent of China's total oil reserves. In this regard, the SOA report said "China does not get any oil from the South China Sea, while neighboring countries have built more than 200 drilling platforms there."
- On May 6, a fleet of 30 Chinese fishing ships along with an accompanying supply ship and transport vessel left Hainan Island for 40 days of fishing in the disputed Spratly Islands of the South China Sea to "exploit high-seas resources in systematic ways," according to *Xinhua*.
- On July 23, *Xinhua* reported that China will be carrying out its second island resources survey, involving 10,000 "territorial islands" over the next five years. The new survey reportedly is needed as China formulates a "strategic blueprint" for maritime development in the islands in China's 13<sup>th</sup> Five Year Plan (2016-2020).
- Official media reports showed that developing commercial ties are expanding between Hainan Island and the new city of Sansha headquartered in Yongxing Island in the disputed Paracel Islands of the South China Sea. Berths for civil use have been built, two tourist ships regularly take Chinese civilians to visit the islands, a supply ship that can carry passengers made 70 trips to Sansha over the past year, a new supply ship will be ready for use in 2014, and an express air service between Hainan and Sansha involving initially two 19-passenger amphibious aircraft awaits government approval.

### **Peace, development, and slow movement on code of conduct in the South China Sea**

Chinese leadership statements and authoritative commentary have continued recent practice of meshing resolve in advancing Chinese claims and interests in the South China Sea with reassurance of China's peaceful intention focused on mutually beneficial development, provided Chinese territorial claims are not challenged. Xi Jinping noted in his July 31 speech to the Politburo that China "loved peace," was committed to "peaceful development," supported "shelving disputes in order to carry out joint development" in contested areas, and urged solving maritime disputes through diplomatic and political means. The senior PLA officer representing China at the annual Shangri-La Dialogue in Singapore spoke of China's commitment to peace, development, and mutual cooperation.

Foreign Minister Wang Yi has undertaken the leading Chinese official role in managing differences and improving relations with Southeast Asian states. In August, Wang completed a trip to Malaysia, Thailand, Laos, and Vietnam. This followed his visit in May – his first trip abroad as foreign minister – to Indonesia, Thailand, Singapore, and Brunei; and his visit to

Brunei in late June and early July for extensive interchange with Southeast Asian counterparts at the China-ASEAN Foreign Ministers Meeting, the ASEAN Plus Three (China, Japan, and South Korea) Foreign Ministers Meeting, and the ASEAN Regional Forum. Wang made a special 14-hour visit to Cambodia on Aug. 21, as official Chinese media said that government leaders there were preoccupied during Wang's swing through the region earlier in August, notably on account of consequences of Cambodia's disputed elections in July.

Wang's emphasis was on the positive development of China-Southeast Asian relations. He stressed that relations with ASEAN "have always topped China's diplomatic agenda" and urged new progress after 10 years of "strategic partnership." He called for advancing the ASEAN-China free trade agreement and enhancing the two sides' economic integration. Supporting commentary said that China-ASEAN trade reached \$400 billion in 2012, and business, tourist, and other visits between China and ASEAN numbered 15 million that year.

In the face of sometimes strong criticism of Chinese actions in the South China Sea, especially from Philippines officials, and calls by prominent US and other international and regional leaders for progress in dealing with South China Sea disputes through an agreed code of conduct (CoC), Wang was measured in his criticism, encouraging closer cooperation, and emphatic that the process leading to a possible code of conduct should not be rushed. During meetings with the Indonesia's foreign minister in May, Wang affirmed that China agreed with Indonesia that China and ASEAN should "steadily promote the code of conduct procedure in the process of implementing effectively the 2002 Declaration on the Conduct of the Parties in the South China Sea (DoC)." He said China was willing to discuss promoting the CoC under the framework of the joint China-ASEAN working group on DoC implementation. He reportedly received Indonesia's endorsement of China's proposal to establish an Eminent Persons Group of Chinese and ASEAN representatives to deal with CoC and related issues.

The Philippines foreign minister was sharply critical of China during the ASEAN-China meetings in Brunei in late June. For his part, Wang criticized the Philippines for its occupation of disputed Second Thomas Shoal and for bringing the South China Sea disputes before a UN arbitral tribunal. The June meetings nonetheless saw the announcement that China and ASEAN will hold a meeting in September in China involving the "6<sup>th</sup> Senior Officials Meeting and the 9<sup>th</sup> Joint Working Group on the Implementation of the DoC" and that the participants will hold "official consultations on the CoC within the framework of implementing the DoC," according to *Xinhua*. Wang affirmed that progress on reaching a code of conduct required following the confidence building provisions of the DoC, which he saw the Philippines as violating with its actions in the South China Sea and with the UN tribunal.

During his visit to Southeast Asia in August, Wang emphasized on the one hand that China is determined not to allow territorial issues to hinder overall cooperation between China and ASEAN. On the other hand, he stressed that the process leading to a proposed CoC should be iterative, deliberate, and gradual. He warned that the process is disrupted by actions of disputants like the Philippines that fail to implement the "necessary conditions" of the DoC. Supporting Chinese official commentary showed deep suspicion of the Philippines and other foreign countries seeking to use a CoC to limit China's freedom of action of South China Sea issues. Presumably pointing to the US and others, official commentary said "powers outside the region"

are interfering in the CoC process and making the issue more complicated “under the guise of freedom of navigation.” Against this backdrop, Wang proposed an agreement on a possible “road map” for the CoC to be reached within the process of implementing the DoC as an initial goal.

At a meeting of Chinese and ASEAN foreign ministers in Beijing on Aug. 29 focused on celebrating 10 years of “strategic partnership” in ASEAN-China relations, Foreign Minister Wang emphasized the growing economic cooperation between China and its Southeast Asian neighbors. He also underlined an iterative process toward reaching a CoC in the South China Sea with the next step being the 6<sup>th</sup> Senior Officials Meeting and the 9<sup>th</sup> Joint Working Group on the Implementation of the DoC.

### **China-Philippines polemics; US and Japanese support for Manila**

This reporting period featured repeated and widely publicized exchanges of accusations and charges between Chinese and Philippines officials over their South China Sea disputes that were reminiscent of the more protracted polemics in China’s past disputes with Moscow, Washington, Taipei, Hanoi, and New Delhi. Also evident in Chinese media coverage was concern over the roles of the US and Japan in supporting the Philippines during its disputes with China.

#### *China-Philippines confrontation*

The primary focus of attention was counter claims over the Second Thomas Shoal. Known as Ayungin in the Philippines and Ren’ai Reef in China, the shoal is 15 km long and 5 km wide and located near Reed Bank, an area claimed by both countries that is said to have important oil and natural gas deposits. On May 10, the Philippine government filed a protest with the Chinese Embassy in Manila against China’s “provocative and illegal” deployment of a Chinese Navy ship and maritime surveillance ships near the shoal. About a week later, a local Philippines official told the media that a civilian boat carrying the official and 150 civilian passengers was chased by a Chinese warship as the Philippines boat passed near Second Thomas Shoal. At the end of May, the Chinese Foreign Ministry and Defense Ministry spokespersons joined the Chinese ambassador in Manila in condemning the Philippines for grounding an old warship on Second Thomas Shoal in 1999 and the continued deployment of a small contingent of marines there. The Foreign Ministry representative said that Beijing “has never tolerated Manila’s illegal attempt to seize the reef and that Chinese government ships are entitled to patrol there.”

As shown in the chronology section, there were several back-and-forth exchanges between government officials in various forums over the summer even as the Philippines was able to resupply the Marines located on the abandoned ship without any obstruction from the Chinese vessels in the region. The confrontation took another turn in late August when Philippine President Benigno Aquino cancelled a planned Sept. 3 trip to attend the annual China-ASEAN Trade and Business Expo in Nanning, China after China placed what Aquino described as “unacceptable conditions” on his attendance. China’s Foreign Ministry told the media, without reference to the proposed presidential visit, that there were “difficulties” in relations and urged Manila to rectify them.

## *Roles of the United States and Japan*

Senior Chinese officials tended to eschew mention of increased US and Japanese support for the Philippines military, for the Philippines seeking a UN tribunal's ruling on China's South China Sea claims, and for faster movement toward establishing a rules-based CoC in the South China Sea. Chinese officials did not weigh in against strong remarks urging China to avoid intimidation and coercion in maritime disputes made by President Obama during a meeting with the Chinese delegates to the annual US-China Strategic and Economic in July. They also demurred after similar statements that avoided direct reference to China by Secretary of Defense Hagel to the June Shangri-La Dialogue and by Secretary of State Kerry to the ASEAN Regional Forum in July. Similarly, Chinese officials did not directly respond to Vice President Joe Biden pressing for faster movement on the South China Sea CoC during a visit to the region in July.

Nevertheless, lower level Chinese media commentary took aim at the United States and Japan for providing greater military support to the Philippines and at the US for conducting frequent ship visits and periodic military exercises with the Philippines government – steps seen as encouraging deeper security interaction with Washington and Tokyo in order to counter China. Official Chinese media responded promptly and negatively to the Philippine leaders' disclosure on July 31 that US spy planes were providing Manila with “crucial intelligence” about Chinese vessels in the South China Sea. Chinese officials also strongly urged the US “to refrain from doing anything that could complicate matters” in the maritime disputes; the Chinese government also strongly opposed foreign efforts to expedite the process leading to a CoC in the South China Sea. The Chinese Foreign Ministry did formally condemn and protest a US Senate resolution in late July expressing concerns with Chinese actions regarding maritime disputes including those in the South China Sea.

### **Vietnamese leaders stress stability with China, reach out to the United States**

Vietnam, the other main disputant of Chinese claims in the South China Sea, has followed a more moderate and nuanced path than the Philippines in dealing with China. Vietnamese President Truong Tan Sang visited China to meet President Xi Jinping on June 19-21. The summit was the first for the two leaders in their new positions and capped a series of high-level Sino-Vietnamese leadership exchanges during this reporting period that came amid official media reportage emphasizing progress in various interactions while avoiding actions that would worsen disputes over the South China Sea. The lead-up to the Vietnamese president's visit saw the sixth meeting in Beijing on May 11 of the China-Vietnam Steering Committee for Bilateral Cooperation with the Vietnamese delegation headed by Deputy Prime Minister Nguyen Thien Nhan and the Chinese delegation led by State Councilor Yang Jiechi. The seventh China-Vietnam consultation on defense and security was held in Beijing on June 3 with the Vietnamese delegation led by a deputy defense minister and the senior Chinese representative being a deputy chief of the general staff of the PLA.

At the Xi-Sang summit, the Chinese leader was forthright in emphasizing the importance of China and Vietnam to “push forward” in seeking a political solution to the South China Sea issue. The Vietnamese president's visit was marked with agreements advancing cooperative demarcation of waters and promoting common development outside the mouth of Beibu Bay,

and pursuing negotiations in such “low-sensitivity” maritime topics as environmental protection, scientific research, rescue work, and disaster relief. On disputes over the South China Sea, both sides agreed to “remain calm” and “to avoid taking action that could complicate or escalate a dispute.” A hotline between the Chinese and Vietnamese navies to help manage incidents in the South China Sea was agreed in the defense talks in early June, while the Xi-Sang summit saw an agreement to establish a hotline to deal with fishing disputes. The cooperative tone and emphasis on stability continued during Foreign Minister Wang Yi’s visit to Vietnam during his travels in Southeast Asia in August.

Against this background, evidence of Vietnamese differences with China tended to be muted. An incident on May 20 in which a Vietnamese fishing boat was surrounded by Chinese boats and rammed by one of them led to a Vietnamese Foreign Ministry protest on May 27; charges were promptly rejected by the Chinese Foreign Ministry spokesperson. An anti-China demonstration in Hanoi on June 2 was suppressed by police who arrested protest leaders. Vietnamese media reported that Vietnamese fishing boats were attacked by crews from a Chinese fishery patrol boat in two instances on July 6 that involved beatings, robbery, and destruction.

Vietnamese Prime Minister Nguyen Tan Dung registered concern with China and caused a media stir when one passage of his keynote address at the opening dinner of the Shangri-La Dialogue on May 31 warned without naming China of practices widely associated with China’s recent assertive behavior over maritime territorial disputes. The passage said: “Somewhere in the region, there have emerged preferences for unilateral might, groundless claims and actions that run counter to international law and stem from imposition and power politics.”

Hanoi also seemed to register a need for closer relations with the United States following the summit with the Chinese president. Carlyle Thayer, David Brown, and other specialists noted that President Sang’s summit with President Obama on July 25, the first such Vietnamese visit since 2007, was organized on “very short” notice. The implication was that Hanoi sought closer ties with the US to offset real or anticipated pressures from China.

### **Philippine Coast Guard kills Taiwan fisherman – serious consequences**

A fatal shooting of a Taiwan fisherman took place on May 9 in an area of the South China Sea where Taiwan’s and the Philippines’ 200 mile exclusive economic zones overlap. Initial reports said the Philippine forces opened fire when the Taiwan fishing boat tried to ram a Philippine patrol boat. Taiwan said there was no evidence to support this claim and accused the Filipinos of using excessive force.

As Manila equivocated on responsibility and what to do, Taipei made four demands: an apology, an investigation and punishment of those responsible, compensation for the fisherman’s family, and talks on a fisheries agreement to prevent such incidents. Taiwan President Ma Ying-jeou, on May 11, demanded that the Philippines meet Taiwan’s demands or face serious consequences, notably a hiring freeze on Filipino workers in Taiwan. The Ma government imposed sanctions on May 15. They included suspending issuing visas to Filipino workers in Taiwan, issuing a warning for Taiwan residents against travel to the Philippines, suspending high level exchanges, and halting bilateral economic exchanges and various ongoing cooperation agreements. On May

16, the Taiwan Navy, Air Force and Coast Guard made an impressive show of force in exercises near the site of the shooting incident.

Chinese official media fully supported Taiwan's positions. *People's Daily* (Overseas edition) said on May 11 that China's Ministry of Foreign Affairs and the government's Taiwan Affairs Office both expressed serious concern, demanding that the Philippines "immediately" carry out an investigation and give an explanation. The report said that China's "stern language" and "clear cut demands" showed its concern for the "Taiwan compatriots" and opposition to the Philippine side's "crude handling of maritime issues."

Taiwan-Philippines tensions began to ease somewhat with agreement at the end of May to start parallel investigations by Taiwan and Philippine authorities. The Philippine investigators said in mid-June they had recommended that criminal and administrative charges be pursued against the crew of the Philippine Coast Guard ship. They awaited a final decision from President Aquino. Meanwhile, preliminary bilateral talks on fishing rights reached an agreement on June 15 to avoid the use of force when policing fishing areas to prevent a recurrence of the May 9 incident.

The resolution of the dispute came on Aug. 9 when the head of the Philippine office managing relations with Taiwan was delegated as a presidential emissary to convey President Aquino's personal apology to the dead fisherman's family. Compensation to the fisherman's family came in an agreement on Aug. 7 that was to remain confidential. Taiwan's demands for prosecution of those responsible and talks on a fishery agreement were seen by the Taiwan government as satisfied sufficiently to allow the lifting of the 11 sets of sanctions imposed in May. Media reports indicated that many thousands (estimates were as high as 30,000) Philippine workers in Taiwan had their contracts frozen during the three months of the sanctions; the result impacted Taiwan's hi-tech industries, which rely on Philippine workers with English language proficiency.

### **China-Myanmar relations**

Relations between China and Myanmar saw new developments in the last four months, most prominently with the Chinese government's initiative to encourage its state-owned companies in Myanmar to engage in corporate social responsibility. In June, Chinese State Councilor Yang Jiechi made an official visit to Nay Pyi Daw and met senior officials to discuss the prospects of agricultural projects and expanding micro-finance loans that would address poverty alleviation issues and support rural development in Myanmar. In particular, Yang called for "enhancing cooperation in people's livelihood," and expressed China's interest in contributing to Myanmar's socio-economic development, providing hospitals and clinics in rural communities.

These latest initiatives may be in response to the growing skepticism and opposition among the general public in Myanmar about the exploitive nature of Chinese mega-projects. The opening of the 500-mile oil and gas pipeline and the deep-sea port near the Bay of Bengal, for example, were met with public protests over the environmental impact of the pipelines and energy plant and the failure of the Chinese companies to provide proper compensation for farmers' land used in the pipeline project. In recent months, grassroots demonstrations and attacks on Chinese conglomerates and buildings in Myanmar have prompted senior Chinese officials to take heed of local concerns. The Chinese special envoy to Myanmar, Wang Yingfan, spoke with several

Chinese state-owned companies about corporate social responsibility issues and embassy officials have also encouraged Chinese enterprises in Myanmar to solicit support from and reach out to the local communities.

## **Chronology of China-Southeast Asia Relations May – August 2013**

**May 1, 2013:** Chinese Foreign Minister Wang Yi meets Thai Prime Minister Yingluck Shinawatra on the first leg of his six-day Southeast Asian trip, which will also take him to Indonesia, Singapore, and Brunei. They agree to deepen cooperation in the areas of infrastructure development, education, tourism, and defense.

**May 2, 2013:** Foreign Minister Wang Yi arrives in Jakarta and meets Indonesian counterpart Marty Natalagewa. They agree to maintain high-level exchanges, expand bilateral trade and investment, and strengthen maritime cooperation.

**May 7, 2013:** ASEAN-China Consultative Meeting takes place in Brunei on the sidelines of the Seventh ASEAN Defense Ministers Meeting. Chinese Defense Minister Chang Wanquan attends the meetings and discusses expanding ASEAN-China cooperation in the areas of military exchanges, personnel training, and joint exercises.

**May 9, 2013:** Philippine Coast Guard fires on one of four Taiwanese fishing vessels that it claims entered its territorial waters, killing a fisherman. Taiwan demands a formal investigation, apology, compensation, and punishment for those responsible within 72 hours.

**May 10, 2013:** China and Vietnam convene the sixth meeting of the bilateral Cooperation Steering Committee. Topics include expanding trade and economic cooperation, people-to-people exchanges, and increasing coordination and communication on the South China Sea.

**May 10, 2013:** Philippines files a protest with the Chinese Embassy in Manila against China's "provocative and illegal" deployment of a Chinese Navy ship and Maritime Surveillance ships near Second Thomas Shoal.

**May 10, 2013:** Cambodia's National Assembly ratifies a maritime transportation agreement between ASEAN and China that will expand cooperation on passenger and cargo transport. All ASEAN member states except for Indonesia have ratified the agreement.

**May 15, 2013:** Senior commander of the PLA Navy (PLAN) South China Sea Fleet attends the International Maritime Defense Exhibition and Conference in Singapore and calls for increased exchange of information and cooperation on maritime security, including joint patrol operations to counter piracy activities and drug trafficking on the high seas.

**May 15, 2013:** Philippines issues an apology to Taiwan regarding the May 9 fishing boat incident. Taiwan rejects the apology as insincere and implements new sanctions against the Philippines, including a tourist "red alert" and suspension of all Philippine laborer applications.

**May 17, 2013:** Cambodia, China, Laos, Myanmar, Thailand, and Vietnam and the United Nations Office on Drugs and Crime sign a memorandum to deepen regional and international cooperation on illicit drug trafficking in the Golden Triangle and the greater Mekong region.

**May 17, 2013:** Local Philippine official tells the media that a civilian boat was chased by a Chinese warship as the boat passed near Second Thomas Shoal.

**May 22, 2013:** Taipei announces that the Taiwan Coast Guard will protect Taiwanese fishing boats from “harassment by the Philippines.”

**May 25, 2013:** PLAN carries out a joint naval exercise in the South China Sea that includes warships, submarines, and the naval air force from North Sea, East Sea, and South Sea fleets.

**May 29, 2013:** ASEAN and China hold eighth joint meeting on the Declaration on the Conduct of Parties in the South China Sea (DoC). They agree to implement the declaration and develop maritime emergency measures.

**May 30, 2013:** Chinese Foreign Ministry and Defense Ministry spokespersons join the Chinese ambassador in Manila in condemning the Philippines for grounding an old warship on Second Thomas Shoal in 1999 and continuing to deploy a small contingent of marines there.

**June 4, 2013:** China and Laos agree to deepen bilateral cooperation and expand their comprehensive strategic partnership during a meeting in Beijing between Liu Yunshan, a member of the Standing Committee of the Political Bureau of the Chinese Communist Party (CPC), and Pany Yathotou, president of the Laotian National Assembly.

**June 7, 2013:** Philippine government protests to the Chinese Embassy about publication of a Chinese map in January with claims to the South China Sea that are strongly opposed by Manila.

**June 13, 2013:** Philippines National Bureau of Investigation announces it will pursue criminal charges against Philippine Coast Guard members for the May 9 death of a Taiwanese fisherman.

**June 19, 2013:** Philippine defense minister says the Philippines deployed a new contingent of marines and new supplies to Second Thomas Shoal – an operation that was not obstructed by Chinese Navy and civilian surveillance ships in the area.

**June 19-20, 2013:** Representatives from ASEAN and China meet in Vietnam for a workshop to strengthen search and rescue coordination in the South China Sea.

**June 19-21, 2013:** Vietnam’s President Truong Tan Sang visits China and meets President Xi Jinping. They agree to establish a maritime hotline to handle fishing disputes in the South China Sea, to implement the DoC, and to hold two joint patrols of the Beibu Gulf later this year.

**June, 21, 2013:** Chinese Foreign Ministry spokesperson condemns the Philippines continued “illegal occupation” of the disputed Ren’ai reef.

**June 23, 2013:** Chinese State Councilor Yang Jiechi visits Nay Pyi Daw and meets Vice President Nyan Tun. They reaffirm ties and agree to expand trade, economic, and business activities and cooperation on poverty alleviation programs and agricultural development.

**June 25, 2013:** China and Indonesia sign an anti-graft cooperation memo at conclusion of the fifth seminar of the International Association of Anti-Corruption Authorities. Both sides agree to exchange information, share best practices on handling corruption and money-laundering cases, and carry out capacity-building programs for investigation and prosecutorial skills.

**June 30, 2013:** Chinese and ASEAN foreign ministers announce that they will hold a detailed discussion during the Sixth Senior Officials Meeting in September on the implementation of the Declaration on the Conduct of Parties in the South China Sea and work toward establishing a formal Code of Conduct.

**June 30, 2013:** Overseas edition of *People's Daily* warns Manila of a Chinese “counterstrike” if it continues to provoke Beijing in the South China Sea.

**July 2, 2013:** Sharply worded *Xinhua* commentary criticizes Philippine foreign minister's remarks to the media and challenge to Chinese Foreign Minister Wang during China-ASEAN and ASEAN Regional Forum meetings in Brunei and accuses the US and Japan of establishing closer ties with the Philippines military in this period of tension in Sino-Philippines relations.

**July 9, 2013:** Philippine foreign minister attacks China in a speech in Belgium.

**July 11, 2013:** UN tribunal hearing the Philippines' case against Chinese claims in the South China Sea is convened in The Hague, Netherlands.

**July 12:** Chinese Foreign Ministry spokesperson rebuffs Philippine foreign minister's charges.

**July 14, 2013:** Planned demonstration in Manila causes Chinese Embassy to close its visa office.

**July 14, 2013:** China's largest search and rescue vessel *Haixun 01* arrives in Jakarta for a port visit and Chinese and Indonesian officials exchange views on future collaboration on joint search and rescue exercises on the high seas.

**July 15, 2013:** Philippine Foreign Ministry spokesperson issues a detailed response to the Chinese spokesperson's charges of July 12.

**July 16, 2013:** Chinese spokesperson responds to Philippine charges of July 15.

**July 24, 2013:** Fan Changlong, vice chair of the Central Military Commission, arrives in Nay Pyi Daw for an official visit and meets Myanmar President Thein Sein and other senior military officials to discuss the continued cooperation and exchanges between the two armed forces.

**July 25, 2013:** Philippine Foreign Ministry spokesperson denounces China's reported decision to arm coast guard vessels to patrol the South China Sea.

**July 25, 2013:** Senior officials of the Communist Party of China and the Communist Party of Vietnam meet in Beijing and pledge to enhance communication and high-level exchanges.

**July 28, 2013:** The natural gas portion of the Myanmar-China Oil and Gas Pipeline begins transporting gas to China.

**Aug. 1-6, 2013:** Chinese Foreign Minister Wang Yi attends China-ASEAN forum and visits Malaysia, Laos, and Vietnam.

**Aug. 5, 2013:** In a meeting in Hanoi, Foreign Minister Wang announces that the envisaged Code of Conduct in the South China Sea is an important development in ASEAN-China relations but cautions that such an agreement should not be rushed and should be implemented gradually on a consensus basis.

**Aug. 7, 2013:** Philippine Justice Department announces that they recommended homicide charges against eight Filipino coastguards for the fatal shooting of a Taiwanese fisherman in disputed waters on May 9. Taiwan welcomes the move as a "constructive response."

**Aug. 14, 2013:** Southeast Asian foreign ministers meet in Hua Hin, Thailand and agree in an informal session on a common position regarding a Code of Conduct for the South China Sea.

**Aug. 19, 2013:** First China-Thailand Strategic Dialogue is held in Bangkok.

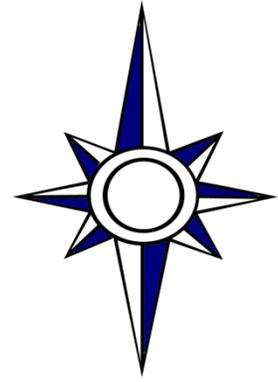
**Aug. 23, 2013:** Myanmar's Parliament approves \$100 million of the \$600 million China has offered in loans.

**Aug. 28, 2013:** China requests Philippine President Aquino cancel his visit to the Sept. 3 Nanning Trade Expo and reschedule it for a "more conducive time."

**Aug. 29, 2013:** China and ASEAN foreign ministers meet in Beijing and agree to strengthen their economic relations and upgrade their trade area. The ministers agree to facilitate economic integration through more efficient interconnection of sea, land, and air networks in the region.

# Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



## China-Taiwan Relations: Bumps along the Road

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The slow steady improvement of cross-strait relations hit some not unexpected bumps in recent months. Domestic politics in Taiwan, particularly partisan actions by the opposition DPP, have delayed Legislative Yuan action on important cross-strait matters. Despite these domestic troubles, Beijing is maintaining a steady course and seems confident about the long-term direction of President Ma Ying-jeou's policy. Track II political dialogues are growing, including those involving the DPP, which has launched a series of meetings on its policy toward Beijing. On Sept. 13, Taiwan was invited to attend the triennial Assembly of the International Civil Aviation Organization (ICAO) as a special guest of the ICAO Council.

### Cross-strait developments

It has been apparent that the initial rapid progress in cross-strait relations after President Ma's first election in 2008 had slowed. The negotiation of the Economic Cooperation Framework Agreement (2010), the Investment Protection Agreement (2012), and the Services Trade Agreement (2013) had each taken much longer than expected, largely because of vested interests on both sides. In recent months, the sources of delays have not been between Taipei and Beijing, but within Taiwan.

The first domestic problem involved negotiations over the planned exchange of offices between Beijing's Association for Relations Across the Taiwan Strait (ARATS) and Taipei's Straits Exchange Foundation (SEF). As progress was being made in these negotiations, the Ma administration proposed generally worded legislation that would authorize the exchange of offices. Two of the issues that had not been agreed with Beijing were whether the offices would issue travel documents and make visits to imprisoned citizens, two functions that could be considered consular activities. Beijing's Taiwan Affairs Office (TAO) had said that the offices would not be consular or diplomatic offices, but just what functions the offices would perform was still being negotiated. The opposition Democratic Progressive Party (DPP) said it could support the exchange of offices but only if they performed these sensitive functions. Since the proposed legislation did not specifically address those functions, the DPP opposed it. When the legislation came up in the Legislative Yuan's (LY) Administrative Committee on June 20, the DPP and other opposition parties blocked consideration. The following day, the DPP occupied the LY podium to protest signing of the Service Trade Agreement (STA), blocking all LY business. Faced with this opposition and some differences among KMT legislators, the Ma administration chose not to press for passage.

Despite this and other setbacks, both sides seem committed to concluding the office exchange negotiations and a three-day negotiating session was held in August. On Aug. 30, the Mainland Affairs Council (MAC) announced that considerable progress had been made, including on privileges, immunities, and travel issues. However, the MAC went on to say that agreement had not been reached on whether the offices could conduct visits to detained citizens.

The more serious confrontation was over the STA, the negotiations for which were essentially completed in April. While waiting for its signing, the Ma administration provided briefings, explaining that the STA would open opportunities for Taiwan that went beyond Beijing's World Trade Organization (WTO) commitments and its economic agreements with Hong Kong. The agreement was signed on June 21, and immediately provoked harsh criticism. The opposition parties alleged the STA would harm many Taiwan industries and lead to a flood of Chinese taking jobs from Taiwanese. It was soon clear that the extent of opposition had not been anticipated and that few groups felt well enough informed to defend the agreement.

The Ma administration had originally planned to send the STA to the LY only for its information. However within a few days, it had agreed not only to seek LY approval but acceded to a DPP demand that the agreement be reviewed article by article. The STA was not considered by the LY at its regular session, so plans were made for a special LY session to consider it and other issues. However, entirely domestic matters involving the death of a soldier in detention and plans for a referendum on Taiwan's fourth nuclear plant took up the whole special session, with the DPP again physically occupying the LY podium to block action. The political parties have agreed that a series of industry-focused meetings will be held to assess the STA. In addition, the Public Television Service will host a debate on the STA between President Ma and DPP Chairman Su Tseng-chang on Sept. 15.

The political parties have agreed that a series of industry-focused meetings will be held to assess the STA. A televised debate on the STA between President Ma and DPP Chairman Su Tseng-chang had been scheduled for Sept. 15, but the DPP announced on Sept. 11 that Su would not participate in light of a rapidly unfolding political influence and wiretapping scandal.

The Ma administration's inability to move key bills through the LY is disconcerting to Beijing. In August, TAO Minister Zhang Zhijun and ARATS Chairman Chen Deming each stated that if the STA was not implemented as planned it would lead to a delay in negotiating the next round of liberalizations in merchandise trade that was to be completed by yearend. However, neither mentioned the exchange of office agreement in this context, implying this remained a priority for Beijing.

While discussions of political issues are not occurring between SEF and ARATS, both sides are now encouraging track II forums to address political issues. Groups of retired Taiwan military officers and LY members have visited China for discussions and been received by the TAO and occasionally by Chairman of the Chinese People's Political Consultative Conference's (CPPCC) National Committee Yu Zhengsheng. In June, a conference on military trust measures was held in Beijing. President Ma has said there are no restrictions on such track II political discussions. Beijing and Taipei have also established a new private sector economic consultation mechanism,

the Cross-strait Entrepreneurs Summit headed by former Vice Premier Zeng Peiyan and former Vice President Vincent Siew.

## **Xi Jinping and Taiwan**

Despite the problems that have occurred recently in Taipei, the new leadership in Beijing seems pleased with the overall direction of cross-strait relations. The meeting between Kuomintang (KMT) Honorary Chairman Wu Poh-hsiung and General Secretary Xi Jinping appears to have increased the leadership's confidence in President Ma. To avoid the mixed signals associated with Lien Chan's visit in February, President Ma met with Wu, included some close advisors on Wu's delegation, and approved the points Wu would convey to Xi.

Wu met Xi on June 13. While Ma's message did not include any new points, it conveyed reassurances on several points: that policy would continue to be based on the 1992 consensus and opposing Taiwan independence and develop within a "one China" framework (架構), that mutual trust should be increased, that economic ties should be expanded with the goal of greater economic integration, that an exchange of offices should be a priority, that cultural and education ties should be expanded, and that Chinese national identity should be promoted. Wu also mentioned Taiwan's desire for greater international space. The importance Ma placed on conveying this message on policy continuity and direction has apparently reassured the leadership in Beijing. In response, Xi made only general points, including upholding the "one China" framework (架構) and pursuing the peaceful development of cross-strait relations as an element in the rejuvenation of the Chinese nation.

There has been speculation about whether a meeting between Ma and Xi could be arranged in the future. When asked, President Ma has generally expressed doubt that the conditions are ripe for a meeting, stating that a meeting would need to have public support and preserve Taiwan's dignity. The latter point is an indirect and flexible reference to his previous statements that he would only meet in his capacity as president of the Republic of China (ROC).

Ma's re-election as KMT chairman in July led to an exchange of messages between Xi and Ma. Beyond congratulating Ma, Xi commented that relations were at a "new" turning point and that their two parties should work to achieve the dream of the great rejuvenation of the Chinese nation. In response, Ma reiterated his policies and made a nod to Xi by mentioning shared Chinese ethnicity and hope for the rejuvenation of the Chinese nation. However, Xi's message was addressed to "Mr." rather than "Chairman" Ma. (Ma addressed Xi as "General Secretary Xi.") Beijing's reluctance to address Ma even by his party title is an indication that working out a way for the two leaders to meet that preserves Taipei's dignity remains a significant hurdle.

There has also been speculation recently about Ma attending the APEC Leaders Meeting where he could meet Xi. President Ma has said that he wishes to attend and that his exclusion is unfair to Taiwan. It is however unlikely Beijing would be flexible on this issue. In late August, TAO deputy Sun Yafu indicated that the issue should be handled in keeping with long-standing APEC practice under which Lien Chan has represented Ma each year. In late August, Ma acknowledged publicly that the conditions were not ripe for him to attend, and on Sept. 1 he appointed former Vice President Vincent Siew to represent him at APEC this year.

## **Crisis with the Philippines**

On May 9, a Philippines Coast Guard ship fired on a Taiwan fishing boat in overlapping EEZ waters between Taiwan and the Philippines, killing crewmember and ROC citizen Hong Shi-cheng. An apology from Philippine President Benigno Aquino six days later satisfied one of Taiwan's four demands – an “official” apology – but it was rejected by Taiwan because it called the killing “unintended.” The controversy dragged on and the Philippines’ reference to its “one China” policy emerged as an irritant.

On May 9 and 10, the TAO and People’s Republic of China (PRC) Foreign Ministry condemned the killing and called on the Philippines to investigate. On May 15, a TAO spokesman stated that “[p]eople on both sides of the Taiwan Strait are family and it is an obligation for the mainland to protect the safety and interests of Taiwan compatriots,” a statement backed up by the dispatch of Chinese naval ships to areas near the Philippines. (Separately, Taiwan also sent ships to the area to conduct exercises.) In Taipei, MAC Chairman Wang Yu-chi expressed the hope that Beijing would not complicate the matter.

Manila stated numerous times that its “one China” policy was guiding its response to the incident. This, and the fact that in 2011 the Philippines had deported 14 ROC citizens to the mainland rather than to Taiwan, caused the MAC to release a statement saying that the ‘one China principle’ advocated by mainland China is completely irrelevant to this case,” and that it would be “unacceptable” to Taiwan if the Philippines conveyed proposals or information to it through the mainland. President Ma said on May 22 that the Philippines should not use its “one China” policy as an excuse for not apologizing.

On May 19, Taipei and Manila agreed to conduct “parallel investigations” into the incident – but not “joint,” in part because of Manila’s “one China” policy – and the reports were released on Aug. 7. Taiwan’s Foreign Ministry announced that it accepted “the deep regret and apology of the president and people of the Philippines to the family of crew member Hong Shi-cheng ... as well as to the people of Taiwan.”

Negotiations toward a fishery agreement, another of Taiwan’s demands of the Philippines, also made progress with an initial preparatory meeting on June 14; a second was planned for late August but it did not take place. Taiwan and Japan demonstrated in April 2013 that this type of agreement can reduce friction and is effective in portraying Taiwan as a responsible member of the international community – a fact that Beijing’s “one China” principle obscures.

## **ICAO and Taiwan’s international participation**

Following an international campaign to participate as an observer in the International Civil Aviation Organization (ICAO), on Sept. 13 Taiwan was invited to attend the Sept. 24-Oct. 4 ICAO Assembly as a “special guest” of the ICAO Council, the administrative body which convenes the Assembly. Taiwan’s delegation will be led by the director general of the Civil Aeronautics Administration of the Ministry of Transportation and Communication, who, the Foreign Ministry reported, was addressed by her official title in the invitation. Taipei seeks a

presence at the ICAO Assembly in part because it may open the door for it to participate in ICAO meetings, committees, and information mechanisms related to aviation safety and security. Predictably Washington was a particular focus of the campaign.

The United States was active in promoting Taiwan's participation, both behind the scenes and publicly, most notably through President Obama's signing on July 12 of [H.R. 1151](#), which directs the secretary of State to work for observer status for Taiwan at the triennial ICAO assembly, and instructs the US Mission at ICAO to officially request observer status for Taiwan. President Obama's [signing statement](#) noted that his administration has supported Taiwan's participation in ICAO and will "construe the Act to be consistent with the 'one China' policy of the United States, which remains unchanged." While this nod to the "one China" policy did not cause the angst in Taiwan that the Philippines had in May, neither did it mollify China. TAO spokesman Yang Yi said that "intervention of foreign forces is not helpful and can only complicate the matter" and on July 16 the Chinese Foreign Ministry accused the United States of violating its own "one China" policy and interfering in China's internal affairs.

Beijing's rhetoric indicated that Taiwan also faces an uphill climb to participate in multilateral economic agreements such as the Trans-Pacific Partnership (TPP) and the Regional Comprehensive Economic Partnership (RCEP). Wu Poh-hsiung told Xi Jinping in June that Taiwan hopes to participate in RCEP. Media in Taiwan reported Xi as responding that the issue should be addressed in talks between the two sides. On Aug. 8, ARATS Deputy Chairman Zheng Lizhong said that stalled bilateral initiatives should be resolved before Taiwan considers multilateral initiatives.

Remarks by ARATS Chairman Chen Deming on the signing of the STA on June 21, a week after the Xi-Wu meeting, were based on Xi Jinping's anachronistic appeals to ethnic solidarity rather than on modern international relations. Chen characterized the international economy as a competition between "different countries and different ethnicities." He did not cite regional integration as a possible solution for this, but proposed enhanced integration across the strait in order to promote the international competitiveness of the Chinese ethnic group.

Taiwan enjoyed more international success in bilateral modes, signing an FTA-like Economic Cooperation Agreement with New Zealand on July 10 and announcing on May 17 that negotiations of a similar agreement with Singapore may be complete, though that agreement has not been signed yet. Taiwan's trade volume with New Zealand is relatively low, but both agreements are significant in other ways: both are high-quality, both New Zealand and Singapore are members of the TPP and RCEP, and both officially recognize the PRC rather than the ROC. The agreement with New Zealand is the first such agreement that Taiwan has signed with a non-ally of the ROC.

## **Arms sales**

Though the "Taiwan question" was only a minor issue in the meetings between Barack Obama and Xi Jinping in Sunnylands, California on June 7-8, it surfaced in the wake of follow-up discussions between US Secretary of Defense Chuck Hagel and PRC Minister of National Defense Chang Wanquan in Washington in August. An MND spokesman told Chinese reporters

on Aug. 20 that Hagel said Chang's suggestion of a US-China working group on Taiwan arms sales was a "good suggestion." Whether this was a misunderstanding by the spokesman or an attempt to spin the results of the meeting, it led to another flood of angst in the Taipei media reflecting public doubt about the US commitment. The Pentagon and the State Department quickly stated that the account was not accurate and reaffirmed the belief that sales of defensive articles to Taiwan help maintain stability in the Taiwan Strait.

### **DPP continues its search for a China policy**

Even as it continued to block or delay most of the Ma administration's cross-strait initiatives, the DPP began what Chairman Su Tseng-chang called a process of "strategic design" of the party's China policy. The pragmatic Su has created a mechanism through which he can adjust the party's approach to China, but he has not yet tipped his hand. The process will allow the party to delay decisions until after the 2014 local elections.

The first two closed-door meetings of the party's elite China Affairs Committee took place in May and July, and existing positions seemed to be affirmed. Under pressure from a handful of DPP legislators, the party announced a series of nine sessions of a more inclusive "Huashan Conference." Two sessions took place in July, and although they included a broader range of people and views, they also appear to have upheld existing stances on the DPP's 1999 Resolution on Taiwan's Future and rejecting the 1992 consensus. TAO Deputy Director Sun Yafu summarized China's view of these debates on Aug. 21, saying, "no positive improvement can be seen" in the DPP's approach to China.

Two members of the party's China Affairs Committee – moderate former premier and presidential candidate, Frank Hsieh, and the more hawkish current mayor of Kaohsiung, Chen Chu – did reach out to China. Hsieh and his Taiwan Reform Forum cohosted a two-day seminar in Hong Kong with the Chinese Academy of Social Sciences in late June – this collaboration is noteworthy in itself. Hsieh's delegation included nine DPP legislators, and a range of officials attended on the PRC side. Hsieh apparently did not gain any traction for his "two constitutions, different interpretations" model of cross-strait relations, but near the end of the conference he said, "we should have a common future destiny, and we can make it happen." Hsieh crossed the border into Shenzhen on June 30, where he met Zhang Zhijun. Zhang stated that China would welcome exchange with any party from Taiwan as long as they uphold the "one China" framework and support the peaceful development of cross-strait relations.

Chinese officials have not commented publicly on "two constitutions, different interpretations," but Hsieh explained his optimism in a speech in Taiwan later in July. He declared that Beijing must find the formula "tolerable," otherwise he "would not have been able to visit China" in late June. In other contexts, Hsieh has said his proposal was acceptable to Beijing – a view that seems more optimistic than warranted. Zhang Zhijun said in an interview with Taiwan media in May that there is no way the mainland can accept the Republic of China. An approach premised on the ROC constitution therefore seems to be a non-starter.

Chen Chu visited a number of Chinese cities in August, and undertook meetings in her capacity as mayor of Greater Kaohsiung. She also met Zhang Zhijun, on Aug. 10, and according to

reports she urged more inclusive interaction between the two sides. The next day, however, a TAO spokesman told *Xinhua* that while the mainland will always support city-to-city exchanges, the DPP must change its position on Taiwan independence to interact with the Chinese Communist Party. Nevertheless, many observers, including some in the DPP, felt that mainland officials treated Chen with respect and goodwill.

### **Wimbledon Victory Bumps**

On July 7, Hsieh Su-wei of Taiwan and Peng Shuai of China won the women's doubles title in the Wimbledon tennis tournament. Hailed as a successful cross-strait partnership, the victory quickly revealed basic sensitivities on each side. Peng Shuai injected a sour note into the celebration when she interrupted Hsieh's response to an innocuous question by stating, "I don't accept the claim that Taiwan is a 'country.'" Hsieh's father sparked a fear of athletes selling out to the mainland when he noted that his daughter might have to consider moving to and competing for China if lucrative endorsement deals were to be had there. These sensitivities are new to the tennis court but are axiomatic to the politics and economics of cross-strait relations, and in this period they helped cause the loss of momentum in cross-strait rapprochement. This slowdown was not unexpected, as much of the low hanging fruit has been harvested in previous agreements, and the two sides are now moving into more sensitive territory.

### **Looking ahead**

Winning LY approval of the STA will be a major challenge for the remainder of the year; failure of the LY to approve the STA would have serious consequences for cross-strait relations. The administration hopes the planned industry meetings will show that overall Taiwan's benefits outweigh the areas where it did not get everything desirable. Despite this uncertainty, both sides seem committed to pursuing the agreement on an exchange of ARATS and SEF offices.

With the invitation to attend the ICAO Assembly finally coming on Sept. 13, attention will shift to how Taiwan's delegates (and others from Taiwan, such as journalists) are treated at the Assembly, which meetings they can attend, and whether this invitation develops into continued participation. Taiwan is likely to turn its campaign for greater international participation to other organizations, perhaps the United Nations Framework Convention on Climate Change.

## **Chronology of China-Taiwan Relations**

### **May – August 2013**

**May 1, 2013:** Democratic Progressive Party (DPP) names the members of China Affairs Committee (CAC).

**May 6, 2013:** Former Taiwan Affairs Office (TAO) Director Chen Yunlin begins an eight-day visit to Taiwan.

**May 7, 2013:** First meeting of Taiwan-Japan Fishing Commission takes place; President Ma Ying-jeou calls for fishery talks with China.

**May 9, 2013:** DPP's CAC holds its first meeting.

**May 9, 2013:** Philippine Coast Guard personnel kill Taiwan fisherman.

**May 10, 2013:** New Party Chair Hsu Li-nung leads a delegation of retired generals to Beijing.

**May 14, 2013:** Chairman of the Chinese People's Political Consultative Conference's (CPPCC) National Committee Yu Zhengsheng meets Hsu Li-nung delegation.

**May 15, 2013:** Mainland Affairs Council (MAC) says Manila's "one China" policy is "completely irrelevant" to Philippines shooting incident.

**May 16, 2013:** Taiwan Coast Guard and Navy conduct patrol exercise in Bashi Channel.

**May 16, 2013:** MAC Chair Wang hopes Beijing will not complicate Philippine incident.

**May 16, 2013:** Association for Relations Across the Taiwan Straits (ARATS) & Straits Exchange Foundation (SEF) report progress on office exchange talks.

**May 17, 2013:** Taiwan announces completion of trade negotiations with Singapore (ASTEP).

**May 20, 2013:** Taiwan Health Minister Chiu Hung-ta attends World Health Assembly in Geneva.

**May 21, 2013:** Third meeting of National Taiwan Invested Enterprise (TIE) Association is held in Beijing.

**May 21, 2013:** TAO Minister Zhang Zhijun says the mainland can never accept the Republic of China (ROC).

**May 22, 2013:** Chairman Yu Zhengsheng meets bipartisan delegation of former Legislative Yuan (LY) members led by Yao Eng-chi.

**May 27, 2013:** MAC gives briefing on Service Trade Agreement (STA).

**May 29, 2013:** DPP Chair Su Tseng-chang says the party's policy is based on the 1999 Resolution on Taiwan's Future.

**June 3, 2013:** Taiwan opens permanent World Trade Organization office building in Geneva.

**June 4, 2013:** On Tiananmen anniversary, President Ma urges greater human rights in China.

**June 10, 2013:** Maldives invalidates Kaohsiung-Male sister city agreement.

**June 13, 2013:** Kuomintang (KMT) Honorary Chair Wu Poh-hsiung meets General Secretary Xi Jinping.

**June 16, 2013:** Chairman Yu Zhengsheng addresses fifth Cross-strait Forum.

**June 18, 2013:** US House of Representatives unanimously passes Taiwan in ICAO Act.

**June 19, 2013:** US Senate passes Taiwan in ICAO Act.

**June 20-21, 2013:** Track II “Beijing Talks,” including DPP officials, are held in Beijing.

**June 20, 2013:** Opposition parties block LY consideration of office exchange bill.

**June 21, 2013:** Ninth ARATS-SEF meeting held in Shanghai; STA signed.

**June 21, 2013:** Opposition parties occupy LY podium protesting STA.

**June 23, 2013:** Human rights activist Chen Guangcheng arrives in Taipei.

**June 24, 2012:** Conference on military trust measures is held in Beijing.

**June 25, 2013:** LY agrees to review STA article by article.

**June 28, 2013:** Wang Yu-chi says MAC supports more DPP exchanges with China.

**June 29, 2013:** Frank Hsieh cohosts cross-strait conference in Hong Kong with Chinese Academy of Social Sciences (CASS).

**June 30, 2013:** Frank Hsieh meets TAO Minister Zhang Zhijun in Shenzhen.

**July 1, 2013:** Taiwan joins WTO Services Trade negotiations.

**July 4, 2013:** First DPP “Huashan Conference” on China focuses on DPP’s democratic values.

**July 7, 2013:** Hsieh Su-wei and Peng Shuai win women’s doubles at Wimbledon.

**July 8, 2013:** SEF President Lin Join-sane leads education delegation to China.

**July 10, 2013:** New Zealand and Taiwan sign economic cooperation agreement (ANZTEC).

**July 11, 2013:** First Cross-strait Entrepreneurs Summit is held in Beijing.

**July 11, 2013:** Second meeting of the DPP’s China Affairs Committee is held.

**July 12, 2013:** President Obama signs Taiwan in ICAO Act.

**July 16, 2013:** Beijing accuses US of interfering in China’s internal affairs over ICAO.

**July 16-18, 2013:** SEF Chairman Lin Join-sane visits Shandong province.

**July 20, 2013:** President Ma re-elected KMT chairman: Xi Jinping and Ma exchange messages.

**July 24, 2013:** Second Zhongshan Conference in Guangdong focuses on Sun Yat-sen.

**July 25, 2013:** Cross-strait Entrepreneurs Summit is held in Taipei.

**Aug. 5, 2013:** President Ma addresses East China Sea Peace Forum.

**Aug. 5, 2013:** LY parties agrees to 16 industry hearings on STA

**Aug. 7, 2013:** Taipei and Manila release shooting incident investigation reports.

**Aug. 9, 2013:** ARATS Chairman Chen Deming comments on STA delay.

**Aug. 11, 2013:** TAO spokesman reiterates policy toward DPP.

**Aug. 12, 2013:** President Ma transits New York.

**Aug. 13, 2013:** President Ma visits Haiti.

**Aug. 14, 2013:** TAO's Zhang meets media delegation led by ARATS Lin Join-sane.

**Aug. 15, 2013:** President Ma visits Paraguay.

**Aug. 17, 2013:** President Ma visits Caribbean nations.

**Aug. 22, 2013:** US State spokesman reiterates no change in US arms sales policy.

**Aug. 23, 2013:** Deputy Minister of Industry and Information Technology Liu Lihua leads delegation to Taiwan.

**Aug. 23, 2013:** Fourth meeting on office exchange concludes in Jinan, Shandong.

**Aug. 26, 2013:** President Ma says conditions are not ripe to attend APEC Leaders Meeting.

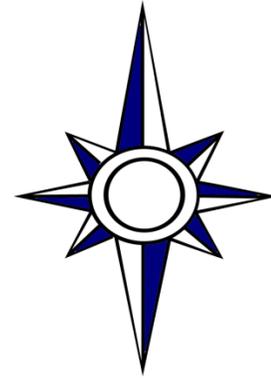
**Aug. 27, 2013:** Beijing MFA says APEC participation must follow APEC's MOU.

**Aug. 28, 2013:** Taipei hosts UN Framework Convention on Climate Change NGO forum.

**Aug. 28, 2013:** Beijing holds inaugural meeting of Cross-strait Exchanges Foundation.

# Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



## South Korea-North Korea Relations: Second Chance for Trustpolitik?

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So far this year, ups and downs on the Korean Peninsula have coincided conveniently with *Comparative Connections*' deadlines. Had this journal still been published quarterly, as it used to, our first report of 2013 would have come out in the middle of what we can now look back on as North Korea's spring saber-rattling. Most of that was rhetoric, albeit extreme even by DPRK standards. The main actual event, the suspension of the joint venture Kaesong Industrial Complex (KIC), broke just as we would have been going to press. But as it was, *Comparative Connections*' now thrice-yearly schedule enabled us to cover this lengthy hissy-fit in its entirety.

This time the date fit is not quite so neat, but as of early September it is a relief to report that inter-Korean relations are on the up again; they could hardly have gone lower. This has been an interesting four months. Pyongyang abruptly changed its tune, demanding the immediate reopening of the KIC no less preemptorily than it had earlier closed it. Both attitudes were exasperating and hard to explain, but at least the North's new "peace offensive" offers some hope of a more constructive approach. At the same time this challenged the South, forcing it to put flesh on the bones of President Park Geun-Hye's "trustpolitik" and make hard decisions on two levels: what principles to adopt in dealing with a now partly more pliant North and – on that basis – how precisely to respond on a whole range of immediate concrete issues. This was a steep learning curve, which the new ROK administration mostly handled with a skillful mix of firmness and flexibility – except for one mistaken and avoidable row over protocol, discussed below, which delayed the rapprochement by a month or so.

### What was that all about?

It remains unclear what Kim Jong Un sought to achieve by all that saber-rattling earlier in the year. As noted in our last issue, no objectives were specified nor did Pyongyang's professed pretexts convince. What this episode did accomplish was to annoy everyone, foe and friend alike. (As discussed elsewhere in this issue, the fact that Kim sent three separate envoys to Beijing over the summer suggests there were big fences to be mended with China.)

All that any of the DPRK's interlocutors could do, while maintaining vigilance, was to wait for this shrill nonsense to stop. In South Korea, where this prolonged episode coincided with a change of government – Park Geun-hye, elected in December and succeeded Lee Myung-bak as ROK president on Feb. 25 – the new administration responded with well-judged restraint: protesting as needed, especially over April's unilateral closure of the joint venture Kaesong Industrial Complex (KIC), but always emphasizing that the door to dialogue remained open.

From late April Pyongyang more or less switched off the lurid threats, but it took a while for it to adopt a more sensible stance. May saw various pseudo-overtures, like inviting Southern firms invested in the KIC to come and inspect their factories or even discuss the situation – and then criticizing Seoul when it forbade this divisive tactic and insisted, quite correctly, that the situation had to be negotiated and resolved officially, between the two governments.

### **From war talk to peace offensive**

By early June, for whatever reason, the North was ready for that. Indeed it took the initiative. On June 6 its Committee for the Peaceful Reunification of Korea (CPRK) – a body which, belying its name, had issued some of the fiercest threats just weeks earlier – unexpectedly proposed official inter-Korean dialogue about the KIC, and indeed more. Also mentioned was the Mount Kumgang tourist zone on North Korea's southeast coast: another joint venture shuttered, in this case for far longer and at the South's behest. Some 1.9 million Southern tourists had visited Kumgang, an historically famous beauty spot (before the developers got hold of it) during the decade 1998-2008; but none has made the trip since July 2008 when a middle-aged female tourist was shot dead while walking before dawn in a forbidden area, and the North refused to let the South send in its own investigators. The then new Lee Myung-Bak administration suspended all tours – some suspected this suited Lee's hard policy line, and his intention to end the former "Sunshine" policy of which Kumgang was a flagship – and the stalemate has continued ever since. In 2010-11 the North formally stripped Hyundai Asan of its 50-year concession to run tours to Kumgang and confiscated Hyundai's and all other ROK properties in the zone, valued at some \$400 million in total. Hence for Pyongyang to raise the Kumgang issue now hinted at a likely negotiating position: to trade one joint venture suspension for another.

The CPRK also held open the possibility of reunions of separated families, a theme dear to the South. Eighteen such events were held in the decade 2000-10, plus an early outlier in 1985, and some 22,000 individuals from 3,829 families were briefly reunited with long-lost relatives on the other side. A further 557, too frail to travel, saw each other via video link. As further bait: if the South agreed to talks, then the North would reopen the Red Cross hotline at Panmunjom – the truce village which was for decades the sole point of contact, in the Joint Security Area (JSA) within the Demilitarized Zone (DMZ) – which it had severed in April.

With Pyongyang's usual fondness for anniversaries, it linked all this to two upcoming dates. June 15 would be 13 years since the Joint Declaration which concluded the first inter-Korean summit, held in 2000 when Kim Jong Il welcomed Kim Dae-jung to Pyongyang. Pyongyang always makes much of this: on May 23 it had proposed joint celebrations, but with the Kaesong closure still unresolved Seoul was cool – and also forbade any of its own citizens who might be tempted to head north to join in. On a rarer note, in its new overture the CPRK also spoke of "jointly commemorating the 41st anniversary of the July 4 joint statement." This refers to the first ever North-South contacts back in the early 1970s. Nothing lasting came of those, but the ROK president at the time was the dictator Park Chung-hee. Hence to allude to this now looked very much like a gesture to his daughter Park Geun-hye.

Some of the accompanying persiflage must have stuck in Southern throats. Blithely ignoring its own issuing of lurid threats just a few weeks before – for details, see the previous issue of *CC*, including the chronology – the DPRK now claimed disingenuously that:

...all the sincerity and magnanimity shown by the DPRK have been denied and defiled with such sophism as “sincerity”, “contradiction among southerners” and “evasion of talks between authorities.” We have never sought to create “contradiction among southerners.” We have neither treated the south side’s authorities lightly nor approached it the way of making a fun of it [sic] as claimed by the south Korean authorities. It is none other than the south Korean authorities who are abusing north-south dialogue for the purpose of escalating confrontation in a bid to meet their strategic aims. However, we have no idea of idling away time with useless word-playing and exchange of rhetoric.

Fortunately the ROK swallowed hard, ignored all that, and swiftly accepted exploratory talks. The two Koreas’ first working-level contact in two years was held on June 9 at Panmunjom. This was quite a marathon: six sessions lasting 17 hours in total and going far into the night. Even this did not suffice to settle everything, but it was agreed to hold Cabinet-level talks in Seoul on June 12-13. The Southern delegation was to be led by Unification Minister Ryoo Kihl-Jae, a former academic who devised President Park’s ‘trustpolitik’ approach. But it was not settled who would represent the North. Unusually, Seoul let it be known whom it wanted Pyongyang to send: Kim Yang Gon. As head of the United Front Department (UFD) of the ruling Workers’ Party of Korea (WPK), Kim is indeed the North’s point man on the South, but he had never headed a ministerial delegation. As longstanding readers will know, talks at this level are not new: no fewer than 21 were held between 2001 and 2007.

### **Ranking rancor**

However, the North was not about to break precedent, nor to have the South decree the make-up of its delegation. Rather than Kim Yang Gon it proposed Kang Ji Yong, a DPRK director. Taking this as a slight, the South said it would only send a vice minister, Kim Nam-Shik. An incensed North dubbed that a provocation, and on June 11 the talks in Seoul were called off.

Who was to blame? The conservative ROK daily *Chosun Ilbo* rallied round, with an editorial headlined “Seoul Was Right to Reject N.Korea’s Insulting Demands.” Minister Ryoo described the collapse of the talks as “growing pains,” adding that “If the North wants new inter-Korean relations it has to show its sincerity.” Prime Minister Chung Hong-won chimed in, insisting – according to the semi-official news agency *Yonhap*, whose English also collapsed on this occasion – that “dialogue can be accepted by each other when two sides are on the same level. Talks made by a unilateral push would not have sincerity ... We've been made (sic) unlimited, unilateral concessions to the North so far, but now is time to meet the level (sic). Moreover, this is also a matter of “the pride of the South Korean people.”

But the real key arguably came in another *Yonhap* report, which quoted an unnamed Blue House aide as saying that, as the headline put it, “Park believes ‘format governs contents.’” The president is said to have often expressed this precept. On the record, her office accused the North

of trying to “impose submission and humiliation.” It also emphasized, according to *Yonhap*, that “matching the grades of negotiation delegations is an international standard.”

Whatever the reason for Seoul’s stance, it was arguably a mistake on several grounds. First, everyone knows North Korean hierarchies are often opaque and eccentric. To take a different example: Foreign Minister Pak Ui Chun, if not quite a figurehead like his predecessor the late Paek Nam Sun – Pak had served as ambassador in Moscow, a key posting – clearly counts for less than his nominal junior Kim Kye Gwan, the long-time nuclear negotiator who is now formally first vice foreign minister.

Then there is the precedent set at previous meetings. During 2000-07 when ministerial-level talks were regular events, the South naturally sent its unification minister, but Northern counterparts tended to be styled as senior or chief councilor to the Cabinet. It was far from clear what that meant. Two further structural asymmetries were and are that in the North the ruling Workers’ Party of Korea (WPK) looms over mere state functionaries, while under Kim Jong Il – less so with his son – the military too were a mighty power behind the throne.

Faced with a complexity and opacity which had no equivalent in their own system, previous ROK governments wisely worked on the basis that in such a top-down polity, whoever the DPRK chose to send presumably had authority – no matter what formal title they bore. It is unclear why Park’s advisors broke with that sensible practice, let alone why they would make such formalities a deal-breaker. If the president’s philosophy really is as quoted above, then the word for this is formalism and it is almost always a bad idea. In this context it might also be seen as a category-mistake. Granted, it is clear what Park is trying to do. Steering a middle course between her hardline predecessor and the one-sided giving of the “Sunshine” era, she deems it crucial to build inter-Korean trust anew on a principled basis, as discussed below.

But on this occasion she arguably mistook formalism for principle. A further substantive argument here is that the DPRK five-strong delegation was to include Won Dong Yon, Kim Yang Gon’s deputy and a major figure in inter-Korean dialogue for 20 years and well known in Seoul. If Won was on the team, then the North meant business. Pyongyang’s *cri de coeur* when the talks collapsed, shorn of the usual silly hyperbole about “the south Korean puppet authorities’ arrogant obstructions,” made some detailed points about protocol and precedent that suggest it was genuinely taken aback by Seoul’s deciding to take a stand on this issue:

The south side demanded the director of the United Front Department head the delegation as he is counterpart of the minister of Unification of the south side, a revelation of its ignorance of the social system in the DPRK. Never has there been such a precedent in which a secretary of the Central Committee of the Workers’ Party of Korea officially took part in the talks between the authorities in the decades-long history of the north-south dialogue ... In the past we sent the first vice director of the Secretariat of the CPRK in the capacity of the Cabinet chief councilor as the head of the north-south ministerial talks and the vice director of the CPRK Secretariat always dealt with the vice-minister of Unification of south Korea. This time we let the director of the CPRK Secretariat head our delegation instead of the first vice director in consideration of the face of the authorities of the south side. Nevertheless, the south side claimed that the head of our

delegation is not on a par with the head of its delegation. This is a revelation of its ignorance.

## **Second time lucky**

Fortunately this setback proved only temporary. By early July the two sides were once more discussing the KIC, the South having decided to focus just on this as the core issue in the first instance. All went well at first. On July 3 the North allowed Southern businesspersons to visit the industrial park. Next day the South proposed working talks, and the North agreed. Held at Panmunjom on July 6-7, this meeting reached agreement in principle to reopen the KIC and on its “constructive development.” At a second round of talks on July 10, the North proposed separate discussions on two further matters that it had tabled in its overture in June: resuming Mount Kumgang tourism, and separated family reunions. June’s high-level talks would have discussed all three issues had they gone ahead, but Seoul now decided to take things one at a time – the KIC first and foremost, and then family reunions. Pyongyang’s rather cross riposte was to withdraw both items, though it relented on reunions just a few weeks later.

Then the waters got choppier. Disingenuously, the North now seemed in a hurry to undo the damage it had wrought just as hastily a few months earlier, demanding early talks on Mount Kumgang and a rapid reopening of the KIC, whereas the South insisted there were lessons to learn, principles to agree, and priorities to set if inter-Korean trust and cooperation were to be rebuilt and go forward. Three more rounds saw reported progress on “internationalizing” the KIC, but none on the key issue of the safeguards insisted on by Seoul against any repetition of April’s unilateral closure. After a sixth round on July 25 remained deadlocked, the dialogue seemed to have broken down. The South warned more than once of “grave measures” unless it obtained the necessary assurances on safeguards. As July turned into August with no further word from Pyongyang, it began to look once again as if the KIC might remain closed for good, and be consigned to history. The Park administration seemed ready to let that happen, rather than have it reopen on the same unsatisfactory basis as before.

Putting the North on the spot like this was a high-risk strategy, but it paid off. On Aug. 7, the same day that the Ministry of Unification (MOU) authorized 280.9 billion won (\$251.2 million) in compensation to 109 ROK firms invested in or serving the KIC for losses sustained since April’s closure, the North called for further talks on the complex’s future. A week later, on Aug. 14, the two sides not only met again but signed a five-point agreement, and a remarkable one at that. The full text – not long; fewer than 500 words in English – is worth perusal.

South and North Korea proceeded with their seven rounds of talks to address issues involving the Kaesong Industrial Complex between July 6 and Aug. 14, and reached an agreement for the constructive normalization on the complex as follows:

1. The two Koreas will not make Kaesong suffer again from the stoppage of the complex by such things as restrictions on passage and the withdrawal of the workforce. They will guarantee the normal operation of the complex, including the stable passage of South Korean personnel, North Korean workers' normal reporting to work and the protection of corporate assets, with the complex not to be affected by inter-Korean situations under any circumstances.

The two Koreas will set up the “Inter-Korean Joint Committee on the Kaesong Complex” to discuss compensation for damages inflicted on companies during the suspension of the complex and other related issues.

2. The two Koreas will guarantee the safety of South Korean personnel coming to and going from the complex, protect businesses’ investment properties, and solve issues involving passage, communications and clearance.

1) The two will guarantee the safe passage of South Korean personnel to and from the complex, as well as their stay in the complex.

2) The two shall protect corporate properties in the complex, and work out institutional systems, including joint probes and compensation for damages, to settle disputes if illegal acts take place.

3) In order to tackle issues involving passage, communications and clearance, the two will take steps to guarantee the regular passage to and from the complex and Internet and mobile communications. They will simplify clearance procedures. The two will discuss related working issues at the Inter-Korean Joint Committee.

3. The two Koreas will guarantee conditions for international-level corporate activities for companies operating in the Kaesong Industrial Complex, and develop the complex into one with international competitiveness.

1) The two will actively promote the introduction of investment from foreign businesses.

2) The two will develop systems in relations to labor affairs, tax, wage and insurance, which are applied in the complex, into international-level ones.

3) The two will seek ways to make the complex internationally competitive, including the recognition of preferential tariffs for products from the complex in case of their export to a third country.

4) The two shall push for joint investment relations sessions abroad.

4. In order to implement the above-mentioned agreements, the two Koreas will form and operate the Inter-Korean Joint Committee on the Kaesong Industrial Complex and station subcommittees necessary under the committee.

To that end, the two will sign an “Agreement on the formation and operation of the Inter-Korean Joint Committee on the Kaesong Industrial Complex” at an early date, and start operation of the bodies.

5. The two Koreas will work out institutional systems to guarantee the safe passage and sojourn of workers and protect invested assets, and make active efforts to enforce companies to check and restart their facilities.

### **Sub-committees: bring ‘em on!**

By the look of it, Seoul got what it wanted and then some. Not only have both sides pledged to keep politics out of the KIC, but henceforth both sides will actually be running it. Hitherto there was a joint liaison committee within the zone, but North Korea had insisted on keeping sovereignty in its own territory. Formally no doubt that remains the case, but the new Inter-Korean Joint Committee created under clause 4 will be in day-to-day overall charge. Better yet, it will have sub-committees. Why is more bureaucracy a good thing in the inter-Korean context? Because, as seen in the all too brief flurry when many joint committees were set up after the 2007 summit (before the incoming Lee Myung-Bak administration let this wither on the vine, regrettably), such structures bind both sides into specific remits and concrete tasks; as opposed to one-off all-purpose meetings where the North tends to strike poses and play games. To borrow a distinction coined by the German sociologist Ferdinand Toennies in 1887, North Korea in general needs to move away from *Gemeinschaft* – the traditional (in this case neo-traditional) mode of social organization, emphasizing blood and personal loyalty; society seen as the family writ large, complete with paterfamilias – to the dull, neutral, indispensable hallmark of modern society, *Gesellschaft*, whose operating principles and sources of authority and legitimacy are entirely different: rooted as they are in shared self-interest, functional specialization, and above all written rules.

Also laudable, in a context where overall the two Koreas are merely restoring what they had before, is that in some aspects the new accord breaks fresh ground. Thus clause 2.3 speaks of internet access and mobile phones. As elsewhere in its realm, hitherto the DPRK had not allowed either of these at the KIC; an obvious nuisance for ROK investors, used to, as they are just across the DMZ, broadband speeds of which readers outside Korea should be envious. Not that the North is firmly promising such communications quite yet, but at least they are on the agenda. A precedent exists: since January foreign visitors to the DPRK – even journalists – are allowed to keep and use their cellphones. Thus, for instance, Twitter users can now send and receive Instagram photos in real time from North Korea. If even the alien “reptile press” is allowed such privileges, it is hardly logical or fair to deny them to investor compatriots.

### **Internationalizing Kaesong?**

Clause 3 also breaks new ground, with its talk of internationalizing the KIC. This looks like a ploy to make the North think harder about what globalization involves, as in the mention of competitiveness (subtext: you do not shut the place down on a whim, or else partners whose orders you were unable to fulfill as a result will never do business with you again – a problem ROK firms with factories in Kaesong are now facing.) Seoul also reckons that having foreign investors in the zone would in itself restrain the North from any future follies of this kind. They seem to mean this. When Park Geun-hye met Italy’s Prime Minister Enrico Letta on the sidelines of the G20 summit in St Petersburg on Sept. 5, she “asked the Italian government and companies to take an interest in the industrial park, which currently hosts only South Korean enterprises” – as reported by the center-right daily *JoongAng Ilbo*, which endorsed the president’s approach with the headline “Park is right on ‘global Kaesong’.”

But is she? This sounds a very long shot. Nothing stops foreigners investing in the KIC, but the only one ever to half-take the plunge (there were also Chinese whispers, but nothing came of it), the German auto parts maker Prettl, said in April they were glad they never built on the land they had leased back in 2008. If they hesitated even before April's shutdown, will the new structures and the South sharing control change their minds? Two factors suggest not. One is UN and other sanctions, which beyond their specific stipulations act as a more general tocsin discouraging any and all contact with the DPRK. This ensnares the innocent, such as Andray Abrahamian of the laudable NGO [Chosonexchange.org](http://Chosonexchange.org) which trains North Koreans in modern business methods, whose lifelong bank account Barclays abruptly terminated without explanation. If doing any kind of business with North Korea incurs the wrath of the US and most European governments and of major banks, what company operating in global markets will risk it? Asian firms, especially Chinese, may be less squeamish. But with all the rest of North Korea available to them, and a law passed in May set to create further special economic zones, it is not clear why they would flock specifically to Kaesong either.

Above all, regardless of sanctions, Kaesong is intrinsically less attractive to foreigners than it is to Koreans. For ROK firms it has three huge advantages: location, logistics, and language. It's their own people (near enough), only vastly cheaper, in their own backyard, speaking the same tongue. Non-Koreans would benefit from the cheap labor, but none of the other factors. Conceivably foreign firms already active in South Korea, like Prettl, might be interested, but they will be few and far between. If that proves correct, and if as so often the wind changes in Pyongyang, one can imagine Northern media castigating the South for making false promises.

### **Playing ball?**

Reverting to the realm of plausibility and our core topic: Though it is early days, first indications are that the North is playing ball with the new KIC structures just as keenly as back in April it set about sabotaging the old ones. At this writing a specific date for the zone to reopen is as yet unannounced, but as detailed in the chronology not only the new joint management body but also its four sub-committees have already begun meeting, and they seem mostly to be getting down to business in a constructive manner.

What remains unclear is how far or fast the new thaw will go. Soon after the agreement to put Kaesong back on the rails, the two sides also agreed to hold their first family reunion in three years, at Mount Kumgang at the end of September. But as of now where exactly these elderly South Koreans will stay is not yet settled; probably because Pyongyang is cross with Seoul for not moving faster on reopening Kumgang for tourism. The South's preference, understandably after this whirlwind of a year and the North's *volte-faces*, is to do one thing at a time and do it properly: its watchword is more haste, less speed. Besides, as Seoul has not failed to note, if Pyongyang is serious and sincere about tourism then for a start it should rescind its illegal confiscation of Southern assets at the resort, worth some \$400 million.

### **One step forward, two steps back?**

As *Comparative Connections* went to press in early September, the outlook seemed fair that the month and quadrimester ahead would actually deliver the hoped-for upturn in inter-Korean ties.

On the eve of the second KIC joint committee meeting on Sept. 10, MOU sources hinted to *Yonhap* on Sept. 9 that with the military hotline restored and the safeguards issue settled, the South was ready for the zone to restart operations and postpone other issues for discussion later. That still weighty future agenda included freeing up travel to and from the zone; mobile phone and internet access there; plus labor relations, taxes, wages, insurance, and the like.

Yet it was hard to give three cheers; maybe two, on a good day. In a board game image we have used before: If the two Koreas are now climbing back up a small ladder, this follows their having slid down a very long snake. (In the US I gather this game is more prosaically known as Chutes and Ladders.) Or as AP's Foster Klug put it, in an article with a headline calculated to deflate expectations ("N Korean Charm Offensive About Money"): North Korea's recent string of concessions ... simply puts the rival Koreas closer to where they were several years ago .... The recent optimism, albeit guarded, is a testament to the terrible state of inter-Korean relations. Whereas tangible diplomatic and security accords were once seen as the measure of a breakthrough, a simple easing of tension is now greeted as progress.

Klug also quotes Stephan Haggard's verdict that "This is about the cash flow ... From North Korea's perspective, family reunions are costless while reopening Kaesong and Kumgang is a big win." Even so, North Korea is still playing games. Having agreed to family reunions and insisted they be held at Mount Kumgang – as opposed to in Seoul and Pyongyang, which the South would prefer – the North now claims that the resort's two main hotels, always used for the reunions, are already fully booked by foreign tourists. That is most unlikely, and looks like a crude effort to press for talks on resuming regular tourism to Kumgang sooner than Oct. 2: the date already offered by the South, which prefers to tackle one thing at a time. At a time of slight hope, for the DPRK to play cynical games is dismaying, if alas hardly surprising.

In conclusion, it is poignant to revisit 2008. Then, *The New York Times* echoed the last hopes and hype of the "Sunshine" era; noting that Hyundai Asan "hopes to expand [the KIC] into a minicity over the next 12 years, with high-rise apartments and hotels, an artificial lake and three golf courses. By that time, the company hopes there will be about 2,000 factories here employing 350,000 North Koreans and producing \$20 billion worth of goods a year." Back then, there was talk of Kaesong becoming to Seoul as the former village of Shenzhen is now vis-a-vis next-door Hong Kong. All the more depressing, then, that five years later those targets not only look unachievably remote, but the two Koreas have gone backward and are in effect having to start over again. Not only North Korea in general, but already Kim Jong Un in particular, have a long way to go to convince South Korean and the world that lessons have been learned and henceforward they are ready to behave like normal, trustworthy partners. One can but hope, but more than ever this is the triumph of hope over experience.

#### *UPDATE:*

Early on Sept. 11, after talks that went late into the night, the two Koreas finally set a date to reopen the KIC. Some vagueness remains: MOU said it will reopen "next week" – that is, the week commencing Monday Sept. 16 – with a "trial run" that Monday. Full reopening may be a gradual affair, depending how quickly each of the 123 Southern SMEs invested there can get their factories up and running again – assuming they choose to, which some might not.

MOU added some further details:

\* ROK firms will be exempt from paying taxes for the rest of 2013, and also get a waiver for taxes unpaid in 2012 till the end of the year. As we reported in the past, Pyongyang suspects some companies of under-reporting profits. This tax break seems scant compensation for the losses investors have suffered from almost half a year's closure. Meanwhile the North is still demanding back pay for its workers for the first week in April, before it pulled them all out.

\* Transit to and from the KIC will be facilitated by introducing radio-frequency identification devices (RFID) within the year. Presumably this means vehicles will be electronically tagged, thus obviating the need to compile and exchange lists of those travelling every day. But there is no agreement yet on allowing mobile phone and internet use within the zone.

\* A dispute arbitration panel has been agreed, as has an accord "that calls for adherence to rules governing the rights and safety of South Koreans traveling to and staying at the [KIC]." An agreement to respect agreements is odd, maybe ominous. MOU explains that "such pacts were signed in the past but were ignored by the North." Will it be different this time?

\* A permanent secretariat for running the KIC will be set up by the end of September.

\* An "international investor relations session to highlight the merits of the Kaesong complex to potential foreign companies" will be held in October. That will be interesting to watch.

## **Chronology of North Korea-South Korea Relations May – August 2013**

*Note: The author normally compiles this chronology unaided. This busy quadrimester he appreciated a timeline by Yonhap on the Kaesong IC, which lightened his burden though it contained some errors.*

**May 2, 2013:** ROK government offers 300 billion won (\$272 million) compensation, in the form of loans, to Southern SMEs invested in the Kaesong Industrial Complex (KIC), which has not operated normally since the DPRK withdrew all 53,000 workers on April 9. There is doubt as to whether this sum suffices to cover their losses thus far in full.

**May 3, 2013:** The last seven South Koreans leave the KIC. One last truck crosses the border into the zone, and returns after delivering \$13 million to the North to pay wages and taxes.

**May 5, 2013:** Under the headline "Kaesong Workers Sent Far and Wide," the *DailyNK* – an online paper published in Seoul – claims the KIC's workers have been widely dispersed to other worksites, suggesting there is little chance that the zone will reopen any time soon.

**May 6, 2013:** Seoul press reports that the South is still supplying electricity to the KIC, albeit on a much smaller scale than before given the fall in demand. This suffices to keep a water purification plant running, which may serve part of nearby Kaesong city as well.

**May 7, 2013:** North's Korean People's Army (KPA) threatens to turn the South's Seohae Islands, which lies close to the DPRK, into a "sea of flames."

**May 3, 2013:** South Korea pulls the last seven workers from Kaesong Industrial Complex.

**May 10, 2013:** *Rodong Sinmun*, daily paper of North Korea's ruling Workers' Party (WPK), avers that "the DPRK remains steadfast in its attitude to meet any challenge of the hostile forces for aggression through an all-out action based on nuclear deterrent of justice, bring earlier the day of the final victory in the great war for national reunification and guarantee the prosperity of a reunified country and the independent dignity of the nation for all ages."

**May 13, 2013:** A report from the *Korean Central News Agency (KCNA)*, the official DPRK mouthpiece, identifies Jang Jong Nam as minister of People's Armed Forces (i.e., defense minister). This makes Jang the fourth to hold that post since April 2012.

**May 18-20, 2013:** North Korea launches a total of six short-range missiles into the East Sea (as all Koreans call it, taking offense at the globally more common Sea of Japan).

**May 23, 2013:** North Korea proposes talks with the South about jointly marking the 13th anniversary of the June 15, 2000 inter-Korean summit declaration. Seoul is cool, and on May 27 formally bans its own citizens from going to Pyongyang to take part in celebrations there.

**May 28, 2013:** The North's DPRK says it is ready to let Southern companies invested in Kaesong visit the zone. ROK Ministry of Unification (MOU) tells Pyongyang to talk to the ROK government, not to individuals.

**June 6, 2013:** South Korean President Park Geun-hye calls on the North to accept her trust-building process. North Korea calls for comprehensive government-level discussions to resolve the issues of the Kaesong IC and the Mount Kumgang tourist resort.

**June 9-10, 2013:** Working-level delegates from the two Koreas meet to arrange ministerial-level talks on a range of issues in inter-Korean relations. After 17 hours of negotiations, agreement is reached to hold such talks in Seoul on June 12-13.

**June 11, 2013:** On the eve of planned Cabinet-level talks in Seoul, these fall through after the two sides disagree on the appropriate rank of their chief negotiators. Each blames the other.

**June 25, 2013:** MOU publishes a survey showing that Southern firms invested in Kaesong had reported losses totaling 1.6 trillion won (\$1.4 billion) as of June 7.

**July 3, 2013:** North Korea says it will allow Southern businessmen invested in the KIC to visit the zone.

**July 4, 2013:** Seoul proposes working-level talks to normalize the KIC. The North agrees.

**July 6-7, 2013:** The two Koreas hold working talks at Panmunjom. The North agrees to let Southern businessmen visit the KIC on July 10 “to check and readjust equipment to reduce the damage” from the current rainy season, and also to “take finished products and raw and subsidiary materials out of the zone and carry equipment out of it.” The two sides agree in principle to reopen the KIC, and to work toward its “constructive development.”

**July 10, 2013:** At a second round of talks to normalize the KIC, North Korea proposes separate talks on resuming tourism to Mount Kumgang, and reunions of separated families. The South agrees to the latter, but not the former.

**July 11, 2013:** CPRK accuses South Korea of rejecting its proposal to resume tourism to Mount Kumgang “under an unreasonable pretext.” However, given the South’s desire to prioritize reopening the KIC, “we shelve our recent proposal for talks.” CPRK adds “We are well aware of the real intention of the south side but restrain ourselves with a high degree of patience.”

**July 15, 2013:** Third working contact is held on (and this time in) the KIC. Draft texts of an agreement on normalizing it are exchanged.

**July 15, 2013:** Through a liaison channel at Panmunjom, North Korea notifies the South that due to heavy recent rainfall it will discharge water from its Imnam dam on the upper Bukhan river, and does so the same evening.

**July 17, 2013:** Fourth round of talks on and in the KIC fails to make progress. North Korea criticizes the South’s “very dishonest and insincere attitude” in “insisting only on the blame for the crisis in the zone and unilateral assurances against reoccurrence.”

**July 18-28, 2013:** 21 players and 15 staff of North Korea’s women’s soccer team enter Seoul by air to compete in the East Asian Cup: the first DPRK team to play in the ROK since 2009.

**July 22, 2013:** Fifth round talks sees some progress on “internationalization” of the KIC, but fails to make headway on the core issues.

**July 25, 2013:** KIC talks break down at their sixth round, with no agreement on safeguards. A scuffle breaks out when the North’s chief negotiator Pak Chol Su and some 20 DPRK officials enter a room full of ROK journalists to explain their stance. Southern officials try to stop them.

**July 27, 2013:** North Korea marks what it calls “the 60th anniversary of victory in the great Fatherland Liberation War,” more accurately known as the 1953 Armistice, with a military parade and mass demonstration in Pyongyang. President Park again calls on the North to abandon its nuclear ambitions.

**July 28, 2013:** ROK Unification Minister Ryoo Kihl-Jae urges the North to clarify its stance on safeguards. Calling for “final talks” to resolve their differences, he warns that Seoul may take “grave measures” unless Pyongyang responds.

**July 28, 2013:** MOU announces \$7.3 million of aid to North Korea. The government and five NGOs will spend 1.47 billion won, while the ROK will also give \$6.04 million for DPRK children via a UNICEF program.

**Aug. 4, 2013:** MOU issues a statement emphasizing that Seoul is losing patience with the North's failure to respond to its call for decisive talks on the future of the Kaesong zone.

**Aug. 7, 2013:** Seoul approves 280.9 billion won in insurance payments to 109 companies that have factories and assets in Kaesong. On the same day Pyongyang finally responds, calling for fresh talks to resolve the KIC impasse. Seoul accepts these.

**Aug. 14, 2013:** Four months after the North *de facto* closed the KIC, the two Koreas reach a five-point agreement to reopen it.

**Aug. 22 – Sept. 3, 2013:** Three North Koreans and a minder attend a UN-sponsored Youth Leadership Program (YLP), bringing 34 young people from 19 Asian countries to Gwangju in southwestern South Korea. Gwangju will host this event annually through 2015.

**Aug. 23, 2013:** A 46-year old North Korean defects to the South's Gyodong Island, close to the DPRK and the Northern Limit Line (NLL), apparently by swimming from the mainland.

**Aug. 23, 2013:** After 11 hours of talks at Panmunjom, Red Cross officials from both Koreas agree to hold the first separated family reunions since 2010 at Mount Kumgang on Sept. 25-30. 40 families from each side who are too weak to travel will "meet" by video conferencing.

**Aug. 24, 2013:** From a pool of applicants now down to 72,000 – it was originally 120,000, but nearly half have died since the program began in 2000 – the ROK Red Cross randomly selects 500 potential candidates for upcoming family reunions. On Aug. 29 the list is halved to 250, partly based on medical check-ups, with selection of the final 100 due by Sept. 16.

**Aug. 28, 2013:** North Korea nixes the South's suggested date of Oct. 2 for talks on resuming tours to Mount Kumgang, demanding these be held at once. Seoul urges Pyongyang to repeal its confiscation of ROK assets at the resort. A 55-person ROK team from MOU, KEPCO (the ROK power utility), and Hyundai Asan enter the resort for what *Yonhap* calls "a two-day spiffing up" ahead of family reunions. MOU's people are the first ROK government officials allowed to cross into Kumgang in three years.

**Aug. 28, 2013:** The ROK National Intelligence Service (NIS), police and prosecutors raid 11 offices (including some in the National Assembly) and 7 homes of 10 officials of the far-left Unified Progressive Party (UPP), arresting three. UPP lawmaker Lee Seok-ki briefly goes on the run. The accused face a rare charge under the National Security Law (NSL) of conspiring to mount a pro-North Korean insurrection. Eighty pages of transcripts seem to support this claim.

**Aug. 28, 2013:** MOU says the two Koreas have "virtually agree[d] on how to set up the joint committee [to run the KIC]".

**Aug. 29, 2013:** The two Koreas sign an accord on a new structure to jointly run the KIC. The new committee, with a chairman and five members from each side will meet at least quarterly. Four sub-committees – on guaranteeing personal safety; protecting assets; discussing passage, communications and customs; and strengthening global competitiveness – each with a head and three members from each side, are to meet monthly. A secretariat will support all of these.

**Sept. 2, 2013:** 615 businessmen and technicians from ROK firms invested in the KIC make a day trip across the DMZ to check on their facilities and work with their DPRK employees to prepare for the complex's reopening. Next day a further group of 560 does the same.

**Sept. 2, 2013:** MOU says South Korea will give humanitarian aid worth \$6.3 million to the North via the World Health Organization (WHO). This will go to train healthcare workers, help repair medical facilities and provide essential drugs. Seoul also permits 12 civic groups to send aid worth 2.35 billion won (\$2.13 million) for 13 different projects in the North.

**Sept. 2, 2013:** The new joint committee to manage the KIC holds its first meeting, lasting 12 hours. No date to reopen the complex is set, but sub-committees will meet later this week and the full committee is to reconvene on Sept. 10. Its agenda then will include compensation for Southern investors, who claim losses totalling 1.05 trillion won (\$954 million).

**Sept. 3, 2013:** 29 South Koreans, mostly Hyundai Asan staff, cross the DMZ into the Mount Kumgang resort. They are the first Southerners to overnight there since the North expelled the last Hyundai maintenance staff in August 2011, having confiscated Southern assets worth 480 billion won. On Sept. 4, 19 others join them. Most of the 48 are expected to remain until family reunions are held at the end of the month.

**Sept. 4, 2013:** Two sub-committees of the new KIC management structure, on investment protection and global competitiveness, are held at the complex. Details are not formally published, but MOU reveals that the former agreed to establish a panel to arbitrate disputes and damages (first called for in 2003), while the latter will discuss how to have KIC-made products included in FTAs (presumably the ROK's, and arguably a sticky wicket.)

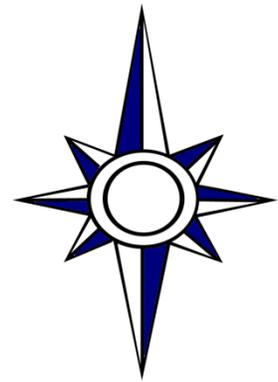
**Sept. 5, 2013:** The other two new KIC sub-committees – on passage, communications and customs, and guaranteeing personal safety – meet at the zone, with both chairmen of the full joint committee (Kim Ki-woong (ROK) and Park Chol Su (DPRK)) attending. They agree to restore the military hotline used to liaise on traffic across the DMZ, which the North cut in March.

**Sept. 6, 2013:** A test call at 1015 local time confirms that the west coast military hotline is now working again, as agreed the previous day.

**Sept. 10-11, 2013:** After talks that run on overnight, the second meeting of the new Kaesong joint management committee agrees that the KIC will reopen the following week: initially on a "trial basis" on Sept. 16. Further meetings will be held to thrash out concrete details.

# Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



## China-Korea Relations:

### How Does China Solve a Problem like North Korea?

Scott Snyder, Council on Foreign Relations/Pacific Forum CSIS  
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China-Korea relations entered an active phase of leadership exchanges during the summer of 2013 following North Korea's December 2012 satellite launch, its February 2013 nuclear test, and the passage of UN Security Council resolutions 2087 and 2094 condemning these actions. The exchanges have focused on the DPRK nuclear issue, which has been a source of unprecedented political tensions between China and North Korea. The aftermath drove continued debate on the extent of Chinese leverage and patience with Pyongyang. Beijing has reaffirmed its commitment to bring North Korea back to multilateral talks through revived bilateral exchanges with Pyongyang, including a meeting between Vice President Li Yuanchao and Kim Jong Un in Pyongyang on July 26 in commemoration of the signing of Korean War armistice, which was celebrated in Pyongyang as a "victory." Although Beijing's frustration with its North Korean ally has expanded Chinese willingness to include denuclearization as a policy objective it shares with the US and South Korea, differences remain regarding long-term strategic interests and the preferred tools for pursuing the objective.

#### China-Korea diplomacy shifts into high gear

There was a flurry of diplomatic activity between China and the two Koreas over the summer. Choe Ryong Hae, director of the Korean People's Army (KPA) General Political Bureau, member of the Presidium of the Workers' Party of Korea (WPK) Political Bureau, and vice chairman of the WPK Central Military Commission made his first official visit to China on May 22-24 as a "special envoy" of Kim Jong Un. China's Foreign Ministry held strategic dialogues with ROK (June 4) and DPRK counterparts (June 19) in Beijing. Newly inaugurated ROK President Park Geun-hye paid her first state visit to China on June 27-30 to meet counterpart Xi Jinping. ASEAN-related meetings in Brunei served as an additional platform for bilateral talks. Foreign Minister Wang Yi met ROK and DPRK Foreign Ministers Yun Byung-se and Pak Ui Chun on the sidelines of the ASEAN Regional Forum at the end of June. Later, PRC and ROK Defense Ministers Chang Wangquan and Kim Kwan-jin met on the sidelines of the ASEAN Defense Ministers Meeting Plus at the end of August. PRC officials also joined for the first time a July 22 Track 1.5 meeting with US and ROK officials and academics in Seoul.

President Park Geun-hye expressed hopes for China to exercise greater leverage over Pyongyang's aggressive policies in a *Washington Post* interview during her summit with President Obama in Washington on May 7, weeks ahead of her June summit with Xi Jinping. In the interview, Park stated her desire to "engage in candid discussions with [Xi] about whether, if North Korea decides not to become a responsible member of the international community, and chooses not to take the right path ... this current path that it is taking is sustainable." While the

PRC Foreign Ministry affirmed its efforts on North Korea, it urged the US-ROK alliance to play a “constructive” role for regional stability. Summits between US, Chinese, and ROK leaders in May and June suggested consensus on the importance of North Korean denuclearization and stimulated widespread speculation regarding the possibility of a change in China’s policy toward North Korea under Xi’s leadership. The DPRK nuclear issue, which Chinese state media referred to as a “converging point” in US and Chinese interests, topped the Xi-Obama agenda in Sunnylands on June 7-8. National Security Advisor Tom Donilon reported that both leaders “agreed that North Korea has to denuclearize” and that both sides would deepen cooperation and dialogue to achieve denuclearization.

North Korea, political trust, and common goals of economic development were three priorities during President Park’s state visit to China, where in addition to President Xi she also met First Lady Peng Liyuan, State Councilor Yang Jiechi, Premier Li Keqiang, top legislator Zhang Dejiang, and Vice Premier Liu Yandong. The June 27 Xi-Park summit produced a joint communique declaring mutual goals of Korean Peninsula denuclearization and implementation of UNSC resolutions and the 2005 Joint Statement of the Six-Party Talks. China’s leaders also provided rhetorical support for Park’s Northeast Asia peace initiative proposed in her meeting with Obama, as well as her policy of inter-Korean “trust-building.” PRC and ROK ministers signed eight new agreements in several areas including high-tech industry, energy, and the environment to strengthen the strategic cooperative partnership over the next decade. The joint action plan demonstrates efforts to address ongoing political irritants in the bilateral relationship, including maritime demarcation talks and increased exchange on historical research. In an address at Tsinghua University in Beijing, Park promoted Seoul’s new policy of trust-based relations with China, for which the two leaderships agreed to expand ministerial-level dialogue and establish a joint committee on people-to-people exchanges.

Although President Park’s 71-person business delegation showcased the economic interests driving South Korea’s relations with China, her state visit set a positive tone for coordinating North Korea policy amid a revival of dialogue efforts focused on denuclearization. Ahead of her visit, PRC and ROK military leaders sent a strong message of joint opposition to a nuclear North Korea through talks between Deputy Chief of the People’s Liberation Army (PLA) General Staff Lt. Gen. Qi Jianguo and ROK Defense Minister Kim Kwan-jin on the sidelines of the Shangri-La Dialogue in Singapore on June 1. PLA General Staff Chairman Gen. Fang Fenghui and ROK Joint Chiefs of Staff Chairman Gen. Jung Seung-jo reiterated this message during talks in China on June 4-5. ROK nuclear envoy Cho Tae-yong met PRC Special Representative for Korean Peninsula Affairs Wu Dawei in Beijing on June 21 – a visit that coincided with DPRK Vice Minister Kim Kye Gwan’s visit to China on June 19-22. Following separate bilateral talks with ROK and DPRK foreign ministers in Brunei on June 30 and July 1, PRC Foreign Minister Wang Yi reiterated Chinese calls for denuclearization and the resumption of Six-Party Talks in support of joint objectives of the Xi-Park summit.

These developments in China-ROK security and political ties suggest steady progress toward a closer strategic cooperative partnership under Presidents Xi and Park. According to South Korea’s maritime minister, Seoul secured China’s agreement in principle on July 4 to strengthen the monitoring of illegal Chinese fishing in waters shared with South Korea. A week later, ROK Navy Chief Adm. Choi Yoon-hee and PRC counterpart Wu Shengli reached an agreement on

fisheries control in the Yellow Sea. These agreements are important because they strengthen institutional mechanisms for handling sensitive issues in the bilateral relationship. PRC Vice President Li Yuanchao met a ROK National Assembly delegation in Beijing on July 19, led by Chung Mong-joon, head of the ROK-China Inter-Parliamentary Council. Vice Speaker of the ROK National Assembly Lee Byung-suk met Chairman of the National People's Congress (NPC) Standing Committee Zhang Dejiang in Beijing on Aug. 20, during a visit to China for the 8<sup>th</sup> round of regular parliamentary exchanges.

### **Kim Jong Un's outreach to China**

The recent uptick in China-DPRK leadership exchanges suggests Kim Jong Un has renewed outreach to China following a virtual standstill in contacts following Pyongyang's February 2013 nuclear test. China-DPRK political tensions peaked in May with a bilateral dispute over the detention of 16 Chinese fishermen in North Korea. While DPRK authorities demanded a 600,000 RMB (\$96,774) ransom on May 5 according to Chinese state media, the fishermen were released more than two weeks later on May 21 as a result of intervention by the PRC Foreign Ministry, Embassy, and border police. The fishing boat crisis coincided with a series of North Korean missile tests on May 18-20, following which the PRC Foreign Ministry spokesperson called for full implementation of UN sanctions against Pyongyang.

The revival of China-DPRK exchanges featured a visit to China in late May by Choe Ryong Hae as Kim Jong Un's special envoy. He was accompanied by KPA Col. Gen. Ri Yong Gil (subsequently promoted to KPA chief of staff in the summer), KPA Lt. Gen. Kim Su Gil, Vice Department Director of the WPK Central Committee Kim Song-nam, and Vice Foreign Minister Kim Hyong-jun. During his visit, Choe met President Xi Jinping, Vice Chairman of the National Committee of the Chinese People's Political Consultative Conference and head of the CPC International Department Wang Jiarui, member of the CPC Political Bureau Standing Committee Liu Yunshan, and Vice Chairman of the Central Military Commission Fan Changlong.

Choe's visit was the highest-level visit to China by a DPRK official since the August 2012 visit by Jang Song Taek, vice chairman of the National Defense Commission and Kim Jong Un's uncle. The visit provided an opportunity for Sino-DPRK consultation on peninsula security issues ahead of Xi Jinping's visit to the US and Park Geun-hye's visit to China in June. Choe delivered a letter from Kim Jong Un to Xi, who reaffirmed China's "very clear position" on denuclearization, stability, and dialogue. This exchange appeared to send a strong public signal that denuclearization had been moved higher as a Chinese priority. Amid Park Geun-hye's public calls for greater Chinese influence in managing the nuclear impasse, Chinese leaders used Choe's visit to draw attention to Pyongyang's willingness to resume regional dialogue. Beijing pointed to a new opening for the easing of peninsular tensions after Kim Kye Gwan's visit to China on June 19-22 for the China-DPRK strategic dialogue and meetings with State Councilor Yang Jiechi and Foreign Minister Wang Yi. Talks in early July between Wang Jiarui and DPRK counterpart Kim Song Nam also suggested a revival in consultations between the two parties.

### **Revival of nuclear talks?**

Chinese calls for denuclearization-focused diplomacy continued with Vice President Li Yuanchao's visit to North Korea in late July to celebrate the 60<sup>th</sup> anniversary of the Korean War

armistice. Li met Kim Jong Un on July 25, after which both sides reaffirmed their alliance and pledged to work toward restarting the Six-Party Talks. As the highest-ranking Chinese official to visit North Korea since Kim Jong Il's death in December 2011, Li also delivered a message to Kim Jong Un from Xi Jinping, apparently laying down Beijing's firm stance on peninsula denuclearization in line with assertions made at the US-China Strategic and Economic Dialogue on July 10-11. However, the DPRK state media did not report on joint goals of denuclearization or dialogue, focusing instead on traditional ties with China.

Speculation over the restarting of nuclear talks continued with Wu Dawei's visit to North Korea on Aug. 26 to meet Kim Kye Gwan, but differences remain on the preconditions and form of regional dialogue. During his visit to China in May, Choe Ryong Hae reportedly proposed four party talks between China, North and South Korea, and the United States –a proposal received coolly in the US and South Korea. While Ruan Zongze of the China Institute of International Studies anticipates Wu's visit to have a "positive" impact on the resumption of multilateral talks, according to Zhang Liangui of the Party School, significant results from the talks are "unlikely." Steps the PRC government has pursued toward renewal of diplomacy with North Korea include plans to host a Track 1.5 meeting in Beijing in mid-September to commemorate the 10<sup>th</sup> anniversary of the establishment of the Six-Party Talks. But, US special representative Glyn Davies declined to participate, arguing that resumption of official six-party dialogue was "premature" in the absence of a North Korean commitment to denuclearization.

While raising denuclearization as a priority in relations with North Korea, China has not abandoned stability and dialogue as components of its engagement with the North. Thus, China is pursuing denuclearization, but not at the expense of stability on the Korean Peninsula.

### **Chinese trade with North Korea and implementation of sanctions**

Beijing's growing frustration with North Korea over its nuclear weapons program has had negative economic ramifications. China-DPRK trade declined by 6 percent year-on-year during January-June 2013 to \$2.95 billion according to ROK Embassy officials in Beijing. The trade decline was driven by a 14 percent drop in North Korea's imports from China, with a 15 percent decline in imports of Chinese crude oil to 250,000 tons and a drastic 65 percent decline in Chinese food imports to 120,000 tons. Official statistics from Dandong's Foreign Trade Administrative Department also showed a 12.5 percent annual decline in Chinese exports to North Korea during January-April 2013 from \$320 million to \$280 million. Since the launch of operations in 2012, there has been limited activity at the Beijing-based DPRK Investment and Development Group. While some businesses in Dandong have indicated little change in cross-border trade since the February nuclear test and implementation of international sanctions, other local media reports suggest a stagnation in trade and investment as well as government-led cooperation projects such as the Hwanggumphyong and Wihwa Islands Special Economic Zone and cross-border bridge in Dandong.

China has also taken concrete measures designed to express its displeasure with Pyongyang. On July 9, Beijing banned fishing in waters off North Korea's east coast after Pyongyang issued a new order requiring Chinese ships operating in those waters to buy fuel only from DPRK suppliers, a decision that the PRC Ministry of Agriculture stated poses "serious harm and

potential risks” to Chinese fishing vessels. The Chinese Foreign Ministry and Ministry of Agriculture from early July ordered local authorities to strengthen surveillance of Chinese fishing activities to prevent potential disputes with North Korea over fuel supplies.

Reports have circulated that Beijing has begun for the first time to implement selected sanctions against Pyongyang as mandated by UN Security Council resolutions. In mid-May, the Bank of China and other Chinese lenders were reported to have suspended transactions with North Korea’s Foreign Trade Bank, which is suspected of funding Pyongyang’s nuclear weapons program. South Korean Foreign Minister Yun Byung-se referred to the recent measures by Chinese banks as a sign of Beijing’s changing position on North Korea. According to *Radio Free Asia*, nongovernmental and private aid programs in North Korea have been adversely affected by expanded Chinese financial sanctions since February, including the tightening of Chinese customs procedures and closure of bank accounts that show transactions with the North. In addition, the US Treasury Department on May 10 also announced the imposition of sanctions on a Taiwanese firm and CEO for their role in North Korean weapons proliferation activities.

In its annual report on June 26, the UNSC North Korea Sanctions Committee reported that Pyongyang breached a contract with a Chinese company by converting imported lumber transporters into missile launch transporters seen at North Korea’s military parade in April 2012. The case would represent a Chinese violation of UN resolutions prohibiting member states from selling arms and related materials to North Korea. Beijing, however, reportedly approved a plan in late June to expand the UN Sanctions Committee’s panel of experts on North Korea. In a meeting in Vienna in mid-August, China’s Deputy Defense Minister Zhang Yulin and the executive secretary of the Comprehensive Nuclear-Test Ban Treaty Organization (CTBTO) also reached an agreement on China’s sharing of nuclear blast data with the CTBTO, a move expected to add pressure on Pyongyang’s nuclear weapons program. Speaking to the *South China Morning Post*, a researcher at the China Arms Control and Disarmament Association, Xu Guangyu, argued that China’s monitoring networks on public and underground nuclear tests “can constrain North Korea.”

### **South Korea’s FTA strategy toward China**

The China-ROK economic partnership remains a central component of Seoul’s economic revival strategy under Park Geun-hye, who was accompanied by a delegation of 71 business executives led by the Korea Chamber of Commerce and Industry (KCCI) during her state visit to China. The two governments agreed to support newly emerging industries and to prioritize the China-ROK free trade agreement (FTA) with the goal of supporting a total bilateral trade target of \$300 billion by 2015. In remarks at a China-ROK business forum in Beijing on June 28, Park called for expanding cooperation in emerging industries given mutual commitments to cultivating these sectors. Park’s trip to China’s western city of Xian escorted by business leaders highlighted South Korea’s investment interests in China’s inland regions. According to Chinese data, annual China-ROK trade reached \$256 billion in 2012, almost a 50-fold increase since the establishment of diplomatic ties in 1992. ROK statistics showed that total bilateral trade reached \$72.91 billion during January-April 2013, a 6 percent increase year-on-year. South Korea’s current account surplus with China reached a record \$66.13 billion in 2012 according to the Bank of Korea, a 16.3 percent increase from the previous year.

In June, Presidents Park and Xi reaffirmed the mutual goal of completing the China-ROK FTA as a high-level, comprehensive free trade pact and agreed to expand bilateral financial and monetary cooperation. Ahead of the summit, ROK Finance Minister Hyun Oh-seok called for “substantial progress” toward the conclusion of first-stage FTA negotiations by the end of 2013, identifying China as Seoul’s most important partner in the implementation of foreign economic policy. South Korea’s Ministry of Trade, Industry and Energy (MOTIE) indicated the narrowing of differences in several areas after the sixth round of FTA talks in Busan on July 2-4. While the FTA is regarded important for creating a stable bilateral trade structure in the long-term, negotiations have sparked significant domestic opposition in South Korea. Talks in Busan drew together more than 3,000 South Korean farmers nationwide on July 2 to protest a potential trade deal. Meanwhile, ROK business groups continue to voice support for the FTA as a critical means to further tap into the Chinese market. On Aug. 8, however, MOTIE announced the closure of the China-ROK district of the Yellow Sea free economic zone (FEZ), citing a five-year delay in development efforts since its establishment in April 2008. Plans to develop the Yellow Sea FEZ as a logistics and business center for trade with China were partially discarded in November 2011 due to a failure to draw investment amid the global economic downturn.

The establishment of an China-ROK FTA remains a major objective of Seoul’s new policy on FTAs, designed to promote South Korea’s role as “a linchpin that links the integrated market of East Asia centered around China and the pan-Pacific market led by the United States” according to MOTIE. China and South Korea also held trilateral FTA talks with Japan in Shanghai on July 30-Aug. 2, the second round of talks since March. As part of ongoing trilateral cooperation, the three sides also held the 15<sup>th</sup> Environment Ministers Meeting in Japan on May 5-6 and the fifth Central Bank Governors Meeting in Switzerland on June 25. However, PRC, ROK, and Japanese leaders failed to hold a scheduled summit in May and did not convene for a three-way summit on the sidelines of ASEAN+3 meetings in Brunei in late June/early July, an indication of mounting political strains with Japan. China’s Commerce Ministry spokesman also called for greater “flexibility” from South Korea and Japan following the latest round of trilateral FTA talks, noting gaps in priorities given different levels of development. While the prospect of a trilateral FTA has drawn concern from South Korean and Japanese farmers over the impact of cheap Chinese agricultural imports, political disputes over historical and territorial issues have emerged as major impediments to China-ROK-Japan cooperation efforts since 2008. The formal submission over the summer of conflicting PRC and ROK claims to the UN Commission on the Limits of the Continental Shelf extending the East China Sea continental shelf to the Okinawa Trough is could reignite maritime disputes involving Beijing, Seoul, and Tokyo. In mid-July, however, the ROK Foreign Ministry revealed that Seoul is working on a long-term road map with China and Japan through a proposed “trilateral cooperation vision group” in an effort to address history and territorial issues. Although PRC and ROK lawmakers also agreed to coordinate approaches to history disputes with Tokyo during China-ROK parliamentary exchanges in Beijing in late August, South Korea rejected Chinese governmental overtures for political cooperation against Japan surrounding Park Geun-hye’s June summit in Beijing.

### **China debates North Korea policy**

Chinese scholars, officials, and media have continued to actively debate China’s North Korea policy in the aftermath of North Korea’s February 2013 nuclear test. A *Caijing* article on May 5

stated that while “the strategic importance of the DPRK decreased significantly” after the Cold War, “various contradictions exist between North Korea’s three major policy objectives of possessing nuclear weapons, pursuing economic development and maintaining the Kim regime.” Emphasizing improved relations with the United States as “the most important goal of North Korean foreign policy,” it argued that “the effectiveness and sustainability of North Korea’s brinkmanship policy has been called into question” since Kim Jong Un’s military actions and “hardline rhetoric” from March 2013. However, the article ultimately called on the US and the international community to shift to an “inclusive strategy” toward Pyongyang focused on facilitating North Korea’s economic development and integration into the international system while adhering to the UNSC’s new Resolution 2094.

Despite renewed debate on North Korea’s strategic value to China, comments from other Chinese experts suggest that the prospects for a Chinese policy change toward North Korea remain limited. A *Global Times* commentator on Aug. 13 called North Korea “an important defense shield for China,” indicating that “the main factor for the friendship between China and North Korea is a geopolitical issue.” In a forum hosted by the All-China Journalists Association on Aug. 6, Ruan Zongze, vice president of the China Institute of International Studies and former minister counselor at the PRC Embassy in the US, argued that change in North Korea policy is unlikely under Xi’s leadership although “China is trying very hard to exert its own influence” on Pyongyang. In his assessment of China’s dialogue-based policy on the DPRK, Ruan responded to a recent “misunderstanding” that China prioritizes stability over denuclearization, arguing that “denuclearization and peace and stability are two sides of one coin.”

Chinese and South Korean officials agree that Kim Jong Un has consolidated his rule since Kim Jong Il’s death in December 2011. The ROK Foreign Ministry’s annual white paper in August concluded that Kim Jong Un has retained dominance over the party and military since his official designation as head of state in July last year. At a meeting with the Korea-China Exchange Association on June 15, former PRC State Councilor Tang Jiaxuan also noted the succession process in Pyongyang appears stable given Kim Jong Un’s firm control over the party and military. An ROK Unification Ministry report made similar assessments based on a 17 percent year-on-year increase in public appearances by Kim Jong Un during January-June 2013. However, Seoul’s diplomatic white paper emphasized no evidence of market-oriented reforms that Kim Jong Un was reported to have introduced in June 2012 being implemented, with resources channeled toward state projects designed to glorify the Kim regime rather than promote systemic economic stabilization. In addition to the nuclear issue, North Korea’s failure to pursue reforms is an important source of frustration for Chinese policy toward Pyongyang.

Although North Korea’s internal stability remains a shared concern of the PRC and ROK, the need for North Korea’s denuclearization has been highlighted by Pyongyang’s February nuclear test and subsequent military threats. In an Aug. 16 policy paper on China’s new diplomatic agenda, State Councilor Yang Jiechi affirmed that China has “actively reached out to relevant countries” to address the DPRK nuclear issue and has “consolidated our good-neighborly friendship and cooperation” with South Korea through the Xi-Park summit. However, North Korea did not appear as a major foreign policy priority in state media reports ahead of Premier Li Keqiang’s first foreign tour in May, which highlighted Beijing’s new diplomatic strategy of political mutual trust, economic cooperation, and cultural exchange.

## Conclusion

China-DPRK political relations remain fragile given open differences on Korean denuclearization, new Chinese efforts to implement sanctions, and active domestic debates over China's policy toward North Korea. Pyongyang's shift to a "charm offensive" strategy by offering talks with South Korea and the United States raises questions regarding the potential importance of ROK-China cooperation, which is likely to depend on three factors.

First is the apparent convergence in priorities among China, South Korea, and the US over the necessity of North Korea's denuclearization. At the third meeting of ASEAN Defense Ministers Meeting Plus in Brunei, the three sides joined other regional partners in adopting a joint resolution on Korean Peninsula denuclearization and compliance with UN sanctions. US and Chinese leaders reaffirmed their consensus on the nuclear issue at the fifth Strategic and Economic Dialogue, and denuclearization of the Korean Peninsula was a top agenda item during China's defense minister's visit to the US. However, while the director of China's Defense Ministry's Foreign Affairs Office emphasized an opening for restarting denuclearization talks, Chinese state media called for dialogue and engagement rather than sanctions and pressure, urging the US to "show flexibility and engage the DPRK." Despite an agreement over the objective of denuclearization, China and the US appear to disagree over the preferred means for achieving that objective.

A second positive factor is China's support of improvement in inter-Korean ties as a driver of regional dialogue under Park Geun-hye's policy of a "Trust-building Process on the Korean Peninsula." This support was most recently expressed in telephone talks between PRC and ROK Foreign Ministers Wang Yi and Yun Byung-se on Aug. 16, two days after an inter-Korean agreement to reopen the Kaesong Industrial Zone. A senior Chinese Foreign Ministry official also held telephone talks with DPRK Ambassador to China Chi Chae Ryong on Aug. 16 in support of Kaesong's planned reopening. Chinese assessments of North-South ties, however, remain mixed. While Shi Yongming of the China Institute of International Studies favorably assessed the likely outcome of Kaesong talks in an interview with *Yonhap*, Peking University's Gong Yuzhen told the *China Daily* that "we cannot be too optimistic" given unresolved "structural problems between Seoul and Pyongyang."

Third, South Korea's alliance cooperation with the US and Japan remains an underlying factor that draws Chinese concern and prevents China from being more forward-leaning in its cooperation on North Korea-related issues. Yet, North Korea's provocations since 2010 have consistently resulted in closer US-ROK-Japan coordination measures in response to a growing North Korean threat capacity. These measures illustrate tangible costs to China's regional security environment, and motivate Chinese efforts to restrain North Korea from engaging in additional provocations. In this respect, it is striking that US Secretary of State John Kerry and ROK and Japanese Foreign Ministers Yun Byung-se and Kishida Fumio held trilateral talks on the North Korean nuclear issue on July 1 in Brunei, while PRC, ROK, and Japanese leaders were unable to hold a summit as in the past. Meanwhile, South Korea's own tensions with Japan over bilateral issues may mitigate Chinese concerns over the implications of US-led alliance cooperation on Pyongyang, and constitute a focal point for Chinese efforts to divide South Korea and Japan from each other in their broader perceptions of the regional security environment.

## **Chronology of China-Korea Relations**

### **May – August 2013**

**May 1-2, 2013:** ROK nuclear envoy Lim Sung-nam visits China for talks with PRC counterpart Wu Dawei and other officials.

**May 5, 2013:** DPRK authorities demand a 600,000 RMB (\$96,774) ransom for the release of a Chinese fishing boat from Dalian with 16 fishermen according to Chinese state media.

**May 5-6, 2013:** The 15<sup>th</sup> Tripartite Environment Ministers Meeting between China, South Korea, and Japan is held in Kitakyushu, Japan.

**May 7, 2013:** ROK President Park Geun-hye urges China to exercise more leverage over Pyongyang for peace on the Korean Peninsula.

**May 8, 2013:** PRC Foreign Ministry spokesperson affirms China's positive role in easing Korean Peninsula tensions.

**May 8, 2013:** Bank of China shuts down a North Korean Foreign Trade Bank account with ties to North Korean nuclear and missile development programs.

**May 10, 2013:** US Treasury Department announces it has imposed sanctions on a Taiwanese firm and CEO for ties with North Korea's weapons program.

**May 10, 2013:** Chinese ship owner Yu Xuejun appeals to the PRC Embassy in Pyongyang for help on the release of 16 Chinese fishermen detained in North Korea.

**May 16, 2013:** ROK media reports that Chinese banks suspend transactions with a DPRK bank suspected of funding Pyongyang's nuclear weapons program.

**May 20, 2013:** PRC Foreign Ministry spokesperson calls for full implementation of UN Security Council resolutions after North Korea fires missiles into the East Sea on May 18-20.

**May 21, 2013:** DPRK authorities release 16 Chinese fishermen who were detained on May 5.

**May 22-24, 2013:** Choe Ryong Hae, director of the Korean People's Army (KPA) General Political Bureau and member of the Presidium of the Political Bureau of the WPK Central Committee, visits China as Kim Jong Un's special envoy, accompanied by KPA Col. Gen. Ri Yong Gil, Vice Department Director of the Worker's Party of Korea (WPK) Central Committee Kim Song Nam, Vice Foreign Minister Kim Hyong Jun, and KPA Lt. Gen. Kim Su Gil.

**June 1, 2013:** ROK Defense Minister Kim Kwan-jin and Lt. Gen. Qi Jianguo, deputy chief of the PLA General Staff, hold talks on the sidelines of the Shangri-La Dialogue in Singapore.

**June 3, 2013:** ROK and PRC senior diplomats meet ahead of Park Geun-hye's visit to China.

**June 4, 2013:** PRC Vice Foreign Minister Zhang Yesui and ROK First Vice Foreign Minister Kim Kyou-hyun hold the sixth high-level China-ROK strategic dialogue in Beijing.

**June 4-5, 2013:** ROK JCS Chairman Gen. Jung Seung-jo visits China and meets Gen. Fang Fenghui, chairman of the PLA General Staff.

**June 6, 2013:** PRC Foreign Ministry spokesperson expresses support for inter-Korean reconciliation after Pyongyang proposes the holding of inter-Korean talks.

**June 14, 2013:** Former PRC State Councilor Tang Jiaxuan meets President Park Geun-hye in Seoul.

**June 15, 2013:** Kim Jong Un sends a birthday message to PRC President Xi Jinping.

**June 17-18, 2013:** Chinese and Korean business leaders attend the Korea-China Economic Forum in Seoul, hosted by the World Federation of Overseas Korean Traders Association.

**June 19-22, 2013:** DPRK First Vice Foreign Minister Kim Kye Gwan visits China for a strategic dialogue, co-chaired by PRC Vice Foreign Minister Zhang Yesui.

**June 21, 2013:** PRC Special Representative for Korean Peninsula Affairs Wu Dawei and ROK nuclear envoy Cho Tae-yong hold talks in China.

**June 25, 2013:** Fifth Trilateral Governors Meeting of the central banks of China, Japan, and South Korea is held in Basel, Switzerland.

**June 26, 2013:** UN report shows that Pyongyang breached a contract with a Chinese company by converting lumber transporters into missile launch transporters.

**June 26, 2013:** North Korea launches four short-range projectiles into waters off its east coast according to ROK sources.

**June 27-30, 2013:** President Park makes a state visit to China and meets President Xi.

**June 27, 2013:** Foreign Minister Wang Yi calls for the resumption of Six-Party Talks on the sidelines of the World Peace Forum in Beijing.

**June 28, 2013:** South Korea's SK Innovation Co. announces the signing of a joint venture deal between SK Global Chemical Co. and China National Petrochemical Corp. (SINOPEC).

**June 30, 2013:** Foreign Ministers Wang Yi and Yun Byung-se hold bilateral talks on the sidelines of ASEAN meetings in Brunei.

**July 1, 2013:** Foreign Minister Wang Yi and DPRK counterpart Pak Ui Chun hold bilateral talks on the sidelines of the ASEAN regional security conference in Brunei.

**July 2-4, 2013:** The sixth round of China-ROK FTA negotiations are held in Busan, Korea.

**July 2, 2013:** Thousands of South Korean farmers and fishermen hold protests in Busan against a potential FTA with China.

**July 3, 2013:** Wang Jiarui, vice chairman of the National Committee of the Chinese People's Political Consultative Conference and head of the CPC International Department meets a WPK delegation led by Kim Song Nam, vice director of the WPK International Affairs Department.

**July 4, 2013:** ROK maritime minister announces that China has agreed in principle to intensify crack downs on illegal Chinese fishing in waters shared with South Korea

**July 4, 2013:** Chinese soldiers conduct a river-crossing exercise on the Yalu River in Dandong City bordering North Korea.

**July 9, 2013:** China's Ministry of Agriculture bans Chinese fishermen from fishing in waters off North Korea's east coast.

**July 11, 2013:** PRC Foreign Ministry spokesperson calls for the resumption of operations at the Kaesong Industrial Complex.

**July 12, 2013:** ROK Navy Chief Adm. Choi Yoon-hee and PRC counterpart Wu Shengli in Qingdao reach agreement on China-ROK fisheries control cooperation in the Yellow Sea.

**July 12, 2013:** South Korea's Asiana Airlines apologizes in Chinese newspapers for its plane crash in San Francisco that killed three Chinese students.

**July 19, 2013:** ROK National Assembly delegation led by Chung Mong-joon, head of the ROK-China Inter-Parliamentary Council, meets PRC Vice President Li Yuanchao.

**July 25, 2013:** PRC Vice President Li Yuanchao, a PLA art and culture delegation, and a delegation of war veterans of the Chinese People's Volunteers (CPV) arrive in Pyongyang for 60<sup>th</sup> anniversary commemorations of the Korean War armistice. Li meets Kim Jong Un. North Korea's National Defense Commission hosts a banquet for CPV war veterans.

**July 27, 2013:** China-DPRK Korean Fine Art Exhibition opens in Beijing to commemorate the 60<sup>th</sup> anniversary of the Korean War armistice.

**July 29, 2013:** A delegation of the China Institute of International Studies led by Vice President Guo Xiangang arrives in Pyongyang.

**July 30-31, 2013:** ROK delegation led by Kim Han-Kyu, chairman of the 21<sup>st</sup> Century Korea-China Exchange Association, attends the fifth High-Level Dialogue of China-ROK Media and meets Liu Qibao, head of the CPC Publicity Department.

**July 30-Aug. 2, 2013:** Second round of FTA talks between China, South Korea, and Japan are held in Shanghai.

**Aug. 4-7, 2013:** PLA Navy vessel visits a South Korean port as part of training exercises.

**Aug. 5, 2013:** PRC nuclear envoy Wu Dawei holds talks with Japanese counterpart Junichi Ihara in Beijing on the DPRK nuclear issue.

**Aug. 8, 2013:** ROK Ministry of Trade, Industry and Energy announces the closure of the China-ROK district in the Yellow Sea free economic zone.

**Aug. 16, 2013:** Foreign Ministers Wang Yi and Yun Byung-se, hold telephone talks. Wang expresses support for inter-Korean agreement to reopen Kaesong Industrial Zone.

**Aug. 17, 2013:** Chinese state media reports that China has submitted a claim to the UN Commission on the Limits of the Continental Shelf extending the East China Sea continental shelf to the Okinawa Trough.

**Aug. 19-20, 2013:** ROK delegation led by former Prime Minister Lee Soo-song meets Yu Zhengsheng, Chairman of the National Committee of the Chinese People's Political Consultative Conference, and attends the 13<sup>th</sup> China-ROK Elite Forum in Beijing.

**Aug. 20, 2013:** Lee Byung-suk, vice speaker of the ROK National Assembly, meets Zhang Dejiang, Chairman of the Standing Committee of China's National People's Congress, during a visit to China for the 8<sup>th</sup> round of regular parliamentary exchanges.

**Aug. 20, 2013:** Chinese and ROK Trade Ministers Gao Hucheng and Yoon Sang-jick hold bilateral talks on the sidelines of a regional economic meeting in Brunei.

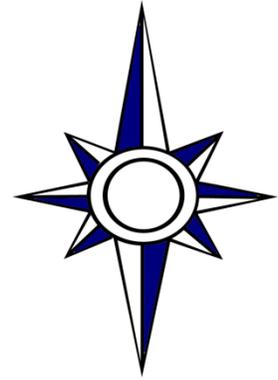
**Aug. 26, 2013:** PRC nuclear envoy Wu Dawei arrives in North Korea for talks with DPRK counterpart Kim Kye Gwan.

**Aug. 27, 2013:** DPRK state media reports that Chinese state-owned automaker FAW Group Corp has signed a letter of intent with the Rason local government to invest in building a car manufacturing factory in North Korea.

**Aug. 28-29:** PRC and ROK Defense Ministers Chang Wanquan and Kim Kwan-jin hold talks on the sidelines of the ASEAN Defense Ministers' Meeting-Plus in Brunei.

# Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



## Japan-China Relations: Going Nowhere Slowly

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Repeated efforts by the Abe government to engage China in high-level dialogue failed to produce a summit meeting. While Tokyo remained firm in its position on the Senkakus, namely that there is no territorial issue that needs to be resolved, Beijing remained equally firm in its position that Japan acknowledge the existence of a dispute as a precondition for talks. In the meantime, Chinese and Japanese patrol ships were in almost daily contact in the Senkaku/Diaoyu Islands region, while issues related to history, Japan's evolving security policy, Okinawa, and the East China Sea continued to roil the relationship. By mid-summer over 90 percent of Japanese and Chinese respondents to a joint public opinion poll held negative views of each other.

### **Business and economics**

In early June, Japanese automakers Honda and Nissan released May sales figures. Both Honda and Nissan sales exceeded May 2012 numbers. Honda sold 54,564 vehicles, a 4.6 percent increase, while Nissan sold 103,000 vehicles, a 2 percent increase. Together with Toyota, Japan's big three experienced an increase in monthly sales over 2012 for the first time since the Noda government nationalized the Senkaku Islands in September 2012. After experiencing 40 percent declines in October and November 2012, the upturn in sales suggests that better times are ahead for Japanese automakers position in the China market.

Meanwhile, Japan experienced a sharp drop in Chinese tourists since September 2012. According to Japanese Foreign Ministry statistics on visas issued to Chinese, approximately 72,000 visas were issued to tourists in the July-September 2012 quarter, however, since October 2012, the number decreased to 26,000. The last quarter of a year is normally a low period for travel to Japan, but in 2010 and 2011, 49,000 visas were issued to Chinese tourists for the October-December quarter. From July 2012 to July 2013, the number Chinese visitors to Japan decreased 30 percent to 140,000.

In the first half of 2013, Japan's exports to China (dollar-denominated) were off 13.8 percent over the same period in 2012 to \$76.1 billion, according to data released by China's National Bureau of Statistics. In contrast, South Korea's exports to China grew 11.6 percent and Taiwan's 36.8 percent. A weak yen and declines in the export of machinery and construction equipment were cited as major contributing factors in the overall export decline.

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\* The views expressed in this article are the views of the author alone and do not necessarily represent the views or policy of the National Defense University, the Department of Defense, or the U.S. government.

Meanwhile, statistics released by China's Ministry of Commerce showed a 14.4 percent increase in Japan's direct investment in the first six months of 2013, making Japan the second largest investor in China after Hong Kong. The 14.4 percent figure, however, marked a drop from the 16.9 percent rate of investment for the same period in 2012. At the same time, the *Nikkei Shimbun* reported that Japanese investment was moving toward ASEAN countries, amounting to 1 trillion yen in the first half of 2013, double the Japanese investment in China. The story attributed the shift to increasing wages in China and to the downturn in Japan-China relations.

The *Nikkei* also reported that local Chinese governments have begun to show an interest in attracting Japanese investment. On July 29, Guangdong Province held an investment fair in Guangdong City. The *Nikkei* noted that the session was considered the first province-level initiative aimed at Japanese investment since the riots that followed the September 2010 fishing boat incident. An estimated 200 businessmen affiliated with Japanese companies attended.

### **Senkaku incursions**

During the May-August period, China repeatedly deployed ships of the Maritime Surveillance Agency, Coast Guard, and Fisheries Law Enforcement Command to the Senkakus to support its claim to sovereignty over the islands. There were also several instances where Chinese military vessels were suspected of entering into Japan's contiguous zones. When challenged, the Chinese vessels responded that the Diaoyu Islands and adjoining areas were Chinese territory and sovereign seas or that the Japanese ships pursuing them were violating Chinese sovereignty.

On three occasions in June and early July, the Bahamian Research ship, *Discover 2*, associated with Chinese oil companies entered Japan's contiguous zone in the Senkakus. When Japanese Coast Guard requested it to stop its research activities cease because the ship was operating in Japan's without permission, the *Discover 2* crew replied that it was operating in China's contiguous zone with China's permission.

### **Senkaku history lessons**

On May 26, Prime Minister Li Keqiang, speaking in Potsdam, Germany, declared that on the basis of the Potsdam and Cairo Declarations, all territories that Japan had seized from Imperial China, including the Senkaku Islands, were to be returned to China. In Tokyo, Cabinet Secretary Suga Yoshihide pointed out that the Senkaku Islands were Japanese territory even before the 1895 peace treaty with China and that Li's statement "completely disregarded history." Suga's statement prompted Foreign Minister Wang Yi to question whether Japan had "seriously studied history." On May 29, Suga told reporters that Japan's post war territory had been settled by the San Francisco Treaty, not the Cairo Declaration, and that all allied countries, including the Republic of China, had accepted the San Francisco Treaty without objection.

Foreign Ministry spokesperson Hong Lei volleyed back, telling a May 29 press conference that "in 1895, as the Qing government's defeat ... was all but certain, Japan covertly included the Diaoyu Islands in its territory, which is an illegal act of theft. In the treaty of Shimonoseki, Japan "forced the Qing government to sign the unequal treaty" that ceded Taiwan and the

Diaoyu Islands to Japan. As for the San Francisco Treaty, Li cast the treaty as “illegal and invalid and could under no circumstances be recognized by the Chinese government since China had been excluded from its preparation, formulation and signing. The Diaoyu Islands have never been part of the Ryukyu Islands and they were not within the trusteeship defined by Article 3 of the *Treaty of Peace with Japan*.”

On June 3, after meeting with senior Chinese Communist Party officials, Nonaka Hiromu, former chief Cabinet secretary and confidant of former Prime Minister Tanaka Kakuei, told a press conference that “just after the normalization of relations, I was told clearly by then Prime Minister Tanaka that a decision was made on the normalization by shelving the Senkaku issue.” Speaking as a “living witness” Nonaka said that he wanted to “make clear” what he had heard. He told reporters that he had made that statement during his meeting with the Communist Party officials. In Tokyo, Chief Cabinet Secretary Suga told reporters that “there is no truth” that Japan “had agreed with China to shelve or maintain the status quo of the Senkaku Islands.” Suga noted that Nonaka was reporting hearsay after 40 years and that his statement lacked any basis in fact. Foreign Minister Kishida Fumio stated that “as far as Japanese diplomatic records are concerned, there is no such fact.” Kishida added “there is no territorial dispute that needs to be shelved.”

On his return to Japan, Nonaka told reporters at the Kansai airport that he would not withdraw his remarks. Meanwhile, Hong Lei, addressing the “shelving” controversy, told reporters that Japan should “face squarely the history, respect facts, give heed to the voice of those far-sighted people in Japan, such as former Chief Cabinet Secretary Hiromu Nonaka ... and come back to the track of managing and solving the Diaoyu Islands issue through dialogue and consultation.”

At the end of June, former Prime Minister Hatoyama Yukio entered the Senkaku debate. After separate meetings in Beijing with Jia Qinglin, chairman of the Chinese People’s Consultative Conference, and Foreign Minister Yang Jiechi, Hatoyama told reporters that “The Japanese government says there is no territorial dispute. But, if you look at history, there is a dispute.” The former prime minister argued that “If you keep saying ‘there is no dispute,’ you will never get an answer.” He urged the Japanese government to acknowledge the existence of a dispute, to seek resolution through dialogue, and agree to shelve the dispute. Hatoyama added that both Jia and Yang shared his views.

The next day, Chief Cabinet Secretary Suga found it “very regrettable that the comment came from someone who has served as prime minister.” Suga said he “was dumbfounded and at a loss for words after hearing those remarks.” Democratic Party of Japan (DPJ) Secretary Hosono Goshi characterized Hatoyama’s remarks as “exceedingly irresponsible and damaging to Japan’s national interest.”

## **Okinawa**

On May 8, researchers from the Chinese Academy of Social Sciences published an article in the *People’s Daily* that called into question Japan’s claim to sovereignty over Okinawa. The two scholars suggested that “it may be time to revisit the unresolved historical issue of the Ryukyu Islands.” In response to Tokyo’s protest, the Chinese Foreign Ministry spokesperson told the press that Japan’s protest was “unacceptable.” She added that the reason sovereignty over

Okinawa is now being discussed is that Japan “has infringed Chinese sovereignty with its constant provocations regarding the Diaoyu Islands.” Nevertheless, on the issue of the government’s position on Japan’s sovereignty over Okinawa, Hua said “there is no change.”

Joining the Ryukyu debate, People’s Liberation Army (PLA) Gen. Luo Yuan declared that Japan had no rightful claim of sovereignty over the Ryukyu Islands. He argued that the islands leader began paying tribute to China in 1372, 500 years before paying tribute to Japan in 1872, when Japan forced a weakened Okinawa into submission. Luo was not arguing that all former tributary states belonged to China, but that it can be said “with certainty that the Ryukyus do not belong to Japan.” In contrast, PLA Lt. Gen. Qi Jianguo told the Shangri-La Dialogue that China had not changed its position on Japan’s sovereignty over the Ryukyu Islands.

Commenting on the *People’s Daily* article, Chief Cabinet Secretary Suga made clear that “in terms of history and internationally, it is our nation’s sovereign territory.” There is “absolutely no basis” for the Chinese claim; their assertion went “beyond the absurd.”

## **East China Sea**

In early July, reports surfaced that China had been developing new gas fields in the East China Sea near Japan’s claimed mid-line boundary. During a *TBS* program, Prime Minister Abe addressed the reports, saying that such actions would be against the 2008 agreement on joint development and “extremely regrettable” and asked China to continue to abide by the joint agreement. Chief Cabinet Secretary Suga told reporters that Japan could not accept any unilateral development on the part of China and that Japan’s concerns had been conveyed to China through its ambassador in Tokyo and through the Japanese Embassy in Beijing. China’s Foreign Ministry pointed out that development was taking place in areas under China’s jurisdiction and above reproach.

On July 17, *Reuters* reported that China’s CNOOC would ask government approval of plans to develop seven new oil and gas fields in the Huangyan project in the East China Sea. Responding to the *Reuters* story, Chief Cabinet Secretary Suga reiterated that Japan could not recognize any unilateral steps taken by China.

The *Yomiuri Shimbun* reported that one of its company aircraft had observed Chinese construction of platforms near the mid-line boundary in early August. Meanwhile, a Liberal Democratic Party (LDP) project team on natural resources and energy recommended the government ask China to withdraw from construction efforts and development in disputed areas.

## **History**

History returned to the present as issues related to the Kono Statement (comfort women), the Murayama Statement (war apology), the definition of aggression, and Yasukuni Shrine visits again resurfaced. On April 23, Prime Minister Abe, commenting on the Murayama Statement’s reference to “aggression,” told an Upper House Budget Committee that “the definition of aggression has not been established.” He went on to say that “the perception is different on the standpoint you take in relations between nations.” The day before, Abe told the Committee that

his government “does not adhere to the Murayama Statement without question.” On May 8, again at a meeting of the Upper House Budget Committee, Abe was asked about the “definition of aggression.” In reply, Abe side-stepped the issue by observing that “there are various discussions in academic fields. I will not enter there.” Commenting on Abe’s remarks, the Chinese Foreign Ministry spokesperson told reporters that “There is ironclad and irrefutable evidence for Japanese militarism’s aggression, on which the international community has long reached a conclusion. It is not an academic issue at all.”

On May 13, Takaichi Sanae, head of the LDP Policy Affairs Council, said that she believed that Prime Minister Abe held “different opinions” about the judgment handed down by the International Military Tribunal for the Far East that Japan had waged a war of aggression. Takaichi questioned the Murayama Statement, which had acknowledged that Japan had followed “a mistaken national policy.” “Would it have been better for Japan not to fight at all and to take the path of becoming a colony amid embargoes,” she asked. As for paying homage at Yasukuni Shrine, she asserted that “It is an internal affair how to commemorate the people who sacrificed their lives for national policy.”

On May 14, Chief Cabinet Secretary Suga told reporters that Takichi’s remarks represented her personal opinions not the policies of the Abe government. Suga made clear that the prime minister “clearly accepted” the judgment of the tribunal and that the government upholds the Murayama Statement. A week earlier Suga had addressed the Kono Statement, telling a news conference, “I don’t think I have ever said that we are conducting a study that could include revision of the Kono Statement.” The government’s basic policy remained that “this issue should not be made either a diplomatic or political issue.” Questioned on comfort women during an Upper House Budget committee meeting, Abe replied “I sympathize with the comfort women who suffered unspeakable pain.”

The following day, questions on the definition of aggression and the Murayama Statement were again raised during an Upper House Budget Committee meeting. In reply, Abe told the committee he had “not once said that Japan had not committed aggression” that as head of the administration with political authority, he must be humble before history and constrained with regard to its understandings, which should be left to historians. He then reaffirmed the Murayama Statement, acknowledging that that Japan had caused “tremendous damage and suffering to the people of many countries, particularly to other Asian nations.” His government shared “the same recognition as previous Cabinets” and “upholds the statement as a whole.”

## **Yasukuni**

Yasukuni Shrine also came up during the Upper House Budget Committee meeting. Asked whether visits to the shrine would violate the constitutional separation of religion and politics, Abe replied that government officials are “free to pay visits in a private capacity.” Yasukuni, he said is “a quiet commemorative place,” not “a symbol of militarism.” Asked whether the government would support a state-managed war memorial in place of Yasukuni, Abe replied that “how bereaved families would feel about such a new war memorial is a very big issue.”

On Aug. 15, Abe sent an offering of a sacred tree branch to the shrine as head of the LDP. Meanwhile, three members of his Cabinet, Minister of Internal Affairs Shindo Yoshitaka, Chairman of the National Safety Commission Furuya Kenji, and Minister of Administrative Reform Inada Tomomi paid homage at the shrine, along with 102 members of the Diet and former Tokyo Gov. Ishihara Shintaro. In his remarks at ceremonies commemorating the end of the war, attended by the emperor and empress, Abe said “we will carve out the future of this country as one full of hope, as we face history with humility and engrave deeply into our hearts the lessons that we should learn.” He omitted the words “profound remorse” and “sincere mourning” for Japan’s war time conduct, words used by successive prime ministers, including Abe himself in 2007.

In Beijing, Vice Foreign Minister Liu Zhenmin called in Ambassador Kitera Masao to protest the visit of the Cabinet ministers. The *Mainichi Shimbun* reported that sources close to China relations had noted that “China had never summoned the ambassador just for the shrine visits of Cabinet ministers.” The Foreign Ministry issued a statement that read “Shrine visits by leaders in whatever capacity amount to the denial and glorification of the history of militarist aggression and a challenge to the outcome of World War II and the postwar international order.”

## Security

In an interview with *Foreign Policy*, former Minister of Defense Morimoto Satoshi responded to the question “How should Japan communicate to the United States that China is a threat,” saying that “Japan, and most ASEAN countries face a very serious Chinese military threat. Under President Obama, the United States has basically an engagement policy approach towards China. But we believe that a more hedging approach is necessary ... to manage China’s military in the blue ocean. Turning to the Senkakus, Morimoto did not think that China would “declare war and attack the Senkakus with a Chinese military landing force. However, to demonstrate their sovereignty, he was concerned that a “Chinese official ship may capture our fishing boat within the territorial waters of the Senkakus ... or some small unit would land on the Senkakus and stake the Chinese flag.”

In a speech in Omura, Nagasaki Prefecture on June 15, Minister of Defense Onodera Itsunori called attention to Japan’s need for an amphibious force with marine functions to support the defense of the Senkakus and Japan’s other remote islands. In a speech delivered later that day in Tokyo, Onodera, addressing the review of Japan’s National Defense Program Guidelines, said that the “capability to attack enemy bases will be discussed.” Earlier, on June 11, the LDP called for the creation of an amphibious force, equipped with amphibious vehicles and Osprey aircraft in order to attack enemy bases.

On July 9, Japan’s Ministry of Defense released its 2013 Defense White Paper. The report called attention to China’s increasingly assertive air and maritime activities, violations of Japan’s sovereign maritime and air space – “dangerous actions that could that could cause a contingency situation” and found such actions as “extremely regrettable.” The report cites the January incidents in which Chinese ships locked fire control radar on a Japan Maritime Self-Defense Force (JMSDF) frigate and helicopter. With regard to the Senkakus, the White Paper states that “China has attempted to change the status quo by force based on its own assertion, which is

incompatible with the existing order of international law,” and portrays China’s actions as being aimed at weakening “the effective control of another country over the islands ... through various surveillance activities and use of force.” The report calls on China to “accept and abide by international norms” and to improve transparency of its defense budgeting and policy.

The White Paper also previews the mid-term review of the National Program Defense Guidelines with respect to Japan’s “will and capacity to defend itself against foreign invasions,” and the possibility of enhancing deterrence by acquiring the capability to strike enemy missile bases.

On July 10, the Foreign Ministry spokesperson Hua Chunying expressed China’s “strong dissatisfaction” with the White Paper and its “malicious hype about the so-called ‘China threat’...” Hua went on to drive home several points:

- “China takes the path of peaceful development, and pursues a defense policy that is defensive in nature ... China’s development of normal and legitimate defense capabilities poses no threat to any country. Japan has no right to point fingers at China’s domestic affairs.”
- “China is justified in carrying out legitimate maritime activities according to international law and relevant domestic laws ... By stirring up the Diaoyu Islands issue, Japan has grossly violated China’s territorial sovereignty and undermined regional peace and stability...”
- “By playing up an external threat, Japan is trying to justify its own military buildup and its attempt to get out of the bounds of the post-war order...”
- “China values its relations with Japan and stands ready to grow bilateral ties ... But Japan must correct its attitude, meet China half-way, and make concrete efforts to remove barriers to the healthy development of bilateral relations....”

On July 26, The Ministry of Defense released a mid-term report on the review of the National Defense Program Guidelines. The report found that Japan’s security environment is becoming increasingly severe as a result of the proliferation of weapons of mass destruction and the development of ballistic missile capabilities. It also noted China’s continuing military modernization program, in particular the build up its air and naval components, as well as the lack of transparency in China’s military programs. The mid-term review also referred to China’s continuing incursions into Japanese territorial waters in the Senkakus and to the possibility of unintended contingencies arising as a result of such actions.

In addressing the growing missile ballistic missile threat posed by North Korea, the report advanced a comprehensive approach to strengthening Japan’s deterrence posture. Commentary by defense officials indicated that under the concept of a comprehensive approach consideration would be given to a study of strike capabilities. Minister of Defense Onodera told reporters “There is no change in our basic stance of defense-only policy.”

At the end of July, Japanese media carried reports of increased Chinese military activities in the vicinity of Japan: over-flight of the Nansei Islands by a Chinese military aircraft, joint exercises with the Russian Navy in the Sea of Japan, followed by circumnavigation of Japan by PLA Navy ships, and a Y-8 surveillance aircraft flying between Okinawa and Miyako Island to join fleet exercises in the western Pacific.

Commenting on Chinese activities, JMSDF Chief of Staff Kawano Katsuyoshi observed that “the Chinese Navy is expanding its sphere of activities and is now embarking on extended operations.” Minister of Defense Onodera said on an *NHK* broadcast that the activities indicate “China’s move toward further maritime expansion.” Prime Minister Abe characterized the Y-8 flight as unusual and worthy of continuing attention. China’s Ministry of Defense rejected Abe’s claim, noting that China had regularly conducted exercises in international waters and found the Mid-Term Defense Report guilty of hyping a “China threat.”

On August 6, Japan launched its largest helicopter carrier, the *Izumo*. The next day, the *Sankei Shimbun* reported that the government is considering the deployment of a 100-man Ground Self-Defense Force (GSDF) contingent to Yonagumi Island, some 500 km from Naha, to monitor movement of Chinese ships and aircraft.

### **Collective self-defense**

On August 4, Yanai Shunji, head of the prime minister’s advisory commission on issues relating to the Constitution and the exercise of the right of collective self-defense, told an *NHK* television audience that “current government views are excessively narrow and (Japan) has refrained from doing even what is not prohibited by the Constitution. He went on to assert that “in other words, use of collective self-defense has been accepted under international law and is not prohibited by the Constitution.” On the same program Minister of Defense Onodera said that the review of the National Defense Program Guidelines should include the commission’s recommendation regarding the exercise of collective self-defense.

Sources close to the prime minister were reported as recommending that the commission consider four specific scenarios in which the right of collective self-defense could be exercised rather than a blanket authorization. However, Tokyo University professor and member of the Yanai commission Kitaoka Shinichi took the position that, in light of growing concerns over China’s increasing military strength and its continuing incursions in the Senkakus, the panel should go beyond the four scenarios under consideration.

On Aug. 12, the prime minister, while visiting his home district of Yamaguchi prefecture, told supporters that he “will work hard for constitutional revision. This is my historical mission.” Earlier, while visiting the Philippines at the end of July, Abe told Philippine President Benigno Aquino that reconsideration of collective self-defense was aimed at “ensuring safety for Japan and contributing to the Japan-US alliance, and regional peace and stability.” He went on to say that Japan is simply attempting to act as “almost all other countries can do naturally.”

On August 14, Isozaki Yosuke, special advisor to Abe, posted a message on Facebook that the government would consider the exercise of collective self-defense from a comprehensive

perspective. Referring to the first Yanai commission's recommendation that Japan be allowed to exercise the right of collective self-defense in four specific cases, Izozaki wrote that the four cases were aimed "at generating debate, but are not intended to allow Japan to exercise the right ...only for special cases. Since the right to collective self-defense is a right, the question is whether Japan has that right or not."

### **Abe on the Senkakus**

During a July 9 *TBS* program, Prime Minister Abe observed that it is important to understand that China is attempting to use history to strengthen its claims to the Senkakus. He argued that the understanding of history and diplomatic relations are separate problems. Abe personally believed that history should be left to historians, but he observed that in reality China is attempting to use history to force concessions on the Senkakus, but that Japan has "no intention to compromise on the Senkakus."

Asked to comment on Abe's remarks, Hua Chunying told reporters that "China's position on the Diaoyu Islands issues is clear and consistent. The Diaoyu Island and its affiliated islands belong to China. China is resolute and firm in safeguarding its territorial sovereignty ... We urge Japan to stay true to history, show sincerity, and take real actions to properly manage and solve the Diaoyu islands issue."

Shortly before the Upper House election, Abe visited Ishigaki and Miyako Islands. At the Ishigaki Coast Guard Office and then at the Air Self-Defense Force (ASDF) Miyako facility, Abe made clear his firm determination "to protect our country's territorial waters and air space." In remarks in Ishigaki, he emphasized that "we will not budge even an inch" on the Senkakus.

### **Can we talk?**

On June 30, Prime Minister Abe told reporters at the LDP headquarters that "the proper diplomatic approach (with respect to China) is to meet and talk when there are issues. Both sides should not set conditions for meeting." At the same time, Chief Cabinet Secretary Suga, in a speech delivered in Tokyo, remarked that "various negotiations are taking place" between Tokyo and Beijing and that "the gap is narrowing between the two sides." On July 2 in Brunei, Foreign Minister Kishida acknowledged that he had failed to meet his Chinese counterpart Wang Yi during the ASEAN meeting but went on to say that working-level contacts were taking place, though they had not yet been able to produce high-level results.

Speaking in Singapore on July 26, Abe said that "I am looking forward to the day when I can have amicable discussions with the leaders of China ... in exactly this spirit of being at ease with each other." Responding to Abe's remarks, Hua Chunying told reporters that "China has been committed to properly controlling and settling the Diaoyu islands issue through dialogue" Japan "should not solely resort to empty talk about 'dialogues' but needs to face up to history and reality."

On July 28, Iijima Isao, speaking in Tatsunomachi in Nagano prefecture, told his audience that he had made a private visit to Beijing in mid-July in an effort to advance a high-level meeting.

Iijima said that he had met with important people and was given the opportunity to say what he wanted to say with regard to the prospects for a summit. It was his “private and personal opinion that a summit is possible in a not too distant date.” The following day, spokesperson Hong Lei told reporters that Iijima had applied for a visa but that as far as he knew, Iijima “has not engaged in any official activity in China, nor have officials of the Chinese government made contact with him.”

On July 29, Vice Foreign Minister Saiki Akitaka visited Beijing. Commenting on Saiki’s trip, Prime Minister Abe told reporters “the door to dialogue with Japan is always open. The foreign ministers or top leaders of both countries should engage in candid dialogue without any conditions.” Saiki met Vice Foreign Minister Zhang Yesui and other senior Chinese officials. According to sources close to the China-Japan relationship, the Chinese officials pressed Saiki to admit the existence of a dispute over the Senkakus, but he refused to do so, reiterating the government’s position “that a territorial problem does not at all exist.” Discussions also covered policies to avoid unintended incidents in the Senkakus. Before departing Beijing, Saiki told reporters that the two sides agreed to continue dialogue through various channels. As for prospects for a summit, Saiki declined comment.

Aug. 12 marked the 35<sup>th</sup> anniversary of the China-Japan Treaty of Peace and Friendship. Although no official events were held to commemorate the day, a nine-member delegation of Japanese parliamentarians, led by Toyama Kyohiko, visited Beijing and met Yang Yi, assistant minister of the CCP’s International Department and formerly director general of the Foreign Ministry’s Asian Affairs Department. The Diet members reiterated the government’s position that there is no territorial issue with respect to the Senkakus and emphasized the importance of dialogue to improve relations. Yang responded that while the Japanese talked about the importance of improving relations, their actions told a different story, that Japan’s policy toward China had given Chinese a sense of threat rather than an intention to improve relations. Toyama replied that it was China’s growing military strength that has caused Japan to feel threatened.

On August 27, Vice Foreign Minister Li Baodong told a press conference that there is little likelihood of a meeting between President Xi and Prime Minister Abe during the September G-20 meeting in Russia. Li observed that setting up such a meeting would be difficult, “given there is no foundation for dialogue.”

### **Public opinion**

In early August, Genron NPO, a Japanese nonprofit organization based in Tokyo and the *China Daily* released the results of a public opinion poll conducted earlier in June and July. The poll found that 92.8 percent of Japanese respondents had bad or relatively poor feelings toward China, while 90.1 percent of Chinese respondents had similar feelings toward Japan. On Aug. 12, *Xinhua* commented that the state of China-Japan relations was the worst since normalization of relations in 1972, and the Abe government was “pouring oil on fire.”

### **Outlook**

With both Tokyo and Beijing holding firmly to their positions on the Senkaku/Diaoyu Islands, the relationship, over the next four months, promises to remain in a state of suspended animation.

## **Chronology of Japan – China Relations**

### **May – August 2013**

**April 23, 2013:** Prime Minister (PM) Abe Shinzo in commenting on Murayama Statement says “aggression” has yet to be defined.

**May 4, 2013:** Chairman of the US Joint Chiefs of Staff Martin Dempsey on a visit to China states that the US will honor treaty obligations to Japan.

**May 5, 2013:** Director General Sugiyama Shinsuku protests Chinese entry into Japanese territorial waters in the Senkakus.

**May 7, 2013:** Two Chinese frigates pass through Japan’s contiguous zone between Yonaguni and Nishiomote Islands en route to western Pacific.

**May 7-8, 2013:** President Barack Obama in Sunnylands meeting with President Xi Jinping emphasizes that Japan is a treaty ally of the US.

**May 8, 2013:** Researchers from Chinese Academy of Social Science publish an article that questions Japan’s sovereignty over Okinawa. China’s Foreign Ministry maintains that there is no change in government’s position regarding Japan’s sovereignty over Okinawa.

**May 13, 2013:** Minister of Defense Onodera Itsunori announces May 2 and May 12 transit of submerged submarine through Japan’s contiguous zone around Amami-Oshima Island.

**May 15, 2013:** PM Abe reaffirms Murayama Statement.

**May 26, 2013:** PM Li Keqiang speaking in Potsdam Germany announces that on basis of Potsdam and Cairo Declarations Senkakus are to be returned to China.

**May 27, 2013:** Three Chinese frigates pass in international waters between Okinawa and Miyakojima en route to exercises in the western Pacific.

**May 26, 2013:** PM Abe visits Chidorigafuchi National Cemetery.

**May 28, 2013:** *Xinhua* reports *2012 Strategic Assessment* study released by Ministry of National Defense think tank; report notes increasing danger of air and maritime contingencies with Japan.

**May 29, 2013:** Chief Cabinet Secretary Suga replies that Japan’s postwar territory had been defined by the San Francisco Treaty, not the Cairo Declaration and that the Republic of China had accepted the San Francisco settlement.

**June 1-9, 2013:** Chinese ships enter Japan’s territorial waters in Senkakus.

**June 11, 2013:** LDP calls for an amphibious force to defend Japan’s remote islands.

**June 15, 2013:** Minister of Defense Onodera points to need to develop an amphibious force with marine capabilities; previews discussion of “strike capabilities” in mid-term review of Japan’s National Defense Program Guidelines.

**June 17-18, 2013:** Taniuchi Shotaro visits Beijing to explore possibilities for high-level meeting.

**June 22-23, 2013:** Chinese ships enter Japanese territorial waters in Senkakus.

**June 25-26, 2013:** Former PM Hatoyama tapes interview with Hong Kong’s *Phoenix TV* and urges Japanese government to acknowledge existence of a dispute over the Senkakus.

**June 26, 2013:** Former PM Hatoyama meets Foreign Minister Wang in Beijing. After the meeting, he says that Japan should acknowledge the existence of a dispute over the Senkakus.

**June 27, 2013:** Chinese ships enter Japanese territorial waters in the Senkakus.

**June 28, 2013:** Former PM Hatoyama meets with PM Li in the Great Hall of the People; the meeting is Li’s first with a representative of Japan’s political world.

**June 30, 2013:** PM Abe tells reporters that there should be no conditions for a meeting of Japanese and Chinese leaders.

**July 1, 2013:** Chinese ships enter Japanese territorial waters in the Senkakus.

**July 2, 2013:** Yu Zhengsheng, fourth ranking member of the Standing Committee, meets visiting Japanese business delegation; China’s *Central Television* carries Yu’s remarks that it is in the fundamental interest of both countries to stabilize relations.

**July 2, 2013:** Foreign Minister Kishida acknowledges failure to meet Chinese Foreign Minister Wang during ASEAN meeting in Brunei and lack of progress in arranging a high-level meeting with China’s leaders; says working-level contacts continue.

**July 4-10, 2013:** Chinese ships operate in Japan’s territorial waters.

**July 5, 2013:** PM Abe says it is “extremely regrettable” if China is developing new gas fields in the East China Sea and asks China to abide by 2008 agreement on joint development.

**July 5, 2013:** *Xinhua* reports sentencing of rioters involved in anti-Japanese demonstrations of September 2012 following nationalization of Senkakus.

**July 8, 2013:** PM Abe tells Upper House Budget Committee that Yanai commission is considering going beyond the four cases previously developed with respect to the exercise of the right of collective self- defense.

**July 9, 2013:** Japanese Ministry of Defense releases 2013 Defense White Paper, which expresses concern that Chinese assertive air and maritime actions could result in unexpected contingencies and asserts that these actions in the Senkakus represent efforts to change the status quo by force.

**July 10, 2013:** Ministry of Defense reports Japanese ASDF aircraft scrambled 115 times in the period April-June 2013, the highest number since the fourth quarter of 2005; scrambles against Chinese aircraft totaled 69 compared to 15 in the same period in 2012.

**July 10, 2013:** China expresses “strong dissatisfaction” with Japan’s 2013 Defense White Paper and its “malicious hype about the so-called China threat.”

**July 12, 2013:** PM Abe issues proclamation to mark July 15 National Sea Day, emphasizing determination to defend freedom of the seas and not recognize change based on use of force.

**July 13-16, 2013:** Iijima Isao, political confidant of Prime Minister Abe, visits Beijing.

**July 15-Aug. 15, 2013:** Chinese ships repeatedly enter Japanese territorial water in Senkakus.

**July 17, 2013:** *Reuters* reports CNOOC will ask permission to develop seven new oil and gas fields; Chief Cabinet Secretary says Japan could not accept any unilateral steps taken by China.

**July 17, 2013:** In pre-election visit to Ishigaki, PM Abe underscores Japan’s determination on the Senkakus, saying “we will not budge even one inch.”

**July 22, 2013:** China launches new Coast Guard.

**July 22-24, 2013:** Chinese research ship operates in Japan’s contiguous zone without prior permission of Japan.

**July 24, 2013:** Japan scrambles fighters in response to flight of Y-8 surveillance aircraft between Okinawa and Miyakojima.

**July 26, 2013:** Japanese Ministry of Defense releases Mid-Term Review of National Defense Program Guidelines.

**July 29, 2013:** Vice Foreign Minister Saiki visits Beijing and meets Vice Foreign Minister Zhang Yesui. PM Abe says that “the door to dialogue with Japan is always open.”

**Aug. 1, 2013:** LDP project team proposes that government ask China to cease development operations in East China Sea.

**Aug. 2, 2013:** Director General for Asian and Oceanian Affairs Ihara protests Chinese incursion to Chinese Embassy in Tokyo.

**Aug. 3, 2013:** Vice Premier Li meets former PM Hatoyama; *Xinhua* reports Li cautions Japan not to forget the past, urging both countries to face the future, squarely looking at the past.

**Aug. 4, 2013:** Yanai Shunji, head of the prime minister's advisory commission on issues related to the constitution and the exercise of collective self-defense says that the current government's views are "excessively narrow."

**Aug. 5, 2013:** Japanese Coast Guard reports Chinese Coast Guardsmen board Chinese fishing boats operating in Japan's contiguous zone near the Senkakus.

**Aug. 5, 2013:** *Yomiuri Shimbun* aircraft observes Chinese construction efforts in East China Sea near Japan's claimed mid-line boundary.

**Aug. 6, 2013:** Japan launches helicopter carrier *Izumo*.

**Aug. 8, 2013:** Japan protests incursions into Japanese waters by Chinese vessels on Aug. 7-8 to Chinese Embassy, which refuses to accept the protest.

**Aug. 12, 2013:** PM Abe says that constitutional revision is his "sacred duty."

**Aug. 12, 2013:** Thirty-fifth anniversary of the China-Japan Treaty of Peace and Friendship occurs with no official ceremonies to mark the day.

**Aug. 12, 2013:** Nine-member delegation of Japanese parliamentarians visits Beijing and meets Yang Yi, assistant minister of the CCP's International Department.

**Aug. 14, 2013:** Chinese Ambassador Cheng meets Vice Foreign Minister Saiki; Japanese Foreign Ministry sources reports discussions included Yasukuni, Okinawa, and the Senkakus.

**Aug. 14, 2013:** Isozaki Yosuke, special advisor to the prime minister, in Facebook post says that exercise of the right of collective-self-defense should be considered from a comprehensive perspective, not limited to the four cases previously under review.

**Aug. 15, 2013:** PM Abe does not visit Yasukuni Shrine but sends offering as LDP president; three Cabinet ministers and 102 members of the Diet pay homage at the shrine.

**Aug. 18, 2013:** Five Japanese ships carrying fishermen and members of *Ganbare Nippon* sail to Senkakus but do not land. It is the fifth visit to the Senkakus this year by *Ganbare Nippon*.

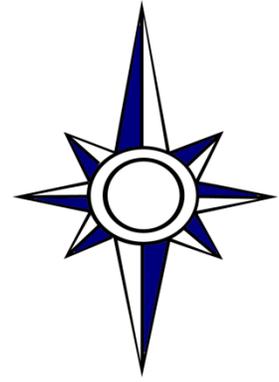
**Aug. 25-26, 2013:** Four Chinese Coast Guard Ships operate in Japan's contiguous zone near the Senkakus.

**Aug. 27, 2013:** Two Chinese frigates transit in international water between Okinawa and Miyakojima.

**Aug. 27, 2013:** China's Vice Foreign Minister Li downplay chances for Abe-Li meeting during September G20 meeting in Russia.

# Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



## Japan-Korea Relations:

### No Signs of Improvement over the Summer

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South Korea-Japan relations have been frozen for some time and despite the summer heat, no thaw appears likely anytime soon. Although economic interactions continue to deepen between the two countries, and although there is a clear desire – and even a need – to coordinate policies toward North Korea and China, the two countries appear more focused on other issues as their main foreign policy priorities in the short-term. The two recently elected leaders have yet to meet for a summit, a sign that even a symbolic attempt to repair relations is proving difficult. Japanese Prime Minister Abe has grown stronger with a rousing Liberal Democratic Party victory in Upper House elections, yet a number of rhetorical controversies kept attention focused on Abe’s foreign policy, particularly toward Korea and China. To date not much has changed and there is little evidence that either Seoul or Tokyo desires improved relations.

#### Aberrations of diplomacy and *persona non-grata*

It is not easy to come by another set of bilateral relations that are as easily identifiable through a few loaded phrases or “codewords” as is the case of Japan and South Korea (i.e., Dokdo/Takeshima, comfort women/sex slaves, and Yasukuni Shrine). The unfortunate by-product of knowing the exact pressure points for both Tokyo and Seoul is that bilateral ties have been *issue-driven* rather than *relationship-driven*. This means that diplomacy has become less about negotiating and more about campaigning or championing one’s cause: a mutually executed unilateral exercise rather than a bilateral affair. The first example of what we will call “aberrations of diplomacy” is that each state increasingly leverages third parties to indirectly influence the other. South Korea’s actions during the summer months were a particularly apt example as it appealed to the larger international community for its cause against Japan. Inevitably, this has meant that the United States has become involved, despite its formal policy of not taking sides in any of the disputes between the two countries.

In the first notable instance, Seoul progressively looked to the US as a platform for pressuring Japan on a number of contentious issues ranging from the naming of the body of water between Japan and Korea (East Sea vs. Sea of Japan) to erecting so-called “comfort women statues.” On the naming controversy, the intention by local politicians in the US state of Virginia to introduce legislation to require future textbooks approved by the Virginia Board of Education to concurrently use both East Sea and Sea of Japan made big news in Korea. According to a *Yonhap* report, Tim Hugo, the chairman of the Virginia House Republican Caucus, announced that he would introduce such a bill, stating that “Academically, it is important to acknowledge that this dispute exists between these countries. Unfortunately, current Virginia textbooks make no reference to the ongoing dispute between two countries regarding the naming of this body of

water.” The report further quotes Hugo from a press release: “It is not right that their position on this issue be ignored,” with “their” referring to the more than 2.5 million Korean-Americans in the US as well as the roughly 150,000 residing within Virginia. Although the Voice of Korean Americans (VoKA) – whose objective is to introduce the “East Sea” label to all textbooks within the 50 US states by March 2017 in time for the International Hydrographic Organization meeting to discuss the formal adoption in international maps – may have unconditionally welcomed the latest development, the direct reference to Korean-American voters invites caution, especially given the predisposition of politicians to be “office-seeking.” The reality is that there has already been a similar attempt to introduce such a bill back in January 2012 ([Senate Bill No. 200](#)) by Sen. Dave Marsden to the Virginia General Assembly. The bill was voted down 7-8 (five Democrats and two Republicans for yay, six Republicans and two Democrats for nay), which brings up the fascinating question of how political partisanship works on issues that are at first light, seemingly beyond the boundaries of the US.

Another event occurred in August when a comfort women memorial was unveiled in Glendale, California. The bronze statue is a replica of the one erected in front of the Japanese Embassy in Seoul in 2011, and the timing could not have been more fortuitous: it marked the sixth anniversary of the passage of a resolution by US House of Representatives, which urges the Japanese government to “formally acknowledge, apologize, and accept historical responsibility in a clear and unequivocal manner for its Imperial Armed Forces’ coercion of young women into sexual slavery, known to the world as ‘comfort women,’ during its colonial and wartime occupation of Asia and the Pacific Islands from the 1930s through the duration of World War II.” Incidentally, back in May, the UN Committee on Economic, Social, and Cultural Rights (CESCR) released a response to Japan’s periodic reports to the UN body by suggesting that Tokyo “take all necessary measures to address the lasting effects of the exploitation and to guarantee the enjoyment of economic, social and cultural rights by comfort women,” as well as to “educate the public ... so as to prevent hate speech and other manifestations that stigmatize them.” Therefore, by the time the statue had been revealed in Glendale in August, the issue had already been drummed-up within international society. *Asashi Shimbun* noted both the displeasure of the Tokyo government, but also the sentiments of Japanese-Americans – Nikkei for Civil Rights and Redress – which expressed a more positive response to the matter. This type of multi-dimensional reporting is a welcome balance to the more sensationalist stories that sometimes decorate Japan-Korea relations, but for the home government, the activities of its immigrant communities represent another intricacy of diplomacy.

A second, more pernicious “aberration of diplomacy” is that diplomatic channels become simple signaling mechanisms that punish the other party and stymie dialogue, rather than open channels for communication. Becoming introverted and allowing for as little contact as possible with the other party, either signals displeasure at something or denies/robs the other party of the opportunity to engage in frank discussions and make progress. Sadly, this phenomenon has meant that diplomatic channels have been used to subvert interaction. After the new administration in Seoul took office, there was already much talk as to what it meant for President Park to “bypass” Japan by holding summits with US President Barack Obama and China’s Xi Jinping, given the past custom to meet Japan’s prime minister following a visit to Washington. Of course, limiting dialogue can also be akin to dangling the prospects of a future summit like a carrot. For example, despite media reports of multiple overtures from Japan on a Japan-Korea

summit (e.g., a proposal delivered on Aug. 19 by Japanese Foreign Minister Kishida Fumio to Ambassador Lee Byung-kee and Abe's calls in late August for a renewed effort with its neighbors and a potential meeting on the sidelines of the G20 Summit in September), the response from Seoul was curt and cold. Although it is unclear if South Korea's holding out on talks is seen as strategic leverage against Japan or a signal of its displeasure with Japan's latest behavior, the fact remained that there was no face-to-face meeting between Park and Abe after several months in office.

As further testament to the general mood, much of the interaction between Japan and Korea occurred on the sidelines of other major events. The first meeting between Japan's Foreign Minister Kishida and South Korea's Foreign Minister Yun Byung-se took place in June on the sidelines of the East Asia Summit (EAS) Foreign Ministers Meeting in Brunei, and lasted approximately 30 minutes. In early June, the defense ministers of Japan, the US, and South Korea met on the margins of the Shangri-La Dialogue in Singapore. Although the focus was on trilateral cooperation and collaboration to deter North Korea's nuclear and missile developments as well as provocations, Japanese media reported that Japanese Defense Minister Onodera Itsunori told reporters after the meeting that Tokyo and Seoul had agreed to go ahead with discussions concerning the General Security of Military Information Agreement (GSOMIA) – talks that abruptly collapsed in June 2012 when South Korea refused to sign the agreement. Nevertheless, the coolness was palpable, especially by late July when Japan's *Kyodo News* reported that Seoul intentionally did not invite (“snubbed”) Japanese officials to its ceremony to commemorate the 60<sup>th</sup> anniversary of the Korean War armistice. Not even a new building for the South Korean Embassy in Tokyo (which opened in mid-July) could sweeten political relations between the two countries.

This souring of bilateral relations had another toxic implication for both Japan and Korea. Generally speaking, when it comes to personalities with a trace of Korean blood, Korea is quick to claim them as one of their own [think Hines Ward, former wide receiver for the Pittsburgh Steelers of the National Football League], but also just as easily it will designate them as “*persona non grata*.” In the latter category lies Oh Seon-hwa, an ethnic Korean (but naturalized Japanese citizen) who is a professor at Takushoku University. A *Japan Times* article covered Oh's ordeal with the Korean immigration officials, when she was apparently denied entry into Korea and sent back to Japan on July 27. Afterward, she claimed that “This [being denied entry] cannot happen in a democratic, civilized modern country.” The Korean media showed Oh no mercy, with some netizens going so far as to peg Oh as the contemporary equivalent to Lee Wan-yong – a pro-Japanese minister of Korea who signed the Japan-Korea Annexation Treaty placing Korea under Japanese colonial rule in 1910.

In Japan, well-known Japanese film director, Miyazaki Hayao, became the target of accusations that he was “anti-Japanese” and a “traitor.” *Foreign Policy* (FP) ran a blog post (“[Japanese Nationalists Attack Animation Master's New Film](#)”) on July 23, 2013, which discussed the reception of Miyazaki's new film, ‘The Wind Rises’ (*Kaze Tachinu*), as well as comments by the director in a recent interview that touched on controversies ranging from comfort women/sex slaves to territorial disputes. For instance, Miyazaki was reported as saying that a proper apology and reparations should be given on the comfort women issue and suggesting possible joint control of the disputed territory between Japan and Korea. Admittedly, it is unfair to place

Miyazaki side-by-side with Oh Seon-hwa, with the former having established a much greater level of initial traction and popularity, but this may also mean that for some of his fans, the accusations may have been that much more abhorrent or eye-opening (depending on one's political views).

One sign that politics has begun to affect economic relations between the two countries was the lapsing of a bilateral currency swap contract in July. Currency swaps – designed to help countries avoid some of the issues that led to the 1997 Asian financial crisis – have proliferated across Asia in recent years; the most notable is the Chiang Mai Initiative. The *Asahi Shimbun* noted that “the overall size of the bilateral currency swap deal will decrease to \$10 billion from \$70 billion in one year.” Although both governments claimed that an improving economic situation was the reason for the lapsing of the contract, there was a great deal of speculation that tension between the two countries was the real cause.

### **Changing domestic politics in Japan?**

Political scientists are wary of using a single political spectrum in evaluating the political environment of countries. Thus, the labels “left” and “right” are fluid and do not necessarily mean the same thing in different contexts. At least for the months of May to August, the Korean media used a rather limited spectrum consisting of “right” and “ultra-right” in describing the Abe administration and its stance on particular policies. This sentiment was captured in the renewed concern about a revived militarism in Japan, the repeated usage of the prefix “ultra” in describing rightist tendencies, and the extensive coverage of verbal gaffes by politicians in Tokyo.

Several developments stirred fears in South Korea of renewed militarism on the part of Japan. The first concerned statements by Prime Minister Abe of his intent to revise the Japanese constitution – one of the targets is Article 9, which prohibits Japan from maintaining a military force. The logic is that by softening the language that binds Japan to refrain from the use of force rather than prohibit the military in its entirety, Japan can better fulfill its obligations under collective security agreements and operate more efficiently within the UN framework. Any logic behind such intent, however, was most likely lost in its delivery. In a speech to local supporters in the city of Nagato, Yamaguchi prefecture on Aug 12, Prime Minister Abe referred to the task of constitutional revision as his “historic mission.” This statement was consistent with earlier reports that claimed Abe had told an aide during the final phases of campaigning for the Upper House elections in July (where his Liberal Democratic Party quenched an overwhelming victory) that, “We cannot revise the Constitution in a few years ... we have to spend about six years.” A clear vision combined with a sense of purpose is not typically a vice of leaders, but unsettling a norm that has already been established for Japan’s “pacifist constitution” (and the “peace clause”) was perceived as highly provocative, especially in the eyes of Japan’s close neighbors.

Fueling even greater suspicion was Abe’s speech on Aug. 15 on the anniversary of Japan’s surrender in World War II, which drew much attention for its omission of the country’s remorse for its past aggression, breaking a 20-year tradition of doing so. Given the heightened tensions with Seoul also holding its own ceremony to commemorate its liberation from Japanese colonial rule, the Korean media was quick in spotting the omission and equated it to Abe bidding farewell to his last bit of conscience. Another popular Korean media tactic was to run the story of

Germany's Angela Merkel's visit to the Dachau concentration camp memorial on Aug. 20 – a first by an acting German chancellor to the notorious Nazi concentration camp – to further “expose” the “immorality” of Prime Minister Abe.

If what was *not* said got Abe into trouble, other Japanese officials were singled out for what *was* said, and said very poorly. There were multiple notable verbal gaffes, starting with Osaka Mayor Hashimoto Toru's remarks on May 13: “When soldiers are risking their lives by running through storms of bullets, and you want to give these emotionally charged soldiers a rest somewhere, it's clear that you need a comfort-women system ... anyone can understand that.” This statement was construed as retroactively justifying Japan's actions and the necessity for prostitution, which triggered indignation from South Korea. Amidst growing anger from the international community, Hashimoto did half-heartedly apologize, although his apology was mostly targeted at placating the US for other comments he made suggesting that US troops should utilize the adult entertainment businesses as a way to reduce sex crimes. On the “comfort women” issue, it was clear that the Osaka mayor was underscoring not only the circumstances as the organizing force behind Japan's use of brothels during the war, but also denying any intentional or systematic recruitment of the women on the part of the Japanese government that would suggest a different level of culpability. Combined with the appointment of Sakaiya Taichi as an adviser to Abe's administration – the man credited with pushing for Hashimoto to join the world of politics – the Tokyo government in the eyes of Seoul seemed to swing even further toward the right.

The second blunder came from Japanese politician Suzuki Nobuyuki, and was less a gaffe and more of intentional drumbeating given his well-established status as a nationalist even within Japan. Suzuki (unsuccessfully) ran as a candidate for the Tokyo Metropolitan District seat in the July 21 House of Councillors election, but his consistently xenophobic campaign slogans promoting the severance of diplomatic relations between Japan and Korea further widened the rift between the two countries. Back in 2012, Suzuki had tied a wooden stake to the “comfort women” statue erected in front of the Japanese embassy in Seoul. According to Korean reports, he was issued a subpoena by the Korean Justice Department along with three trial dates set for September and October.

A third unhelpful incident began in late July, by which time even the most flattering statement by either Japan or Korea about its respective partner could probably not save bilateral political relations. Japan's Finance Minister and Deputy Prime Minister Aso Taro, during a discussion with a conservative study group about ways to achieve constitutional revision, claimed that Japan should look at how Adolf Hitler's Nazi party had changed the constitution of the Weimer Republic “without anyone noticing.” Perhaps Japan could “learn from their techniques.” Faced with increasing criticism from within Japan and abroad that the remarks were glorifying this behavior and distorting what was actually a violent takeover by the Nazis, Aso retracted his initial statement but strongly denied any possibility of resigning over the incident, claiming that he was simply “misunderstood.”

These episodes could impact internal political struggles within Japan – especially considering the cast of characters that includes strong antagonists and protagonists. Opposition leaders such as Secretary General of the Democratic Party Ohata Akihiro and Secretary General of the Social Democratic Party Mataichi Seiji both faulted Aso for his grave blunder. Kono Yohei, former head

of Abe's Liberal Democratic Party (LDP) and viewed by many to represent the more moderate camp in Japanese politics, has stated that the frequent remarks by Japanese politicians that are seemingly at odds with Japan's official apologies serve to erode international trust in Japan. If any of these personalities can actually expand the political spectrum within Japan, is of course, another story.

There were mixed indications of the general public sentiment in Japan toward their supposed swing to the right. Although vivid, such incidents probably do not reflect the feelings of the majority of Japanese. For example, a *Mainichi Shimbun* opinion poll found that 71 percent of Japanese found Mayor Hashimoto's comments about the necessity for comfort women to be "inappropriate," while an *Asahi Shimbun* poll found 75 percent of respondents deemed his comments inappropriate. Another measure of Japanese public sentiment was the results of a Pew Research poll that was released in July. It indicated that 71 percent of the Japanese public viewed Prime Minister Abe in a favorable light. The more suggestive question involved capturing the Japanese public and their views toward constitutional revision, with a majority still opposed to changing the constitution (56 percent). Nevertheless, it was clear that although active *support* for reform may not be forthcoming, active *opposition* to change was eroding, with those opposed having declined by 11 percentage points since 2006 from 67 percent to 56 percent in 2013.

Other attempts to find out what Japanese think about some of the issues in Japan's foreign relations shed less light than might be expected. For example, the *Asahi Shimbun* reported in August that a Cabinet Office survey found that "Only 63.1 percent of Japanese are aware that South Korea is 'unlawfully' occupying Takeshima." In reporting the results, the *Wall Street Journal* pointed out that "The survey, however, may be more telling in the way it was conducted and its wording than what the numbers show ... Before getting on with the questions, researchers were required to ask respondents to read a lengthy historical explanation on how the islets belong to Japan."

### **"The left hand not knowing what the right hand is doing..."**

It is not entirely surprising that there was a lack of coordination between Japan and Korea in policies toward North Korea. In May, Prime Minister Abe sent his special Cabinet adviser, Iijima Isao, on an unannounced visit to Pyongyang to discuss the abduction of Japanese citizens by North Korea. According to reports by the Japanese media, Iijima, who had also served as an adviser to former Prime Minister Koizumi Junichiro and visited Pyongyang before, apparently met Kim Yong Nam, chairman of the DPRK Supreme People's Assembly, to relay Abe's desire to restart talks on returning Japanese abductees. In reaction to Japan's efforts to establish its own lines of communications with Pyongyang, South Korea's Foreign Ministry spokesperson issued a statement that Iijima's visit to Pyongyang was "not helpful," and voicing regret for not having been informed earlier about the visit. *Kyodo News* subsequently reported that Japan's Chief Cabinet Secretary Suga Yoshihide indicated that future negotiations with Pyongyang would be led by the Foreign Ministry rather than any particular envoy.

It was rather difficult to gauge Pyongyang's actual readiness to negotiate with Tokyo, given the usual condemnation of Japan for its "crimes against humanity." Just days after Iijima's visit, the *Rodong Shinmun* published a piece urging Japan to settle its past by providing compensation and

apologizing for the suffering of Koreans during the colonization of the Korean Peninsula, with no mention of the abduction issue. In another *Korean Central News Agency (KCNA)* commentary on July 15, Pyongyang condemned Mayor Hashimoto's remarks on sexual slavery – citing the UN Committee against Torture and Japan's noncompliance with its purported advice to retract Hashimoto's statements. In another *KCNA* article on July 28, North Korea even cited a US source – a letter by the Japanese consul general in Los Angeles – to emphasize Japan's failure to repent for its past atrocities of World War II.

In other words, there was not much to show in terms of progress in negotiations between North Korea and Japan, despite any genuine intent to do so. An obvious difficulty was the fact that South Korea had its own hands full as it dealt with reopening the Kaesong Industrial Complex and resuming inter-Korea family reunions.

### **Fall 2013 – progress between the two sides?**

With leaders in Japan and South Korea both serving their first year in office and with numerous domestic issues demanding their attention, prospects for an improvement in relations between them remain dim. North Korea is a wild card that could change the regional political equation at any moment, but there does not appear to be a crisis at hand. Prime Minister Abe will be focusing on China-Japan relations and the Japanese economy while President Park is facing a number of domestic political and economic issues of her own. There appears to be little sentiment in either country to give improved bilateral relations yet another try, and little prospect for success even if they do.

## **Chronology of Japan-Korea Relations May – August 2013**

**May 2-3, 2013:** Japan's Minister of State for the North Korean Abduction Issue Furuya Keiji attends symposiums in Washington DC and New York, to raise awareness regarding North Korea's kidnapping of Japanese nationals.

**May 5-6, 2013:** The 15<sup>th</sup> Tripartite Environment Ministers Meeting takes place in Kitakyushu, Japan, amid rising diplomatic tensions. The meeting is attended by South Korea's Environment Minister Yoon Seong-kyu, China's Vice Environment Minister Li Ganjie, and Japan's Environment Minister Ishihara Nobuteru.

**May 8, 2013:** South Korean President Park Geun-hye addresses a joint session of the US Congress, where she states that “those who are blind to the past cannot see the future,” alluding to the ongoing row over history with Japan.

**May 13, 2013:** Osaka Mayor Hashimoto Toru's remarks that the Japanese military's use of comfort women (sex slaves) was necessary during World War II raise the ire of neighboring countries as well as within Japan.

**May 14-18, 2013:** Prime Minister Abe Shinzo's special Cabinet adviser Iijima Isao visits Pyongyang to make progress on the “abduction issue.”

**May 16, 2013:** *JoongAng Daily* reports that South Korea's Foreign Ministry spokesperson rebukes Mayor Hashimoto's statement regarding sex slaves as being "below the level of common sense," and criticizes Prime Minister Abe for posing in the cockpit of a plane numbered 731.

**May 16, 2013:** Seoul criticizes Tokyo over Iijima Isao's visit to Pyongyang, expressing regret over not having been informed earlier of the envoy's visit.

**May 19, 2013:** In an interview with *Foreign Affairs*, Prime Minister Abe equates a visit to Yasakuni Shrine with those made by US presidents to the Arlington National Cemetery.

**May 19, 2013:** *Japan Times* reports that Japanese protestors in Tokyo's Shin-Okubo district, home to a large ethnic Korean population, made reference to Korean residents as "cockroaches" and called for their immediate "extermination."

**May 20, 2013:** North Korea's *Rodong Shinmun* article urges Japan to apologize and provide compensation for the suffering of Koreans during Japan's colonization of the Korean Peninsula.

**May 20, 2013:** *JoongAng Ilbo* publishes an editorial that describes the 1945 atomic bombings of Hiroshima and Nagasaki as "God's vengeance," prompting the Japanese embassy in Seoul to file protests with the South Korean newspaper.

**May 21, 2013:** *Kyodo News* reports that Japan is considering the resumption of bilateral talks with North Korea, adding that future talks will be conducted through the Foreign Ministry rather than "backdoor" channels.

**May 24, 2013:** United Nations (UN) Committee on Economic, Social and Cultural Rights (CESCR) responds to Japan's periodic report to the committee by urging Tokyo to increase efforts to educate its public about the comfort women/sex slave issue.

**May 26, 2013:** *Yomiuri Shimbun* reports that roughly 100 people gathered in front of the Tokyo office of South Korean newspaper *JoongAng Ilbo* to protest the latest editorial describing the atomic bombings against Japan as divine punishment for its war crimes.

**June 1, 2013:** Defense ministers of the US, Japan, and South Korea meet on the sidelines of the Shangri-La Dialogue in Singapore to discuss a coordinated response to North Korea's nuclear and missile development and related provocations.

**June 3, 2013:** In an interview with the *Asahi Shimbun*, UN Secretary General Ban Ki-moon expresses concerns over how a lack of sensitivity to wartime issues can generate negative impact on regional stability, citing Mayor Hashimoto's remarks regarding comfort women (sex slaves).

**June 13, 2013:** Japan requests the return of a pair of medieval Korean artifacts taken from its temples in Korea earlier this year. *The Korea Times* notes that Seoul has been slow to reach a decision, given pressure by Buddhist groups to keep the statues in Korea.

**June 16, 2013:** *Mainichi Shimbun* reports that fights broke out in Tokyo's Shinjuku district, after roughly 200 members of Zaitokukai (Citizens Against Special Privileges for Foreigners in Japan) shouting anti-Korean slogans clashed with members of a counter-protest group shouting "Racists go home." The police reported that eight people were arrested as a result of the brawl.

**June 21, 2013:** South Korea and Japan reach an agreement to maintain the amount of fish each party can catch in the other's exclusive economic zones (EEZs) for the next 12 months.

**June 24, 2013:** *Yonhap News* details the decision by the central banks of Japan and Korea to reduce the currency swap facility between the two countries by the \$3 billion.

**July 1, 2013:** Japan's Foreign Minister Kishida Fumio, meets South Korean counterpart Yun Byung-se on the sidelines of the East Asia Summit (EAS) Foreign Ministers Meeting in Brunei.

**July 10, 2013:** Seoul High Court orders Nippon Steel & Sumitomo Metal Corp. to pay 100 million won each (\$88,000) as reparation for wartime forced labor to four Korean plaintiffs. Tokyo government responds that compensation rights were resolved under the 1965 treaty.

**July 11, 2013:** South Korea's First Vice Minister for Foreign Affairs Kim Kyou-hyun meets Japan's incoming Vice Minister for Foreign Affairs Saiki Akitaka to exchange views on bilateral relations and the situation on the Korean Peninsula.

**July 15, 2013:** *Korean Central News Agency (KCNA)* blasts Japan for violations against human rights, citing remarks by Mayor Hashimoto about the necessity of comfort women (sex slaves).

**July 18, 2013:** An opening ceremony is held for the new building for the South Korean Embassy in Tokyo's Minato Ward.

**July 18, 2013:** Foreign Minister Kishida meets South Korea's First Vice Minister for Foreign Affairs Kim Kyou-hyun.

**July 24, 2013:** Republican member of the Virginia House of Delegates Tim Hugo announces he will introduce legislation in next year's session that will require all future textbooks approved by the Virginia Board of Education to use both East Sea and Sea of Japan to refer to the body of water between the Korean Peninsula and Japan.

**July 27, 2013:** Japan's *Kyodo News* reports that Seoul did not invite Tokyo to its 60<sup>th</sup> Korean War armistice anniversary ceremony in Seoul.

**July 28, 2013:** Korean spectators unveil a banner reading "A nation that forgets its history has no future" during the East Asian cup soccer match in Seoul between Japan and Korea.

**July 30, 2013:** South Korea's Busan High Court orders Japan's Mitsubishi Heavy Industries Ltd., to pay 80 million won (\$70,000) each to the families of five deceased South Koreans who were conscripted into labor during Japan's colonial rule.

**July 30, 2013:** A bronze statue to honor "comfort women" (sex slaves) is unveiled at a park in Glendale, California, prompting the Tokyo government to express its displeasure.

**July 31, 2013:** Korea Football Association (KFA) issues a statement claiming that the Japanese spectators' waving of the "rising sun" flag had first incited South Korean fans at the East Asia Cup match in Seoul.

**July 30- August 2, 2013:** Second round of trilateral talks on a Free Trade Agreement (FTA) between China, Japan, and South Korea takes place in Shanghai.

**Aug. 1, 2013:** *Japan Times* covers the story of Oh Seon-hwa, an ethnic Korean professor at Takushoku University in Japan, who was reportedly denied entry into Korea and sent back to Japan on July 27., based on Article 76 of the Korean immigration law that prevents entry of persons that may prove harmful to the country.

**Aug. 2, 2013:** South Korea lodges a formal protest with Japan over Tokyo's first opinion poll regarding Dokdo/Takeshima. The survey reportedly claimed that six out of 10 Japanese respondents considered the disputed Dokdo/Takeshima to be Japanese territory.

**Aug. 5, 2013:** South Korean National Assembly announces the budget allocated to finance archival and legal efforts to reaffirm Korea's claim to sovereignty over Dokdo will decrease from 4.24 billion won in 2013 to 3.47 billion won (\$3.1 million) in 2014.

**Aug. 8, 2013:** South Korea denounces Japan's latest moves to authorize the use of its wartime national flag (the Rising Sun).

**Aug. 9-23, 2013:** South Korean and Japanese air forces participate jointly in a two-week *Red Flag Alaska* training exercise, the first such joint participation in the drill by the two countries.

**Aug. 12, 2013:** *Mainichi Shimbun* quotes Prime Minister Abe's remarks describing his intent to amend Japan's constitution as his "historic mission."

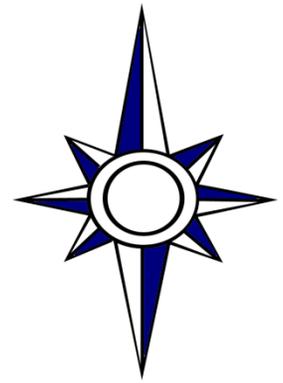
**Aug. 13, 2013:** *Korea Herald* reports 12 former comfort women (sex slaves) have filed for mediation with the Seoul Central District Court, asking for compensation from the Tokyo government for its enslavement of women during World War II.

**Aug. 16, 2013:** Seoul strongly condemns the visits of Japanese Cabinet members to Yasukuni Shrine and their homage to the war dead in commemoration of the 68th anniversary of Japan's surrender in World War II.

**Aug. 29-30, 2013:** United Nations Commission tasked with investigating North Korean human rights abuses visits Japan to hold hearings on Pyongyang's past abductions of Japanese nationals.

# Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



**China-Russia Relations:**

## **Summer Heat and Sino-Russian Strategizing**

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The Sino-Russian strategic partnership was in overdrive during the summer months despite the unbearable, record-setting heat in China and Russia. While the Snowden asylum issue dragged on, “Operation Tomahawk” against Syria appeared to be in countdown mode by late August. In between, the Russian and Chinese militaries conducted two large exercises, which were described as “not targeted against any third party,” a term often used by the US and its allies to describe their exercises. Welcome to the age of speaking softly with or without a big stick.

### **Edward Snowden: To Russia, via China (Hong Kong)**

In May and June, the Beijing-Moscow strategic relationship were tested, and unexpectedly boosted, when US National Security Agency (NSA) contractor Edward Snowden managed to travel to Hong Kong, a Special Administrative Region (SAR) of China. Snowden had leaked to the press details of several US and UK mass surveillance programs (PRISM, XKeyscore, NSA call database, Boundless Informant, etc.) targeting countries including China, Russia, and even EU countries. Snowden eventually flew to Moscow on June 23, after his asylum request was turned down by Iceland and 26 other countries.

The US effort to extradite Snowden from Hong Kong failed and revoking his passport on June 23 may have expedited his departure. On the day Snowden’s passport was revoked, the Hong Kong government let him board a Russian commercial flight to Moscow, claiming that the US extradition request failed to provide the necessary information as required by Hong Kong law (Snowden’s middle name was misspelled).

Whoever was responsible for Snowden’s travel arrangements from Hong Kong to Moscow remains a mystery. Washington, however, believes that it would have been impossible without cooperation between Russia and China. Indeed, Snowden reportedly spent several days living at the Russian Consulate in Hong Kong before flying to Moscow’s Sheremetyevo International Airport. The *New York Times* went so far as to toy with the idea of a “new anti-America axis.” In his public remarks, US Deputy Secretary of State William Burns said that the US was “very disappointed with how the authorities in Beijing and Hong Kong handled the Snowden case.” For this, Chinese officials insisted that the SAR government handled the Snowden case “in accordance with law, and its approach is beyond reproach. Others should respect this.”

There were at least three reasons for Beijing to “outsource” the Snowden affair to the SAR government and later to Russia. One was to maintain the positive momentum of the Obama-Xi informal summit in Sunnylands, California on June 7-8. Just two days before the summit, the

British daily, *The Guardian*, leaked the story regarding the vast US surveillance operations around the world. There is no question that this lessened US pressure on China for its alleged hacking of US computer networks. For Beijing, the importance of the overall US-China relationship outweighs the technical benefit from the revealed information. Second, the potential cost for Beijing's more active role in the Snowden affair could be very high, given the fact that Washington simply has more strategic leverage against some of China's vital interests ranging from Taiwan, territorial disputes with China's neighbors, to Tibet and Xinjiang, and the huge amount of US Treasury bills Beijing possesses. Last, if not least, the consensus among political groups of all ideologies in Hong Kong opposed extraditing Snowden to the US – something rarely seen in this increasingly politicized city. A poll of Hong Kong residents conducted by the *South China Morning Post* showed that 50 percent of the respondents believed the Snowden should not be returned to the US; 33 percent saw Snowden as a hero, while only 12.8 percent said the former NSA contractor was a traitor.

“The Chinese didn't exactly invite Snowden to come to Hong Kong,” remarked Claudia Mo, a high-profile pro-democracy and anti-Beijing lawmaker. “It was the US, not Hong Kong, that decided to operate a global electronic spying operation, which even some Americans now believe is out of control” and “[I]t was the US, not Hong Kong, that decided directly or via outsourcing to use the services of a young man who turned out to be disloyal,” echoed pro-Beijing Executive Council member Bernard Chan in the *South China Morning Post*. China's best strategy regarding Snowden was to take a hands-off posture.

Russia seemed rather reluctant in taking the Snowden “hot potato.” Once in Russia, Snowden was confined to the “international area” of the Moscow Sheremetyevo transit zone without formally being admitted into Russian territory. Eight days later, Snowden actually withdrew his asylum plea to Russia after President Vladimir Putin suggested on July 1 that asylum would be offered only if he stops leaking information and harming the interests of the US. This condition was reiterated later by Putin's spokesman Dmitry Peskov. In the first 10 days of Snowden's “camping” inside the Moscow airport, Putin seemed impatient, twice saying that Snowden should choose a destination and leave. Russian media noticed that Putin remained “highly unenthusiastic” about Snowden's presence in Russia. Snowden resubmitted his asylum request on July 12 after promising Russian officials that he would “definitely” stop his “political activity against the US.” Putin then made it clear that Russia would not extradite Snowden to the US. Putin defended the decision by saying that the US had effectively trapped Snowden on Russian territory. Describing Snowden's asylum in Russia as “an unwanted Christmas present,” Putin insisted that “[T]hey [US] themselves scared all other countries; no one wants to take him, and in this way they themselves in fact blocked him on our territory,” reported *The New York Times* on July 15.

In retrospect, President Putin's apparent indifference to, if not resentment of, to Snowden's asylum plea and his anti-American political activity may well be genuine, given the stakes in US-Russia relations and their impact on the forthcoming G20 in St. Petersburg and Sochi Winter Olympics. Yet, considering Putin's deep geostrategic sense, it is hard to take Russia's “innocence” at face value. Indeed, a rule of the game between nations is as complex AND simple as the “fence painting” strategy humorously and heuristically penned in Mark Twain's masterpiece, *The Adventures of Tom Sawyer* (1876) : if one is really interested in obtaining

something from others, it is better to show indifference first. Snowden will remain a strategic asset for Russia for years to come, no matter how much Russia expresses its indifference. In his mind, however, Putin may understand the importance of not overplaying the Snowden card by unnecessarily aggravating the world's sole superpower.

It was unclear if Putin's Russia was appeasing, comforting, or mocking the US – or doing all three at once. Beijing, however, seemed thrilled and amused at Russia's handling of the difficult, outsourced issue. Declaring that Russia was the winner in the Snowden affair, an article in China's *Global Times* described Russia's handling of the Snowden case, suddenly and unexpectedly pressed upon Russia, as highly skillful, extremely graceful and sophisticated [外交技巧的高超、精致和老道]. Specifically, the article saw the Russian balancing between three highly delicate issues: (1) respect for the integrity of the case itself, right or wrong; (2) respect for both Russian domestic law and international legality; and (3) the need to avoid harming relations with the US. These measures, among others, were described by the *Global Times* commentator as “almost flawless” [几乎无可挑剔], allowing Putin to turn this troublesome issue into a bargaining chip with the US – a burden into an opportunity for strengthening Russian national interests. The article attributed this outcome to two reasons: Russian/Soviet rich experience in handling similar cases during 40 years of the Cold War and Russia's tradition of pursuing an active, balanced, flexible, and pragmatic diplomacy as a Eurasian continental power for more than 200 years. For all of this, the writer said that Russia is China's strategic partner and deserves China's respect, and that China had a lot more to learn from Russia.

In contrast to China's positive assessment of Russia's role in the Snowden affair, views from Russia were more complicated. Lilia Shevtsova, senior associate at the Carnegie Endowment for International Peace in Moscow, believed that Putin came out ahead in Snowden affair. This nonetheless compared with “many losers” including Snowden himself, liberal democracies, and even Russian society because Putin, who was the “only victor of this ordeal,” “now has grounds to dismiss US criticism of his authoritarian rule.” Fedor Lukyanov, chairman of the Presidium of the Foreign and Defense Policy Council, believed that “only China has managed thus far to slip out with minimal losses,” while Russia “is having to accept a conflict with the United States.” Still, Lukyanov claimed that “Moscow has neither the intention nor the desire to use Snowden as a weapon against America.” The long-term outlook, however, is not optimistic because Snowden desires “publicity in order to exclude the possibility of arrangements as to his future without his participation.” Meanwhile, the common interest between Moscow and Washington is to forget this “as quickly as possible,” or to work out a deal “without undue publicity what is to be done to extract this thorn in the side of relations.” For Lukyanov and other Russian officials, “[T]he problems are only just beginning.”

A potential, though seemingly unlikely, winner from the affair is the former Russian intelligence officer, Anna Chapman, who was arrested in 2010 in the US for spying for Russian Federation's External Intelligence Agency. Chapman went “from under-cover to cover-girl without missing a beat,” according to the *Moscow Times* on July 15. Before Russia offered temporary asylum to Snowden, the flame-haired Russian beauty proposed marriage to the 30-year old American.

## Chinese military: to Russia, for war games

Edward Snowden was not alone in traveling from China to Russia during the hot days of the 2013 summer. Twice within a month, PLA ground, air, and naval forces went to Russian waters/territories for two large-scale exercises by the two militaries: *Joint Sea 2013* (Morskoye Vzaimodeystviye, or 海上联合) naval exercise was held July 5-12 in Peter the Great Gulf off the Sea of Japan and *Peace Mission 2013* (Mirnaya Missiya, or 和平使命) anti-terrorism maneuvers were held at the Chebarkul training site in Russia from July 27-Aug. 15.

For the naval exercise, the two sides dispatched some of their best and most powerful naval platforms. Seven People's Liberation Army (PLA) Navy ships traveled some 1,300 km from Qingdao to Vladivostok to participate. This was by far China's single biggest deployment of naval forces in any joint exercise outside China. For this annual drill, the two navies deployed 18 surface ships, a Russian submarine, eight airplanes (three from China), and two Special Forces units. The declared goals of the exercise were: 1) deepening bilateral strategic partnership relations; 2) increasing the ability to cope with common threats from the sea; 3) enhancing the ability of joint operations; and 4) optimizing interoperability.

There were 11 training subjects for the week-long naval exercise included fleet protection in anchorage, air defense, escort operations, anti-submarine warfare, surface strike, hostage rescue, search and rescue, replenishment at sea, live-fire training for surface and air targets, and firing depth charges. It ended with a fleet parade. During the drill, the warships of the two navies turned on their fire control and their illumination and missile guidance radars. They also used their sonar, photoelectric communication, and electronic equipment in the anti-submarine and air-defense drills. For those tactical subjects, particularly the top-secret components of the joint anti-submarine drill, Chinese commentators claimed the two militaries developed higher-level strategic and mutual trust than previous Sino-Russian joint naval exercises, which had demonstrated "only mild mutual trust," according to Beijing-based military expert Liu Jianping.

Beyond the enhanced mutual trust, the two navies seemed to have different assessments of the exercise. "The most difficult stage was the preparation stage, when the headquarters were making preparations, when forces were making preparations..." remarked Igor Smolyak, commander of the Russian naval task force. PLAN Deputy Commander Ding Yiping considered joint firing the most difficult part of the drill. It was interesting to note that the working language for the two navies was English, though Russian and Chinese were also used in communication. During the drills, liaison officers and interpreters (Russian-Chinese) were also dispatched to each other's ships to facilitate communication. The PLAN even required its sailors to be able to speak at least 25 simple Russian sentences and to sing at least two Russian songs.

The two sides claimed that the weeklong drill was a routine naval exercise and not intended to target any third party. Indeed, this series of naval exercises was initiated by Gen. Chen Bingde, then chief of the PLA General Staff, during his August 2011 visit to Moscow. In April and May of 2012, the two navies held *Joint Sea 2012*, which was planned and simulated in Vladivostok and then drilled in the Yellow Sea near China's Shandong Peninsula.

The 2013 iteration came at a time when tensions were rising over the Diaoyu/Senkaku Islands dispute between China and Japan. Some Chinese commentators speculated the choice of exercise location, which was close to northern Japan, may have been intended to have some deterrent effect for Japan. “The location of the exercise was obviously decided after serious and careful consultations between the two sides,” remarked Gen. Yin Zhuo, director of PLAN’s Commission of Information Experts. “It also shows more consensus between Russia and China regarding military affairs,” added Yin. Liu Jianping, the expert on military affairs in Beijing, said that the “anchorage drills” meant to practice defense operations against sudden air-sea joint assaults, a tactic repeatedly employed in the past by Japanese forces.

To drive home the not-so-hidden “Japan factor,” the exercise ended with five of the seven Chinese warships (two missile destroyers, two frigates, and a supply ship) passing through the Soya (La Perouse) Strait off northern Japan, which, according to a Beijing source, was “a breakthrough for Chinese warships to pass through the narrow strait and enter into the exterior lines of the Pacific Ocean and the Arctic Ocean.” Hong Yuan of the Chinese Academy of Social Sciences’ Institute of World Politics said, “It would help China break through the encirclement by Japan and the United States in the region, and it would also help deepen the strategic cooperation between the two navies of China and Russia.” Later in a press interview, Rear Adm. Yin Zhuo pointed out that *Joint Sea 2013* was the PLAN’s first exercise in the Sea of Japan. It was a great training opportunity for the PLAN and an important step toward understanding the Pacific Ocean to sail through the La Perouse Strait and the Sea of Okhotsk to familiarize itself with the area and enter the Pacific Ocean to carry out open-sea training.

The Japan implication of the China-Russian naval exercise was certainly picked up by both Japan and the US. As the drills entered its operational stage on July 8, the Japanese and US air forces also kicked off their joint exercise involving 16 fighter aircraft in the waters and airspace of Hokkaido, which was less than 800 km from the waters where *Joint Sea 2013* was held. China considered the US-Japan joint air drill to be an immediate response to the exercise.

Despite the obvious improvement in mutual trust and interoperability demonstrated in the *Joint Sea 2013* exercise, the PLAN still considers its overall capability to lag far behind the US and Japan. Prior to the PLAN launching its largest-ever surface force for a foreign exercise 1,300 km away, three large Japanese naval ships (landing ship *JS Shimokita*, destroyer *JS Atago*, and helicopter destroyer *JS Hyuga*) journeyed 9,000 km to San Diego, California to participate in the multilateral exercise *Dawn Blitz*. The Chinese believe that the level of interoperability in US exercises with its allies is usually much higher than during exercises between China and other foreign militaries. Aside from technical constraints, the relatively low-level of interoperability between Russian and Chinese militaries was the outcome of at least two non-military factors. One is the defensive nature of the Sino-Russian drill vs. the offensive nature of the US-Japan exercise, which focused on amphibious landing. In contrast, *Joint Sea 2013* was largely focused on surface escort techniques. This aspect of the Sino-Russian exercise was driven by their declared policies as being non-alliance, non-confrontational, and not targeting any third country, which are important components of the so-called “new type of large power relationship.” Meanwhile, the US has maintained its robust military alliance relations with many of its allies for decades, hence their higher level of interoperability.

### ***Peace Mission 2013: less for more?***

Preparation for *Peace Mission 2013* was in high gear even before the end of *Joint Sea 2013*. Between July 27 and Aug. 15, 1,500 Russian and Chinese servicemen from Russia's Central Military District (CMD) and China's Shenyang Military Area Command (MAC) participated in the drill in Russia's Chebarkul training site in Russia's Chelyabinsk Region. A joint command consisting of 60 officers was established, along with a joint air group of 20 bombers and helicopters from the two air forces, as well as more than 200 pieces of military hardware and vehicles. Unlike previous *Peace Mission* exercises, which were commanded directly by the general headquarters of the two militaries, the 2013 exercise was prepared and executed by military regions: Russian CMD and China's Shenyang MAC. This decentralization was seen by both sides as a sign of more institutionalized military relationship.

The 20-day joint anti-terrorism drills had three phases: troop deployment, battle planning, and simulated combat. Most of the drill time was devoted to map maneuvering, war-room simulation, and field practice/training (joint reconnaissance, joint block and control of target areas, joint strike, and joint support for campaign equipment). The final stage of the exercise on Aug. 15 involved a 45-minute "campaign" operation: aerial reconnaissance with drones, fixed-wing aircraft and scout units; psychological warfare (dropping leaflets and loudspeakers in English and Arabic languages) to weaken the "militants'" fighting will and winning over "civilians"; heavy-artillery bombardment; bombers (Russian *Sukhoi 24MRs* and Chinese *JH-7A Flying Leopards*) providing air support; low-flying helicopter gunships (two Chinese *Z-9* and two Russian *Mi-24s*) picking out remaining pockets of resistance; commandos assaulting a three-story building taken by a group of "heavily armed terrorists"; heavy-armor units of the two militaries (Russian *T-72* and Chinese *T-96* main battle tanks, Chinese *T-83* 152mm self-propelled howitzers and *T-86 WZ501* APCs) chasing, encircling, and annihilating the fleeing "terrorists."

*Peace Mission 2013* was the sixth round of joint exercises within the Shanghai Cooperation Organization (SCO) framework. They have been either in bilateral (only Russian and Chinese troops) or multilateral (together with other SCO states) formats. What separated this year's exercise from its predecessors, however, was the long period of "practice" days. For almost three weeks, the two militaries practiced and fine-tuned their interoperability skills and operational details. Russian and Chinese units were all "grouped" with their counterparts into so-called "combat groups" during the practice and final drills. The drill entered its final rehearsal stage on Aug. 12 when 900 Chinese and Russian troops went through the entire drill.

Despite the usual "anti-terrorist" label (heavily-armed terrorists have taken over a populated location with the goal of setting up a separate "state"), *Peace Mission 2013* was defined as a simulated "campaign" (战役), with a virtual force of 25,000 troops involved. In other words, Russian and Chinese commanders conducted their operations with more of their regular forces (infantries with heavy artillery, armor, air defense and logistics, plus aerial support). The PLA infantry units were transported by rail over 5,000 km to Russia's southern Ural region, while its bombers and helicopters flew to their destination in Russia with several refueling stopovers in Russia. With the exception of bombers from the PLA Air Force (PLAAF), all Chinese units were from the 39<sup>th</sup> Group Army stationed in Liaoning Province.

The virtual force and the types of weaponry involved in *Peace Mission 2013* provoked some questions from both foreign sources and from China and Russia. A Chinese reporter used the term “using a knife for butchering cattle to kill a chicken” [杀鸡用牛刀] in his question to Maj. Gen. Pan Liangshi, Chinese commander of the Sino-Russian joint campaign command post and commander of the 39<sup>th</sup> Group Army. Pan responded saying that it was imperative to use regular forces for such actions because terrorist groups are “extremely cruel and sinister” and may gain various types of weapons, including heavy weapons. Anti-terror action therefore must be “rapid and decisive, and cannot be a protracted battle.” If the battle lasted long and becomes indecisive, Pan believed that “people will suffer exponentially growing danger from terror.” In addition, the activities of the terrorist organizations “are international in nature, so anti-terror operations cannot use only one service, but require joint strikes in all domains.” For this, Pan cited the Chechen War as a case in point. Elsewhere, Pan also cited Russia’s 2008 war with Georgia as a case for the Chinese military to learn from Russia’s experience. The PLA obviously pays close attention to Russia’s combat experience in both regular and counter-insurgency operations against Chechnya’s separatist movement that have cost Russia dearly.

*Peace Mission 2013* also included a lot of socializing. Aside from the usual sports contests between the two militaries (basketball, volleyball, tug of war, etc., this time in “mixed” teams), there seemed to be a complete transparency of life and activities of the two militaries. There were frequent visits to each other’s quarters, logistic depots, emergency facilities, and armor maintenance and repairing shops out of both curiosity and a desire for mutual learning. Russian Defense Ministry’s *Zvezda TV*, for example, showed a Chinese field kitchen including a chef demonstrating cooking with martial arts moves, and PLA choir singing “Midnight in Moscow,” the only Russian song that every Chinese could hum. Russian officers and men also visited a Chinese “cultural pavilion” displaying and demonstrating Chinese arts and crafts, calligraphy, painting, Peking opera, martial arts, tea ceremony, etc. One “mandatory” item for the Chinese units, which puzzled the Russians most, was the daily two-hour nap for all Chinese servicemen after lunch. “Even a general won’t be able to order his men around during these napping hours,” mused a Russian reporter.

On Aug. 11, some PLAAF officers and men traveled to the World War II Victory Square in central Chelyabinsk to celebrate the 101<sup>st</sup> anniversary of the founding of the Russian Federation Air Force. Group leader Jin Lingui presented flowers to the eternal flame towering in the Victory Square. “[T]he officers and men of China and Russia always bear in mind the friendship forged by blood and sincerity, which is an important source of strength for the development of the relations between the two militaries,” Lin was quoted as saying.

### **Russia’s snap drill: largest in post-Soviet times**

The timing, frequency and execution of the two exercises between Russian and Chinese militaries certainly drew attention from outside and within the two nations. Official media of both countries saw the exercises as a stabilizing influence in addition to strengthening the relationship. There was, however, a wide range of views. Moscow’s Politkom.ru, an independent online journal known to be somewhat critical of the official view, interpreted on Aug. 19 the seemingly closer military relations between Moscow and Beijing as being a function of Russia’s more problematic relationship with the West, particularly with the US. Moscow was seen as

essentially “taking a time-out” when “problems are more prevalent in Russian-American relations than their isolated points of cooperation in different regions of the world.” Russian-Chinese military ties, therefore, were considered lacking internal logic but destined to fluctuate according to external stimuli.

Interestingly enough, a survey by China’s *Phoenix TV* in late July also showed that more than two-third of the respondents (70.76 percent) considered the US, Japan, and other countries with territorial disputes with China as targets of the *Peace Mission 2013* exercise. Only 27 percent saw international terrorism and separatist movements in Xinjiang and Chechnya as the target. Considering that *Peace Mission 2013* was conducted deep inside the Eurasian landmass, one wonders how Chinese respondents would view *Joint Sea 2013*, given its location was just a few hundreds of kilometers from the Japanese mainland.

Russian critics of closer military relationship with China “have not lost their relevance,” though they had “become noticeably more subdued,” stated a Politkom.ru article. Alarmists in Russia even cited the fatalistic view of the so-called “Zyuganov’s formula” for Russia’s plight in the world stage (1 percent of world’s GDP + 30 percent of world’s resources = zero ability to compete). Perhaps more than anything else, Russia’s week-long “surprise check” of its Eastern Military District on July 12-20 drove home the uncertain and tepid nature of the bilateral relationship. The largest exercise in the post-Soviet history (160,000 servicemen, 5,000 tanks and armored fighting vehicles, 130 aircraft and 70 naval vessels), this “no-notice inspection” started on the last day of the *Joint Sea 2013* naval exercise and ended a few days before the start of *Peace Mission 2013*. Russian media reported that China was informed about the surprise check only hours in advance, leaving the impression that China was perhaps the real target of this massive military readiness drill along thousands of kilometers of the border with China.

There are elements of truth in Russia’s alarmist view of closer military relations with China. Careful reading of the issue, however, provides a fuller picture of the evolving military relationship. According to *Interfax* on July 1, Russian Defense Minister Sergei Shoigu revealed that he and his Chinese counterpart Gen. Chang Wanquan met on June 26 on the sidelines of a meeting of SCO defense ministers in Bishkek, where they “frankly discussed the holding of surprise inspections of combat preparedness of our armed forces.” Shoigu recalled that “I gave a rather detailed account of the goals and tasks of these inspections.” On July 13, Deputy Defense Minister Anatoliy Antonov described “a special procedure” to give China “additional information” about the inspection. However, it looks like other Russian neighbors were informed about the no-notice inspection only hours before it started and through normal channels, such as Russian military attaches in neighboring countries.

According to a 1996 agreement with China titled “Shanghai Agreement on Confidence-Building Measures in the Border Region,” Russia is obligated to notify China prior (in certain instances, 30 days) to the start of exercises within the 100-km zone of the Russian-Chinese border. As such, Russia was not obliged to make any written notifications to inform China of the surprise inspection, but Russia did notify Beijing that “an extensive measure” would be taking place in the region of the Eastern Military District,” explained Sergey Koshelev, chief of the Main Directorate for International Military Cooperation.

For China, Russia’s no-notice inspection was perhaps an irritant, particularly considering its timing (between two bilateral exercises with China). Throughout the hot summer, however, Moscow and Beijing seemed full of guarded optimism regarding the military relationship. In addition to staging two large exercises, military sales – “military-technological cooperation” in Russia’s terminology – of several advanced weapon systems (*Su-35s*, *Lada* submarines, *SS-400* air defense systems, etc.) were said to be moving ahead. After years of stagnation, the current round of negotiations for weapons sales to China appears promising. These positive signs in military-technology cooperation were even picked up by President Putin when he met visiting Chinese State Councilor Yang Jiechi on Aug. 16. “We are working together successfully, including in the sphere of military-technical cooperation and the military. That is indicated by the exercises taking place between our armed units,” Putin said in a meeting with Yang, who was in Moscow for the 9<sup>th</sup> round of China-Russia strategic security consultations.

Finally, the two 2013 exercises marked a more institutionalized trajectory for joint exercises, particularly since 2012 when Russia and China engaged in both land and naval exercises in the same year (See Table 1 below). Previously, the two militaries either embedded their exercises within the SCO framework, or skipped drills for the year (2006 and 2008).

**Table 1: China-Russia Joint Military Exercises, 2003-2013**

Code-Names	SCO	Russ-Ch	Time	Location	Force Size
Coalition-2003	*		Aug 6-12	Kazakhstan & Xinjiang	1,300
Peace Mission-2005		* n	Aug 18-25	Vladivostok & Shandong	10,000
Peace Mission-2007	*		Aug 9-17	Chelyabinsk, Russia	4,000
Peace Mission 2009		*	Jul 22-26	Khabarovsk & Taonan	1,300
Peace Shield 2009		n	Sept 8	Gulf of Aden	6 warships
Peace Mission 2010	*		Sept 9-25	Kazakhstan	5,000
Joint Sea 2012		n	Apr 22-27	Qingdao, China	25 warships
Peace Mission 2012	*		Jun 8-14	Tajikstan	2,000
Joint Sea 2013		n	Jul 5-12	Peter the Great Gulf, Russia	19 warships
Peace Mission 2013		*	Jul 27-Aug15	Chebarkul, Russia	1,500

\* = Infantry with aerial support  
n = naval

### From summer “steam” to the “Syria storm”

By the end of August, cooler air from Siberia arrived in Beijing and the Chinese capital entered its best and shortest season, autumn. As the last train carrying Chinese armor and personnel cleared Russian territory on Aug. 25, civil war in Syria appeared to be on the verge of significantly escalating when President Obama “outsourced” his presidential authority to bomb Syria for its alleged use of chemical weapons to the US Congress for approval.

Most Russian pundits anticipated US strikes against Syria with or without UN authorization. Few, if any, Russian analysts believe that Russia would intervene militarily in Syria, given the huge disparity in comprehensive power between Russia and the West. China’s posture regarding Syria is somewhat more restrained than that of Moscow. Inside Syria, however, most of the 2,000 Chinese nationals have been evacuated.

“Nobody is able to rein back the US’ war against Syria,” said an editorial in China’s *Global Times* on Aug. 28. US air raids against Syria, however, may well be the least legitimate one in the post-Cold War era. “Still, China and Russia would not directly confront the West, though their anti-war posture would be harder this time,” continued the editorial. The paper suggested that China offer moral support for Syria, while Russia and Iran provide direct military assistance.

While both sides were posturing, the toll in Syria was 100,000 dead and 2 million refugees by late August. With or without chemical weapons, Syria is being destroyed, perhaps beyond repair. Western intervention, no matter how limited, would turn an already combustible mix into an explosive mess. Such a prospect even alarmed Pope Francis, as well as other Christian leaders in the Middle East and around Europe, who are warning of a possible global conflict should the US and other Western powers launch an attack on Syria.

Indeed, after the hottest summer in a century for many parts of the world including Russia and China, the world is heading toward the centennial commemoration of the outbreak of World War I. After the first salvo of the guns in the fatal month of August 1914, major powers in Europe declared war on one another in a matter of 10 days. The rest is history. What happens in Syria in the next few months will test the wisdom and will of the world’s leaders, including those in Russia and China.

## **Chronology of China-Russia Relations**

### **May – August 2013**

**May 8, 2013:** Russian President’s Special Envoy for the Middle East and Deputy Foreign Minister, M.L. Bogdanov, meets Chinese Ambassador Li Hui in Moscow. Bogdanov briefs Li about the Russian-US agreements on the settlement in Syria reached during the visit of US Secretary of State John Kerry to Moscow on May 7. They coordinate their efforts “in the interests of the fastest settlement of the Syrian conflict has been confirmed.”

**May 10-15, 2013:** Patriarch Kirill, head of the Russian Orthodox Church, visits China as part of bilateral religious exchanges. He meets President Xi Jinping and says Russian and Chinese people cherish national independence and sovereignty, as well as value unity, diligence, and justice. Xi praises the Russian Orthodox Church’s consistent support for the development of China-Russian relations and for China’s stance on issues involving its core interests.

**May 26-28, 2013:** Chairman of Russian State Duma Sergei Naryshkin visits Beijing to participate in the sixth session of the Russian-Chinese Inter-Parliamentary Commission at the invitation of Zhang Dejiang, chairman of the Standing Committee of the National People’s Congress. He meets President Xi Jinping on May 27.

**June 11-20, 2013:** Chinese and Russian special forces conduct a 10-day joint training exercise in Beijing named *Cooperation 2013*. The exercise involves 46 Chinese and 29 Russians training in shooting, forced entry, hostage rescue, and terrorist camp raids. The last time the two sides conducted a joint anti-terrorism drill was *Cooperation 2007*, in Russia.

**June 15, 2013:** President Xi Jinping and Russian counterpart Vladimir Putin discuss bilateral ties and the situation on the Korean Peninsula in a telephone conversation.

**June 19-22, 2013:** Chinese Vice Premier Zhang Gaoli attends the Saint Petersburg International Economic Forum, an annual gathering of world political and business elites. Zhang is received by President Putin. He also meets First Deputy Prime Minister Igor Shuvalov and Deputy Prime Minister Arkady Dvorkovich, who co-chairs the China-Russia energy cooperation committee. A \$270 billion contract is signed for up to 46 million tons of oil annually to China for 25 years.

**June 23, 2013:** Edward Snowden, former contract employee of the US National Security Agency, leaves Hong Kong on a flight bound for Russia.

**June 25-27, 2013:** Shanghai Cooperation Organization (SCO) border service heads meet in Yekaterinburg to discuss plans of joint operations on the Russian-Chinese and Kyrgyz-Chinese stretches of the state borders for 2013. They also discuss the Western coalition's planned withdrawal from Afghanistan in 2014.

**June 26, 2013:** The SCO Defense Ministers Meeting is held in Bishkek. Ministers agree to strengthen cooperation in crushing separatism, extremism, and drug-trafficking based on their share of responsibilities. China's Defense Minister Chang Wanquan holds separate talks with Russian counterpart Sergei Shoigu on the sidelines.

**July 1, 2013:** Col. Gen. Fang Fenghui, PLA chief of General Staff, visits Russia and meets General Staff Chief Valery Gerasimov and Defense Minister Sergei Shoigu.

**July 5-11, 2013:** Russian and Chinese navies conducted *Joint Sea 2013* exercise in the Peter the Great Gulf of the Sea of Japan.

**July 13, 2013:** SCO annual Foreign Ministers Meeting is held at Cholpon-At in northeastern Kyrgyzstan. Among the documents signed is the action plan for 2013-2017 to implement a long-term cooperation agreement among the SCO member countries. Chinese Foreign Minister Wang Yi meets separately with Russian counterpart Sergei Lavrov.

**July 12-20, 2013:** Russia's Eastern Military District stages a week-long, non-notice combat readiness "inspection." It is the largest in post-Soviet history.

**July 27-Aug. 15, 2013:** Russia and China conduct *Peace Mission 2013* joint anti-terror exercise at the Chebarkul training ground in Russia's Chelyabinsk region. More than 1,500 Russian and Chinese servicemen participate.

**Aug. 11, 2013:** Kyrgyz and Chinese border guards hold a joint antiterrorism exercise code-named *Joint Border Activities 2013* on the Kyrgyz-Chinese border. Representatives from SCO member states (Kazakhstan, Russia, Tajikistan and Uzbekistan) the SCO regional antiterrorist structure and observers (India and Iran) observe the exercise from headquarters in Urumqi.

**Aug. 14-16, 2013:** Chinese State Councilor Yang Jiechi and Secretary of the Russian Security Council Nikolai Patrushev lead 9<sup>th</sup> round of China-Russia strategic security consultations in Moscow.

**Aug. 26, 2013:** Russian Prime Minister Dmitry Medvedev and Chinese counterpart Li Keqiang discuss by phone anti-flood measures for the Amur/Heilongjiang River. Li voices hope that Russia would exploit the advantage of its upstream reservoir to cut the flood peak and scale down the floods and offers help with Russia's disaster relief efforts to keep the flood damage to a minimum level.

**Aug. 28-29, 2013:** Twice in two days, Russian and Chinese representatives walk out of the UN Security Council emergency sessions on Syria.

# Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



**Australia-East Asia/US Relations:**

## **Election plus Marines, Joint Facilities and the Asian Century**

**Graeme Dobell**

**Australian Strategic Policy Institute**

The 12 months under review saw the unfolding of the withdrawal timetable from Afghanistan, the second rotation of US Marines to northern Australia, the first “Full Knowledge and Concurrence” statement on US facilities on Australian soil in six years, and the end of Australia’s long-term military deployments in Timor Leste and Solomon Islands. The Gillard government produced a trio of major policy statements built on an understanding that Asia’s “extraordinary ascent” means Australia is entering “a truly transformative period in our history.” In the words of the *Australia in the Asian Century White Paper*: “In managing the intersections of Australia’s ties with the United States and China, we will need a clear sense of our national interests, a strong voice in both relationships and effective diplomacy.”

Meanwhile, Australian politics experienced a bit of turmoil. The Labor government discarded Australia’s first female prime minister in an attempt to appease the voters, but instead the voters discarded the Labor government. So it was that in the national election on Sept. 7, Australia got its third prime minister in the same calendar year. After six years of Labor rule, the Liberal-National Coalition led by Tony Abbott is back in power. Plummeting opinion polls had caused the Labor Parliamentary Caucus to vote out Julia Gillard as leader in June and elect Kevin Rudd as prime minister. Thus, Labor returned to the man it had thrown out of the prime ministership in 2010, afraid he could not win the looming 2010 election. Facing the prospect of another federal election, the Caucus this time dispensed with Gillard and gave Rudd a second chance as prime minister. Rudd, though, carried the weight of Labor’s six years in office and the wounds of his bitter three-year leadership wrangle with Gillard, a struggle that had eaten at the government’s standing and morale. Abbott’s simple message was a Coalition alternative to the disunity, drama, and spectacular hatreds of the Labor years, allowing the Liberal leader to run a campaign that was singularly light on policy commitments. In the end, not being Julia Gillard or Kevin Rudd was enough for an Abbott triumph.

### **September 7 Australian election**

The US intellectual Francis Fukuyama visited Australia in the midst of the national election campaign and, as an outsider, offered the view that the political fight illustrated the downside of highly adversarial, competitive politics – producing conflict for its own sake. Fukuyama went on to judge that the bitterness of Australian politics has not reached the intensity of the US: “Australia has got the fewest big long-term problems of any developed democracy I know. In policy terms, the fight within Labor, or even between Labor and the Liberals seem pretty minor when compared to the things that polarise Americans, such as the legitimacy of taxation, dealing with the deficit, abortion and guns.”

The areas of consensus or tacit agreement in Australian politics certainly extend well beyond the agreement of the major parties on the US alliance – reaching to major areas such as health insurance and education. In contrast to US debates, Labor and the Coalition agreed to a taxation increase, a lift in the Medicare levy to pay for a new national disability insurance scheme. The Coalition also embraced a new school funding system and budget created by the Labor government, with opposition leader Abbott saying he was on a unity ticket with Prime Minister Rudd on future education spending.

In international affairs and defense, the large common ground between Labor and the Coalition means that recent policy differences have been ones of emphasis. The one international issue that played a significant part in the election was border protection and the arrival in Australian waters of boats, usually sailing from Indonesia, bearing nationals from countries such as Afghanistan, Iran, Iraq, and Sri Lanka, seeking asylum in Australia as refugees. In the 12 months to June, 2012, 110 boats brought 7,983 people. In the 12 months to June, this year, 403 boats brought 25,173 asylum seekers.

Both sides of politics agreed on the need to “stop the boats” – the policy promise that Tony Abbott turned into a political mantra. The argument was whether Labor or the Coalition could do a better job of dealing with the flow of people flying to Indonesia and then paying people smugglers to be sailed to Australian waters.

The potency of the issue in Australian politics was demonstrated by Rudd’s actions after being sworn in as prime minister on June 27. By July 5, he was in Jakarta for talks with President Susilo Bambang Yudhoyono on how to deal with people smugglers operating from Indonesia. On July 15, Rudd was in Port Moresby to announce a new aid package for Papua New Guinea (PNG) which was tied to a new version of the Coalition’s “Pacific Solution” – processing asylum seekers in the South Pacific rather than on Australian soil. Australia quickly signed an agreement with PNG so boat people can be sent there. Under the terms of the deal, all such asylum seekers will be sent to PNG for assessment; if found to be refugees, they will be settled in PNG. In the campaign, the Coalition responded by saying it would apply a hardline stance to 32,000 asylum seekers who have already arrived in Australia by boat. An Abbott government would deny them the right ever to get permanent settlement in Australia and scrap their right to appeal to the courts to achieve refugee status.

## **Afghanistan**

By the end of 2013, the majority of Australian troops will be out of Afghanistan. Labor and the Coalition have been united in their support for the mission even as the Australian public turned away from Afghanistan. The annual Lowy Institute survey of Australia public opinion on foreign affairs found that 61 percent of Australians polled thought the Afghanistan war “was not worth fighting.” In October 2012, Prime Minister Gillard delivered a statement to Parliament on the military exit by 2014, saying Australians had “cause for measured confidence and resolve” about the transition. She said Australia’s mission in Uruzgan province was clear and achievable: to prepare the 4th Afghan Brigade for a handover of full security responsibility. In March, 2013, Defense Minister Stephen Smith announced that at least 1,000 of Australia 1,650 troops in

Afghanistan will be withdrawn by the end of the year as the Tarin Kowt multinational base in Uruzgan is closed. Smith said Australia has been in Afghanistan “far too long.” He said the decision was in line with plans laid out by the international community in 2010 to hand over security of the region to Afghan authorities by the end of 2014. Uruzgan will be one of the first areas to make the transfer.

A health survey of Australian forces involved in combat in Afghanistan and Iraq found a significant increase in mental health problems for troops exposed to trauma and combat. Noting the findings, chief of the Australian Defence Force Gen. David Hurley dismissed talk of a “tidal wave” or “tsunami” of post-traumatic stress disorder: “This language is provocative and emotive and points to a simplistic view of military mental health. This view does not take into account that ADF personnel have been performing difficult [Australian] border protection tasks and rotating in and out of operations in the Middle East for 12 years. Assuming a tidal wave, we should expect to be experiencing that now. The data does not support this view.”

The defense minister’s comment about being in Afghanistan “far too long” was the context for the discussion of Afghanistan at the annual alliance talks at the end of 2012 between the US secretaries of defense and state and their Australian counterparts. The communiqué wordage devoted to Afghanistan was all about implementing the agreed withdrawal timetable:

We reiterated our continued commitment to a secure, stable, and prosperous Afghanistan that is not a safe haven for international terrorists. We acknowledged the achievements and paid tribute to the sacrifices of Australian and US military and civilian personnel in Afghanistan. We reiterated our commitment to the International Security Assistance Force (ISAF) transition strategy which was agreed in Lisbon and reaffirmed at the ISAF/NATO Leaders’ Summit in Chicago in May. We also confirmed our commitment to a post-2014 mission to train, advise, and assist the Afghan National Security Forces (ANSF) and recognised that an appropriate funding mechanism to sustain the ANSF into the future is critical.

## **US Marines in Darwin**

In April, 2013, a second rotation of more than 200 US Marines arrived in Darwin, following the first rotation to the Northern Territory in April, 2012. Under the terms of the “new focus” on the Asia Pacific announced by President Barack Obama in his visit to Canberra in November, 2011, the Marines spend six months in northern Australia in the dry season for exercises and training: the plan is to increase this annual deployment to a 2,500-person Marine Air Ground Task Force later this decade. Next year, the number of Marines is to rise to 1,150.

The Lowy Institute survey of Australian public opinion on foreign policy found an increase in Australian support for the Marine presence: 61 percent of those polled this year were in favor of “allowing the US to base military forces here in Australia” (up from 55 percent in 2011 when the same question was asked).

US Defense Secretary Chuck Hagel said in June that the Marines would “deepen cooperation with our treaty ally Australia and other regional partners.” Hagel pointed to this as an expression

of enduring US commitment to peace and security in the Asia-Pacific region by “sustaining the ability to deter aggression and operate effectively across all domains.”

The US Senate Armed Services Committee reported a Marine estimate that infrastructure costing \$1.6 billion will be needed in northern Australia to accommodate the Marine Task Force. Detailed discussions are under way between the US and Australia about who will pay the bill – raising questions about how keen Australia is on this expanded expression of the alliance. As the second rotation began, Defense Minister Smith said the full Marine Task Force is not due before 2016-17 and that Canberra “had not yet made any decisions about the arrangements for larger US Marine Corps rotations.”

The annual alliance talks, held in Perth in November 2012, discussed “enhanced aircraft cooperation, which is expected to result in increased rotations of US aircraft through northern Australia.” The talks also looked at the potential for the US Navy to make greater use of Australia’s key Indian Ocean naval base, HMAS Stirling, near Perth. The meeting communiqué referred to the budget implications of this in one dry sentence: “All of these possible areas of cooperation would require substantial further study and additional decisions by both capitals.”

The US rebalance to Asia is entering that difficult moment where policy announcement has to be paid for. As Washington and the US military struggle with budget woes, a lot of encouragement is being offered to friends in Asia to do their part to help implement the pivot. During a visit to Washington in March, two senior analysts with the Australian Strategic Policy Institute, Andrew Davies and Mark Thomson, reported on the eagerness of US policy makers and thinkers for Asia to show more commitment to the rebalance: “It’s clear to us that there’s disappointment in Washington about the allied response to date – and Australia has been mentioned in this respect more than once.” To be fair, it’s not a case of finger wagging or reprimanding, and Michael Green of CSIS provided the best one-liner of the week when he said that “Washington isn’t in a position to export political will at the moment, because there’s a deficit here as well.” Be that as it may, the fact is that the US sees itself as the hardest working member of a team and it’s looking for a higher rate of effort from the rest.

Davies and Thomson argued that Australia could do its ally – and itself – a big favor by putting some money on the table to properly support the establishment and maintenance of the US training mission to northern Australia:

On the scale of defense expenditure it’s not a biggie, but it would send a clear signal that Australia is prepared to put some resources behind its public rhetoric in support of the rebalance. That would make good sense for us strategically. An ongoing US presence in the Asia-Pacific is unambiguously in our interest; we get a security benefit from the alliance far in excess of our modest defence spending (presently 1.56 percent of GDP compared with America’s 4.7 percent). It follows that spending a little extra to help secure the presence of US forces in our region should be a no-brainer, even in a period of fiscal stringency.

In June, Prime Minister Gillard and Defense Minister Smith announced that next year, the number of Marines coming to northern Australia for the six-month rotation will lift from 200 to

1,150. The majority of the Marines will be accommodated at Darwin's Robertson Barracks, with a smaller aviation support contingent of around 130 personnel at RAAF Darwin, along with four heavy lift helicopters. The statement said the larger rotation of Marines, "will better position both nations to join with other regional partners to respond in a timely and effective manner to a range of contingencies in the Indo Pacific, including humanitarian assistance and disaster relief. These rotations assist Australia's long-held strategic interests by supporting United States engagement in our region in a manner that promotes peace, stability and prosperity."

The Defense Department has released a social and economic assessment of the impact a six month rotation of 1,100 Marines next year would have. It found most impacts were expected to be positive or neutral, and that the economic impact would be modest and positive. The study suggests that a rotation of 1,100 Marines is expected to contribute an additional \$5.6 million to the Northern Territory Gross State Product, or \$5,090 per Marine.

### **US joint facilities: Full Knowledge and Concurrence**

On June 26, Defense Minister Smith made a statement to Parliament on the US joint facilities in Australia, nearly six years since the previous such report by a Coalition defense minister. There was some interesting detail in Smith's statement, but any media attention was swamped by the fact that on the same day the Labor Caucus deposed Prime Minister Gillard and replaced her with Kevin Rudd.

In making his statement, Smith was adding another chapter to a four-decade Canberra tradition of trying to tell Australians what they should know about the military and intelligence purposes the US pursues in Australia. In June 1977, Australia's Defense Minister James Killen made the first comprehensive statement on Australian access and sovereignty regarding the US facility at Pine Gap in the Northern Territory. Killen began what has been a constant refrain of Australian governments on the rare occasions they talk about Pine Gap – the insistence that Canberra has full knowledge of what its ally is doing on Australian soil: "There is no way in which systematic deception or activities detrimental to Australian interests could go undetected, even were it assumed that it was feasible and advantageous even to attempt them. Programs are actively monitored, both at the facility and by the Department of Defence in Canberra, to ensure compatibility with Australian national policy and objectives. Australia has the right to intervene if it has doubts or objections regarding any activity."

In June, 1984, Prime Minister Bob Hawke made a statement to the Parliament on "the general purpose and functions of the defense facilities we operate jointly with our American ally." Hawke's purpose was to heal deep divisions within the Labor Party over the "US bases" that had raged for the previous two decades, and to give some answers to the fears and suspicions of many Australians about the American "spy bases."

The phrase that has lived on from that Hawke statement was that "all functions and activities require, and have, the full knowledge and concurrence of the Australian government." Since then, Australian governments have made statements on the general purpose and functions of the US facilities, any change to these general purposes and the principles on which these facilities operate. This is done using the Hawke formula of "Full Knowledge and Concurrence."

The bases subject to this formula are (or were):

**Pine Gap:** (near Alice Springs in the Northern Territory) The biggest and most important of the facilities in Australia (and one of the largest satellite ground facilities in the world), Pine Gap was commissioned in 1967 and was renamed the Joint Facility Pine Gap in 1988. Pine Gap “collects intelligence data which supports the national security interests of both Australia and the United States, and provides ballistic missile early warning information.” The Pine Gap Treaty was originally signed in 1966 and was last extended in 1998. The treaty remains in force until terminated by either government.

Also at Alice Springs is a second joint facility, the Joint Geological and Geophysical Research Station, originally established in 1955 as a seismic monitoring station to detect nuclear explosions during the Cold War. It continues to monitor such explosions as part of the International Monitoring System of the Comprehensive Test Ban Treaty. It also monitors earthquakes and is jointly operated by Geoscience Australia and the US Air Force.

**Nurrungar:** (at Woomera in South Australia) Commissioned in 1969 and decommissioned in 1999, when functions shifted to Pine Gap, where the ballistic missile early warning job is performed remotely through the Space Based Infrared System (SBIRS) Relay Ground Station.

**North West Cape:** The Naval Communication Station, Harold E. Holt, on the North West Cape of Western Australia, was originally commissioned as a US base in 1967. It became a Joint Facility in 1974 at the instigation of the Whitlam government and an Australian facility in 1993 at the instigation of the Hawke government. In July 2008, a treaty was signed for US access to and use of the Australian facility for a period of 25 years.

In his statement to Parliament, Smith affirmed that the alliance now operates fully in the cyber domain. In September 2011, at the annual Australia-US Ministerial (AUSMIN) consultations in San Francisco, Australia and the US agreed that a cyber attack on either country would trigger the mechanisms of the ANZUS Treaty: “Our Governments share the view that, in the event of a cyber attack that threatens the territorial integrity, political independence or security of either of our nations, Australia and the United States would consult together and determine appropriate options to address the threat.”

In November 2012, at the annual AUSMIN consultations in Perth, Smith and Defense Secretary Leon Panetta signed a Memorandum of Understanding for the establishment of a jointly operated C-band radar space surveillance installation at the Harold E. Holt naval communication facility. Australia and the US would also work together to transfer a highly advanced space surveillance telescope to Australia. The two countries will discuss the establishment of a combined communications gateway in Western Australia, which would provide both Australia and the US greater access to the Wideband Global Satellite Communications constellation.

Australian Defense facilities to which the United States has access include:

- Naval Communication Station, Harold E. Holt, on the North West Cape of Western Australia, which provides communications facilities for US and Australian submarines;
- Mobile User Objective System (MUOS) located at the Australian Defence Satellite Communication Station near Geraldton, which provides satellite communications; and
- Extended High Accuracy Network Determination System (Ext-HANDS) research installation in Learmonth, Western Australia, comprising optical research sensors which collect data for space situational awareness research.

### **Evolving role of Pine Gap**

Smith's statement maintained one coy habit of Australian governments – the reluctance to refer to the fact that the Pine Gap facility is operated by the US Central Intelligence Agency and the chief of Pine Gap is a CIA officer. That coyness harks back to the far more embarrassing reality that from the 1960s through to 1975, Australia did not have “full knowledge and concurrence” of what the US was doing at the facility.

A forensic examination of the gap between Australian claim and US habit was performed by one of Australia's foremost academic strategists, Professor Desmond Ball, in his 1988 book on Pine Gap. Writing of the period up to 1975, Ball said: “Former officers and employees of the CIA have stated that significant aspects of the geostationary SIGINT satellite program were not disclosed to Australia and, indeed, that some operations of Pine Gap involved a ‘day-to-day’ deception of Australia ... And former Australian employees at Pine Gap have stated that Australians were excluded from certain key areas of the Pine Gap station and that certain material collected at Pine Gap was not passed on to Australian officers at the station.”

Ball reported that in 1979, Australian officers were at last granted access to the Signals Analysis Section, and in 1983, the Australian defense representative was appointed chairman of the Joint Reconnaissance Schedule Committee, which meets each morning to approve the daily targets for satellites. In 1988, Hawke announced changes to ensure Pine Gap operated in ways that best served Australia's interests as well as those of the US. Among the positions created for Australian Defense officials was the new job of “deputy chief of facility”; so the CIA provides the chief of Pine Gap but an Australian is the deputy chief.

Smith told Parliament that Pine Gap had evolved from its Cold War origins to meet new demands and take advantage of new technologies: “The facility supports monitoring of compliance with arms control and disarmament agreements and provides ballistic missile early warning information. Pine Gap is a central element of Australia's security and intelligence relationship with the United States. It makes a vital contribution to the security interests of both countries and re-affirms the very high level of cooperation that has been achieved in Australia's closest defence relationship.” Smith listed advantages Australia draws from hosting Pine Gap:

- access to intelligence and early warning that would be “unavailable from any other means and is unique in our region”;

- information on intelligence priorities such as terrorism, the proliferation of weapons of mass destruction, and military and weapons developments;
- ballistic missile early warning, performed remotely through the Space Based Infrared System (SBIRS) Relay Ground Station at Pine Gap, provides “key capabilities in the areas of missile warning and battlespace characterisation”;
- Intelligence that contributes to the verification of arms control and disarmament agreements.
- Pine Gap provides Australia a “world class capability which we could not independently develop.”

The defense minister told Parliament that Pine Gap “will remain a central element of Australia’s security relationship with the United States for the foreseeable future.”

### **The evolution of Full Knowledge and Concurrence**

The embarrassments of the 1960s and 1970s mean Australia has put a lot of work into defining what “Full Knowledge and Concurrence” means. Full knowledge equates to Australia having a full and detailed understanding of any capability or activity with a presence on Australian territory or making use of Australian assets. Concurrence means Australia approves the presence of a capability or function in Australia in support of its mutually agreed goals. Concurrence, Smith said, “does not mean that Australia approves every activity or tasking undertaken.” Read this formula as stating that Australia must concur to the function and operation of the facility but does not have control over individual US taskings: Broad concurrence, yes. Individual veto, no.

In May 2010, Australia’s then Defense Minister John Faulkner endorsed an explanation of the policy to ensure “clarity of understanding of this long standing policy.”

The requirement for full and detailed understanding may include:

- Capabilities of the facility, asset or system, such as bandwidth, data rates, and information collected by the system while operating in, through or from Australian territory.
- Type and function of communications transmitted through the facility, asset or system, including the general nature of traffic.
- Proposed changes to the use of the facility, asset or system that may affect any aspect of its operation.
- Understanding of the facility, asset or system in its totality and the uses to which it may be put.

Smith said that Australia will always consider full knowledge and concurrence principles for any new agreements with the United States, and they will apply to the capabilities recently agreed

with the US, including the positioning of a C-Band radar and Space Surveillance Telescope in Australia and the establishment of a Satellite Communications ground station at Geraldton.

“Our Joint Facilities with the United States will continue to contribute to the intelligence collection capabilities of both countries, support multilateral agreements to monitor compliance with arms control and disarmament, and underpin global strategic stability,” Smith said. “There is enduring value in our Joint Facilities and our other facilities that the United States has access to under the principle of Full Knowledge and Concurrence. The contribution of these facilities to global United States’ capabilities strengthens our alliance, enhances Australia’s own capabilities and makes a significant contribution to both Australia’s national security interests and to global security.”

### **The alliance, Australia, and Asia**

*“I know there are some who present a false choice that Australia needs to choose between its long-standing ties with the US and its emerging links with China. Well, that kind of zero-sum thinking only leads to negative results. We support Australia having strong, multifaceted ties with every nation in the Asia Pacific, indeed in the world, including China, just as we seek the same.”* Hillary Clinton, November, 2012

Visiting Australia for the annual alliance talks, the secretary of state’s warning about “zero sum thinking” and “false choices” in Asia echoed the official line taken by the Gillard government. Clinton’s remarks came just after former Labor Prime Minister Paul Keating voiced his fears that Australia is surrendering its foreign policy interests to the US, a view challenged by former Liberal Prime Minister John Howard as “fatuous.”

In his lecture, Keating said “Australia’s sphere of influence is diminishing” as it becomes subservient to US policy: “I believe the era of effective foreign policy activism in Australia has passed. Our sense of independence has flagged and we have rolled back into easy accommodation with the foreign policy objectives of the US.” This brought an immediate denial from Howard, the man who defeated Keating and went on to be Australia’s second-longest serving leader. Howard rejected the idea that Australia’s interests in Asia are compromised by being close to the US: “I, of course, reject it as a ludicrous proposition. I found that in dealing with the Chinese – so far from the close relationship we had with the Americans being a disadvantage – it was an advantage. Deep down the Chinese respected it. They never said so on the record, of course, but I have reason to believe they thought that.”

The Australian public shows a grasp of the shape and direction of this debate. The 2013 Lowy Institute survey of Australian public opinion on foreign policy suggests the voters still love the security elements of the alliance but are wary of becoming involved in any conflict in Asia. The Poll found 82 percent of Australians supported the US alliance (down from the Obama highpoint last year of 87 percent). So the tradition of Australia fervently clinging to the alliance lives, but the potential demands of the alliance are troubling.

The Iraq effect lingers: 76 percent of Australians think that “Australia should only support US military action if it is authorised by the United Nations.” And only 38 percent agreed with the

proposition that Australia should support “US military action in Asia, for example, in a conflict between China and Japan.” So Australians like the alliance as much as ever, but are not too keen on doing any alliance heavy duty, especially as China is seen as far more important economically than the US. The Lowy survey reported it this way:

The prospect of strategic competition between a rising China and the United States has stirred a debate in recent years about whether it is possible for Australia to maintain good relations with both nations. An overwhelming majority of Australians believe this is possible (87 percent). Only 12 percent think it is ‘not possible for Australia to have a good relationship with China and a good relationship with the United States at the same time’. Most Australians (76 percent) see China as the most important economy to Australia at the moment, far more than the 16 percent who say the United States economy is the most important. Given this strong emphasis on the Chinese economy, we asked this year which relationship people saw as more important to Australia overall. Despite their views about the importance of China’s economy, more Australians place a higher value on our relationship with the United States (48 percent) than with China (37 percent). Without being prompted, 10 percent offered the response that both were equally important. Even of those three-quarters of Australians who believe that China’s economy is the most important to Australia, a significant minority (40 percent) still think that the relationship with the United States is more important to Australia than the relationship with China.

In the 12 months prior to the election, the Gillard government issued three major statements on Australia’s strategic future. In October 2012, the prime minister issued a *White Paper on Australia in the Asian Century*, the product of a task force headed by an economist and public servant, Ken Henry, previously secretary of the Treasury. In January 2013, Gillard issued a *National Security Strategy*, setting priorities for the next five years. The two documents were used to frame the strategic environment for the Defence White Paper issued in May 2013.

While the three statements were all expressions of policy from the same government, their differences of tone and emphasis throw light on how elements of the Canberra system are thinking about the alliance and the choices and chances Asia is producing.

The Asian Century White Paper had a liberal internationalist optimism; the *National Security Strategy* marked a further shift from the previous focus on terrorism toward traditional state-based issues, with a new emphasis on the cyber realm; the Defence White Paper stabilized defense spending and promised increases; it offered a more positive view of China than the previous White Paper, issued by Kevin Rudd's first government in 2009; and the strategic construct that Defense has embraced is the Indo Pacific rather than the Asian Century.

### **The Australia in the Asian Century White Paper**

The Asian Century White Paper started from the premise that Asia will force even more dramatic changes on Australia. This is now a statement of the conventional view or ruling consensus. One important feature of the White Paper was as a marker of how far the Australian consensus on Asia has evolved. The previous generation of Australian leaders – Bob Hawke, Paul Keating,

and John Howard – were just as emphatic about the need to engage Asia, but laid far less stress on how much change this would force on Australia. Howard famously argued that Australia would not have to choose between its history and geography. Keating said Australia could go into Asia as it was and be accepted.

The message of the Asian Century White Paper, by contrast, is one of Asian forces that will transform Australia: “Asia’s rise is changing the world. This is a defining feature of the 21st Century – the Asian Century. These developments have profound implications for people everywhere. Asia’s extraordinary ascent has already changed the Australian economy, society and strategic environment. The scale and pace of the change still to come mean Australia is entering a truly transformative period in our history.”

The White Paper set a national objective of making Australia more open to and integrated with Asia, so that Asian trade would deliver at least one-third of GDP by 2025, up from one-quarter in 2011. The policy statement called for Australia to seek, as a national objective, stronger and more comprehensive relationships with five key nations in Asia: China, India, Indonesia, Japan, and South Korea. It said the US and China are the two states with the greatest power “to determine the temperature of regional affairs in coming decades.” A strong and consistent US presence “will continue to be as important in providing future confidence in Asia’s rapidly changing strategic environment as it has in the past.” At the same time, “China’s importance to Australia, economically and politically, will only grow in decades to come.” The statement praised the “intensity, structure and sophistication” of the engagement between the US and China, while pointing to competition that posed the danger of miscalculation and accident:

We are optimistic about the ability of China and the United States to manage strategic change in the region. But their relationship will inevitably have a competitive element, especially as China’s global interests expand, it becomes more active on a broader range of international issues and its defense capabilities grow in areas dominated for more than half a century by the United States. The danger of miscalculation and accident therefore requires ongoing investment in bilateral and regional efforts, such as the East Asia Summit and other regional bodies, to build trust and transparency and to ensure that communications are open and military-to-military dialogue is effective. In managing the intersections of Australia’s ties with the United States and China, we will need a clear sense of our national interests, a strong voice in both relationships and effective diplomacy.

### **Australia’s National Security Strategy**

In January 2013, Prime Minister Gillard issued what was described as Australia’s first National Security Strategy to provide a framework for national security efforts and set priorities for the next five years. The strategy was badged as “an important next step” following the 2008 National Security Statement issued by then Prime Minister Rudd, which “articulated Australia’s national security agenda and set in motion reforms to strengthen the national security community.”

Gillard’s strategy outlined three key priorities for the next five years: enhanced engagement in support of regional security and prosperity in the Asian Century; integrated cyber policy and

operations to enhance the defense of our digital networks; and effective partnership to achieve innovative and efficient national security outcomes.

The strategy paid due regard to the “persistent threat from terrorism” but put the terrorism issue in the same category as “increasingly sophisticated serious and organised crime.” This was not the terrorist ordering of the 9/11 decade as Gillard acknowledged, saying the transition is to “an era in which the behaviour of states, not non-state actors, will be the most important driver and shaper of Australia’s national security thinking.” The big new focus is on the cyber realm, with Gillard stating that the number of cyber incidents in Australia had increased by 42 percent over the past two years.

The government announced that by the end of 2013 it will have established the Australian Cyber Security Centre, bringing together Defence’s Cyber Security Operations Centre, the Attorney-General’s Computer Emergency Response Team, the Cyber Espionage Branch of the counter-espionage agency, ASIO, and elements of the High-Tech Crime Operations capability of the Australian Federal Police, plus analysts from the Australian Crime Commission.

In language replicated in the Defence White Paper, the strategy said the US alliance was “at the core of our approach to national security” and outlined key features of Australia’s approach:

- Strengthening the interoperability of Australian and US defense forces through:
  - Regular exercises, such as the biennial Exercise Talisman Sabre;
  - Implementation of the Defence Trade Cooperation Treaty; and
  - Acquiring interoperable and complementary capabilities (e.g. the *E/A-18G* variant of the *Super Hornet* aircraft and the *MH-60R Seahawk Romeo* helicopter.
- Continuing regular ministerial dialogues, including the annual AUSMIN Consultations.
- Cooperating on shared strategic and regional security interests including through the Australia–Japan–US Trilateral Strategic Dialogue.
- Supporting activities flowing from the US Force Posture Review, including rotations of US Marine Air Ground Task Force personnel through northern Australia.
- Contributing to the international efforts in Afghanistan.
- Addressing the growing challenge of cyber threats by including large-scale cyber attack within the scope of the Australia–US alliance.
- Sustaining a robust intelligence relationship, including in the defense field.

### **Australia’s Defence White Paper**

The Gillard government released the 2013 Defence White Paper at the start of May and the following week announced the federal budget that defined its financial settings. The headline point was that the government had put a new financial floor under the fall in defense spending.

Since the Rudd government's 2009 Defence White Paper, Labor had cut or deferred more than A\$20 billion of promised defense spending. Last financial year, funding fell in real terms by more than 10 percent – pushing the defense share of GDP to 1.6 percent – the lowest level since 1938.

The new Defence White Paper raised spending and recommitted to the capability goals of the 2009 White Paper. The government announced that the financial year starting this June would see real growth in spending of 2.3 percent to reach A\$25.4 billion, and then continue to grow for another three years to A\$28.6 billion to deliver an average of 3.6 percent real growth over four years of the forward estimates.

As ASPI's Mark Thomson noted in his annual assessment of the defense budget, if government delivers the A\$220 billion identified in the financial guidance for the six years that follow the forward estimates period, there is enough money available to grow the defense budget to A\$33.2 billion by 2022 at an annual real rate of growth of 2.5 percent per annum. Thomson advised: "Don't pop the champagne corks just yet. The seemingly impressive growth is coming from a low base. In the 48 months between the release of the 2009 and 2013 Defence White Papers, around \$20 billion of promised funding was lost in the headlong rush to get the Commonwealth's books out of the red. As things stand, it will be two more years before defense spending rises out of the hole that was dug in search of a surplus."

The White Paper noted that Australia's annual average defense spending since the end of the Vietnam War was 2.2 percent of GDP. Since 2000, the annual average has been 1.8 percent of GDP. The government committed to increasing defense funding toward a target of 2 percent of GDP from its current level of 1.6 percent. The lack of any target date for the 2 percent pledge was expressed in a classic weasel waiver sentence: "This is a long-term objective that will be implemented in an economically responsible manner as and when fiscal circumstances allow."

The 2013 White Paper pointed to developments since the 2009 White Paper:

- The ongoing economic, strategic, and military shift to the Indo Pacific;
- Australian Defence Force's (ADF) operational drawdown from Afghanistan, Timor-Leste and Solomon Islands;
- United States' rebalance to the Asia-Pacific;
- Australia's "substantially enhanced practical cooperation" with the United States pursuant to our alliance relationship; and
- Continuing adverse effects from the global financial crisis, impacting on the global economy, domestic budgets, and defense funding.

While the prime minister embraced the term "the Asian Century," Defence emphasizes the term "Indo Pacific." The White Paper said "a new Indo Pacific strategic arc is beginning to emerge, connecting the Indian and Pacific Oceans through Southeast Asia." As with the previously

preferred term “Asia Pacific”, the Indo Pacific explicitly recognizes the US role, and that is always at the heart of the way the Australian Defence Department looks at the region.

### **Asia Pacific trade futures**

The wish not to choose between the US and China that runs through Australia’s strategic policy has some echo in its trade policy. In trade, Australia also talks of a new phase of competition which is actually a contest between US and Chinese versions of Asia’s future trade framework. Australia is not making any choice between the two big trade structures being negotiated for Asia: it has enrolled in both by joining both the US-driven negotiations for the Trans-Pacific Partnership (TPP) and the Regional Comprehensive Economic Partnership (RCEP), launched by ASEAN but subject to the effective veto of China as the biggest player in the prospective partnership.

The Gillard government’s White Paper on the Asian Century was explicit about the competition between the two trade visions: “Negotiations for the Trans-Pacific Partnership Agreement and the Regional Comprehensive Economic Partnership could create momentum for competitive liberalisation and put Australia on two complementary pathways to a free trade area of the Asia-Pacific. Australia welcomes and encourages these processes. We recognise that outcomes agreed in one negotiation that facilitate deeper economic integration will encourage new members to join, and also create pressure to adopt similar liberalisation in competing negotiations.”

The RCEP is just beginning but the TPP is approaching crunch time (or as close as any multilateral trade negotiations can get to a finish line that might actually conclude the haggling.) Australia, at the TPP table since 2008, has crossed swords with the US over intellectual property issues and a proposed dispute settlement court. The draft investment chapter of the TPP leaked last year reveals the terms of the Australian fight with US negotiators. The treaty would create a dispute settlement system that enables corporations from one country to take legal action against the government of another country for alleged breaches of the agreement. The Gillard government announced that it would oppose the provision because it would give greater rights to foreign companies than domestic firms. In its effort to cut tobacco use in Australia on health grounds, the Gillard government became wary of such treaty rights because of the way tobacco firms could use them to challenge anti-smoking laws in the courts. The industry challenged the introduction of a plain packaging regime for cigarette packs using provisions of a Hong Kong-Australia Bilateral Investment Treaty. Canberra is worried about widening the opportunities for challenges to domestic law on the basis of trade treaties.

### **Ambassadors and governments**

A reminder that the stability of the alliance is sometimes expressed through glacial progress was the conclusion of a six-year effort to give effect to the Australia-US Defence Trade Cooperation Treaty. On May 16, US Ambassador Jeffrey Bleich and Defense Minister Smith exchanged diplomatic notes to bring the treaty into force. Smith described it as “a significant step forward” for the alliance. The trek toward that significant step began in September 2007 when the treaty was signed in Sydney by President George W. Bush and Prime Minister John Howard. As with a similar treaty with Britain, the agreement was an effort by the US to deal with complaints from

its allies about the protracted and opaque process of buying US-origin military technology. The six year ratification process in the US only underlined the grounds of that complaint.

The treaty creates a framework for the transfer of eligible defense goods, services, and technology between entities in Australia and the US, known as the Approved Community, without the need to apply for separate export licenses. The Australian government hopes the Treaty will improve delivery times, improve sustainment, and give Australian industry better access to technical data to tender for US contracts. To paraphrase Oscar Wilde's line about two countries separated by a common language, Australia and the US have much in common, but the Defence Trade Treaty process showed how they are separated by two uncommonly different government systems.

In June, President Obama nominated a former director of the Office of Personnel Management, John Berry, to be the next US ambassador to Australia. Berry is being described as the first openly gay US ambassador to serve in a Group of 20 nation. In August, Berry married his partner of 17 years, Curtis Yee, in a private same-sex ceremony in Washington. The ambassador he will succeed, Jeffrey Bleich, can give Berry some fine tips from his four years in Canberra on relating to Australia in terms of alliance, sport, and food. As an example, here is Bleich talking to high school students in Goulburn about how the US might have a special relationship with Britain, but with Australia the US had a less complicated affinity:

Australia is more like the best friend we've had for years. We've been through a lot together, we understand each other's jokes, and we both have complicated pasts with the UK. Of course, you guys play football all wrong. But then we don't understand the importance of Vegemite to a balanced diet, so I guess it all evens out. Luckily, friends can overlook those sorts of things. In our case, everything we've been through together has just made our alliance stronger ... we have a group of Marines training with the Australian Defence Force up in Darwin. They are working hard to learn about Aussie culture. I hear they're learning to play Aussie rules football. When a Marine says a sport is tough, you KNOW it's hard. No word yet on whether they are learning to like Vegemite.

Football and Vegemite jokes can get an American a long way with any Australian audience. Embrace the language: Barack Obama had a lot of fun in Canberra in 2011 with "chinwag" (a talk) and "earbash" (a really good talk). Avoid trying to imitate the Australian accent (even Meryl Streep has trouble with it) and a win is always within reach. My own advice to the incoming ambassador is not to repeat the mistake of one of his predecessors who, soon after arriving in Canberra in 2001, invited 12 journalists to lunch at the embassy and served them iced tea to go with the meal. Iced tea! That ambassador (Tom Schieffer) quickly picked up an excellent understanding of Australian thirsts. He came to see that a hot climate can demand beverages stronger than tea. The journalists eventually forgave him – Australia-US relations recovered.

## **Chronology of Australia-East Asia/US Relations** **September 2012 – August 2013**

**Sept. 9, 2012:** Prime Minister (PM) Gillard attends the APEC Leaders Meeting in Vladivostok but has to leave early to return to Adelaide because of the death of her father.

**Sept. 14, 2012:** Foreign and defense ministers of Australia and Japan hold their fourth 2+2 meeting, calling for increased trilateral cooperation with the US.

**Oct. 12, 2012:** Tenth anniversary of the terrorist bombing that killed 202 people, including 88 Australians, is marked in Bali by a ceremony involving PM Gillard, Opposition Leader Tony Abbott, former PM John Howard, and Indonesia's Foreign Minister, Marty Natalegawa.

**Oct. 14, 2012:** PM Gillard visits Afghanistan to see Australian troops and to meet President Hamid Karzai.

**Oct. 16, 2012:** PM Gillard visits India and announces Australia and India will begin negotiations on a safeguard agreement to allow uranium sales to India. Indian Prime Minister Manmohan Singh praises Labor's change of policy which allowed potential uranium sales "as recognition of India's energy needs as well as our record and credentials."

**Oct. 28, 2012:** PM Gillard issues a White Paper on Australia in the Asian Century.

**Oct. 31, 2012:** PM Gillard delivers a statement to Parliament on the military exit from Afghanistan by 2014.

**Nov. 5, 2012:** PM Gillard attends the 9<sup>th</sup> Asia Europe Summit in Laos.

**Nov.8, 2012:** PM Gillard co-chairs the 5<sup>th</sup> Bali Democracy Forum, hosted by Indonesian President Susilo Bambang Yudhoyono.

**Nov. 14, 2012:** Australian defense and foreign ministers meet in Perth with the US secretaries of defense and state for the annual AUSMIN consultations.

**Nov. 20, 2012:** PM Gillard attends the 7<sup>th</sup> East Asia Summit in Laos.

**Nov. 22, 2012:** Australian-led International Stabilization Force (ISF) ceases its security operations in Timor-Leste and starts withdrawal, ending an operation that began in 2006.

**Dec 18, 2012:** Three People's Liberation Army (PLA) Navy ships arrive in Sydney as part of a four-day port visit. The ships *Yi Yang*, *Chang Zhou*, and *Qian Dao Hu* are returning to China from counter-piracy operations in the Gulf of Aden.

**Jan. 1, 2013:** Australia takes up its two-year term on the UN Security Council.

**Jan. 10, 2013:** Australia announces further sanctions on Iran, affecting the financial, trade, energy, and transport sectors.

**Jan. 13, 2013:** Foreign Minister (FM) Bob Carr and Japan's new FM Kishida Fumio hold talks in Sydney on regional security, development aid, and differences over whaling.

**Jan. 23, 2013:** PM Gillard releases the National Security Strategy.

**Jan. 30, 2013:** PM Gillard launches an eight-month campaign by announcing that Australia's federal election will be held Sept. 14. This is a break with tradition as prime ministers previously named the Election Day only as they put the machinery of government into caretaker mode, prior to a four to five week campaign.

**Feb. 7, 2013:** Defense Minister (DM) Stephen Smith makes a statement to Parliament on Australia's timetable for withdrawal and military transition in Afghanistan.

**Feb. 9, 2013:** Prime Ministers John Key and Julia Gillard meet in Queenstown, NZ, for the annual Australia-New Zealand Leaders' meeting.

**Feb. 16, 2013:** Independent Australian Sen. Nick Xenophon is detained at the Kuala Lumpur airport and deported from Malaysia as a "security risk" based on previous criticism of Malaysia's political system. Other parliamentarians traveling with Xenophon abandon the visit to Malaysia.

**Feb. 18, 2013:** DM Smith visits Afghanistan and meets President Hamid Karzai and DM Bismullah Khan.

**March 18, 2013:** Myanmar's President Thein Sein arrives for an official visit to Australia, the first by a Myanmar leader in 39 years.

**March 25, 2013:** FM Carr visits Washington and meets Vice President Joseph Biden.

**March 26, 2013:** DM Smith announces that at least 1,000 of Australia's 1,650 troops in Afghanistan will be withdrawn by the end of 2013.

**March 26, 2013:** FM Carr welcomes the Security of Information Agreement between Australia and Japan coming into force, saying the framework for the exchange of classified information will build on Australia's comprehensive security, strategic and economic partnership with Japan.

**April 5, 2013:** PM Gillard makes her second visit as leader to China. The trip is marked by the announcement that the Australian dollar is to be the third currency to be directly exchangeable with the yuan, thus bypassing the US dollar in the transaction.

**April 21, 2013:** A company of US Marines lands in Darwin for training with Australia and other countries in the region, the second rotation of US Marines through the Northern Territory.

**May 2, 2013:** DM Smith attends inaugural South Pacific Defence Ministers Meeting in Tonga.

**May 3, 2013:** Australia's Defence White Paper released.

**May 9, 2013:** PM Gillard visits Papua New Guinea.

**May 16, 2013:** An exchange of diplomatic notes brings the Australia-United States Defence Trade Cooperation Treaty into force.

**May 21, 2013:** DM Smith visits Washington and meets Secretary of Defense Chuck Hagel.

**May 27, 2013:** Australian Broadcasting Corporation broadcasts a documentary claiming that Chinese hackers stole the blueprints for the new Canberra headquarters for the Australian Security and Intelligence Organisation.

**June 1, 2013:** Defense Ministers of the US, Australia, and Japan hold trilateral talks in Singapore on the margins of the Shangri-La Dialogue.

**June 4, 2013:** India's Minister of Defense A. K. Antony arrives in Australia – the first official visit to Australia by an Indian defense minister.

**June 26, 2013:** DM Smith makes a statement to Parliament on Australia's "Full Knowledge and Concurrence" on the US Joint Facilities on Australian soil.

**June 26, 2013:** PM Gillard is deposed by the Labor Party caucus. The MPs and senators vote to return Kevin Rudd to the leadership (57 votes for Rudd, 45 for Gillard). Gillard said she would leave Parliament at the coming election. Treasurer Wayne Swan and five other ministers resign, saying they will not serve in Rudd's Cabinet.

**June 27, 2013:** Kevin Rudd is sworn in as prime minister.

**June 27, 2013:** DM Stephen Smith says he will continue as minister but announces he will not contest the federal election in September.

**July 1, 2013:** The Australian Defence Force concludes its support to the Regional Assistance Mission to Solomon Islands (RAMSI). Since 2003, 7,270 Australian personnel from all three services have deployed to Solomon Islands for RAMSI.

**July 4, 2013:** FM Carr and DM Smith visit Seoul for the first Australia-Korea Foreign and Defense Ministers' ("2+2") Meeting.

**July 5, 2013:** PM Rudd visits Jakarta to meet President Yudhoyono and discuss the issue of asylum seekers sailing to Australia from Indonesia.

**July 15, 2013:** PM Rudd visits Papua New Guinea to announce new aid projects and to negotiate the terms of a deal for PNG to process and resettle asylum seekers trying to reach Australia by boat from Indonesia.

**July 15, 2013:** Exercise *Talisman Saber* begins at the Shoal Water Bay Training Area and the adjacent maritime areas in the Coral Sea. Approximately 20,000 US personnel participate.

**July 19, 2013:** Australia signs an agreement with Papua New Guinea designed to stem the flow of boat people sailing to Australia seeking refugee status.

**July 26, 2013:** Second annual Australia-Indonesia Defense Ministers Meeting is held in Perth.

**Aug. 5, 2013:** PM Rudd announces the federal election will be held on Sept. 7, one week earlier than the Sept. 14 date set by his predecessor, Julia Gillard.

**Aug. 15, 2013:** A force of 1,000 US Marines starts a two-week training exercise at the Bradshaw Field Training Area as a follow on to this year's Exercise *Talisman Saber*.

**Sept. 1, 2013:** Australia begins its one-month tenure as president of the UN Security Council.

**Sept. 7, 2013:** Australia's federal election is held.



## About The Contributors

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