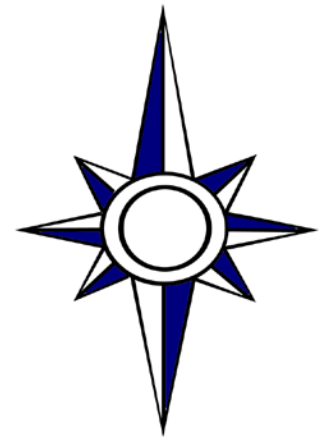




P a c i f i c   F o r u m   C S I S



# Comparative Connections



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

*edited by*

Carl Baker  
Brad Glosserman

May – August 2014  
Vol. 16, No.2  
September 2014

<http://csis.org/program/comparative-connections>

## 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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*Comparative Connections: A Triannual Electronic Journal on East Asian Bilateral Relations* (print ISSN 1930-5370, online E-ISSN 1930-5389) is published three times annually (January, May, and September) at 1003 Bishop Street, Suite 1150, Honolulu, HI 96813.

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China's deployment of an oil rig along with a protecting fleet in the Paracel Islands shocked the region and particularly Vietnam, the other main claimant to these islands. Large-scale dredging to create Chinese-controlled islands in the disputed Spratly Islands was also observed. These advances demonstrate how far Beijing is prepared to go in advancing its broad territorial claims in the South China Sea. Mass demonstrations in Vietnam in response to the oil rig deployment turned violent and caused widespread damage. Beijing nonetheless stood firm in blaming others for any negative consequences and dismissed assessments that its territorial advances were counterproductive. The removal of the oil rig in mid-July, much earlier than expected, was interpreted outside China as designed to reduce tensions. Major foreign policy speeches by senior Chinese leaders emphasized the positive in China's avowed commitment to development and peaceful coexistence.

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By one measure, mid-2014 was a period of progress in inter-Korean relations as the volley of tirades and insults from Pyongyang hurled at Seoul and President Park Geun-hye began tapering off in late May. By the end of August, there were hints of hope for improving relations. First, there was an agreement to have athletes from the North participate in the 17<sup>th</sup> Asian Games in Incheon in late September, although not without some accusations of bad faith in the process. Further, after several rather clumsy attempts by both sides at outlining a mutually acceptable framework for North-South cooperation, there were initial signals that they may be getting close to finding a way to get past the "May 24 sanctions," which have been in place since the sinking of the *Cheonan* in 2010.

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

Relations between Japan and the two Koreas were relatively calm through the middle four months of 2014. The most significant events centered on domestic issues that had implications for relations among the countries, with Japan's reconsideration of the Kono Statement being the most notable. In all, relations remained frozen. In particular, ROK-Japan political relations remained "the worst of times." But, so far these troubles have not had a significant impact on economic relations. Meanwhile, the DPRK and Japan have made tentative moves to repair their relationship, which could have major consequences for regional security if they are sustained. While "the best of times" may be a bit of an exaggeration, it is worth noting that even though political relations are not deeply peaceful across East Asia, deadly conflict – or even economic sanctioning – is relatively rare, with the exception of North Korea. Disputes between other countries remain confined to the rhetorical and diplomatic spheres, and economic cooperation continues to grow in many sectors and across many borders.



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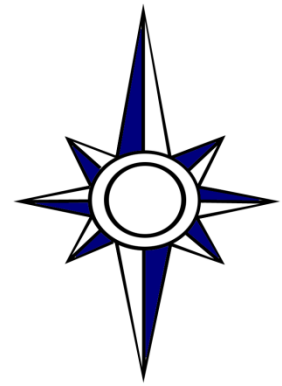
**China Bumps, Indonesia Breach, Japan as Ally**

**Graeme Dobell, Australian Strategic Policy Institute**

On the first anniversary of its election on Sept. 7, the Australian Coalition government's foreign policy report card showed excellent relations with the US and Japan, a major diplomatic blow-up with Indonesia, and bumps with China. Tony Abbott's government is completing the withdrawal of Australian forces from Afghanistan, but the alliance and humanitarian arguments are drawing Australia back toward Iraq. The US rebalance to Asia is seeing more Marines rotate through northern Australia, and the US has similar plans for its ships and planes. The growth of the US-Japan-Australia trilateral relationship has prompted one former prime minister to argue that Australia has more to fear from provocative actions by its trilateral partners than from China. For Australia today, to discuss the alliance is also to talk about China.

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## Regional Overview:

### **The Rebalance Remains a Reality**

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

US Defense Secretary Chuck Hagel and Secretary of State John Kerry continued their “pivots” to Asia over the summer months, respectively attending the Shangri-La Dialogue and the ASEAN Regional Forum (ARF), before joining up for a 2+2 with their Aussie counterparts. President Obama’s failure to mention his Asia rebalance during his “major foreign policy address” at West Point (incorrectly) raised questions about his administration’s commitment to the region as the Middle East and Eastern Europe continued to boil over. No wonder no one seemed to have much time to pay attention to Pyongyang as it continued its (idle) threats and insults. Meanwhile, there was little progress reported on the economic centerpiece of the US pivot, the “gold standard” Trans-Pacific Partnership (TPP), even as China continued its pursuit of an alternative “Asia for Asians” approach, best manifested by the Regional Comprehensive Economic Partnership (RCEP) and President Xi’s speech at the Conference on Interaction and Confidence Building Measures in Asia (CICA). Finally, two of the world’s largest democracies, India and Indonesia, held landmark elections, in stark contrast to Thailand where the military leadership tried to legitimize its rule amid lingering questions as to when true democracy will be restored.

### **The “Obama Doctrine”**

President Obama’s commencement address at West Point on May 28 appears to have been intended to send Americans and the international community a number of important messages. One of them was NOT that the US commitment to the Asia “pivot” or “rebalance” was waning. For some, especially in Asia, the failure to mention this much-touted Asia policy rekindled fears that it was being reconsidered, if not abandoned. Those who read it that way missed a few major points, although the administration must share the blame for the misinterpretation.

Yes, the pivot was not mentioned, but Obama did state that “regional aggression that goes unchecked – in southern Ukraine, the South China Sea, or anywhere else in the world – will ultimately impact our allies, and could draw in our military.” Putting Ukraine and the South China Sea in the same sentence does not signal neglect or a downplaying of the challenges the US faces in Asia. His very pointed references to China, to the South China Sea, and even to the necessity of the US finally ratifying the UN Convention on the Law of the Sea (UNCLOS) all demonstrate that the Obama administration’s commitment to Asia remains alive and well, as did his inclusion of defense of allies as a US “core interest”: “the United States will use military force, unilaterally if necessary, when our core interests demand it – when our people are threatened; when our livelihood is at stake; or when the security of our allies is in danger.” The only place where the security of our allies is directly threatened today is in Asia, on the Korean Peninsula, and in the East and South China Seas.

The real source of confusion regarding the president's West Point speech was that, administration hype notwithstanding, this was not really a "major foreign policy address" to "outline a broad vision for America's role in the world" or "to outline top national security goals." As was appropriate to the immediate audience to which it was delivered, the address was primarily about military strategy, and more specifically about the use of military force. There was no reference to APEC or the Trans-Pacific Partnership (TPP), but also no references to the Trans-Atlantic Free Trade Agreement or any other trade matters; other than a brief reference to support for democracy, human rights, and free and open economies, the speech was primarily about how best to combat challenges to US security.

In the most simplified terms, it was Obama's version of the "Powell Doctrine," in which then-General and Chairman of the Joint Chiefs of Staff Colin Powell famously laid out a list of questions that should be answered affirmatively before the US uses military force. These questions helped guide the George H.W. Bush administration as it prepared for the use of force to push the Iraqis out of Kuwait. Failure to follow this doctrine a decade later created a situation that overextended the US military, the US economy, and US credibility or "soft power": these are the "costly mistakes," from Obama's perspective, that "came not from our restraint, but from our willingness to rush into military adventures – without thinking through the consequences; without building international support and legitimacy for our action, or leveling with the American people about the sacrifice required."

The new "Obama Doctrine," not unlike Powell's, cautions against the use of force as the first or best alternative: "US military action cannot be the only – or even primary – component of our leadership in every instance. Just because we have the best hammer does not mean that every problem is a nail." Recall one of Powell's questions: "Have all other non-violent policy means been fully exhausted?" Not to overplay the similarity, Powell also asked: "Do we have genuine broad international support?" Obama takes this one step further, arguing that in instances when the use of force is necessary, "we should not go it alone. Instead, we must mobilize allies and partners to take collective action.... We must do so because collective action in these circumstances is more likely to succeed, more likely to be sustained, and less likely to lead to costly mistakes."

During his West Point address, Obama also addressed head on the issue of "America's relative decline." Relative to what? As Obama correctly noted, "by most measures, America has rarely been stronger relative to the rest of the world. Those who argue otherwise – who suggest that the US is in decline, or has seen its global leadership slip away – are either misreading history or engaged in partisan politics." Compared to the height of the Cold War, there remains no peer competitor to the US, militarily, politically, or economically.

### **Hagel's reinforcing message**

Secretary Hagel made direct reference to the West Point speech in his remarks at the annual Shangri-La Dialogue in Singapore: "President Obama laid out the next phase of America's foreign policy.... He made clear we will balance our diplomacy, development assistance, and

military capabilities, and that we will strengthen our global partnerships and alliances. That is how America is implementing its strategy of rebalancing to the Asia-Pacific.”

Hagel asserted that “(T)he rebalance is not a goal, promise, or a vision – it is a reality. Over the last year, President Obama launched comprehensive partnerships with Vietnam and Malaysia, held a summit with Chinese President Xi, and last month visited three of our five regional treaty allies – Japan, South Korea, and the Philippines – as well as Malaysia. In the Philippines, he and President Aquino announced a new Enhanced Defense Cooperation Agreement on the rotational presence of U.S. forces – the most significant milestone for our alliance in over a decade.”

Hagel also said “prosperity is inseparable from security, and the Department of Defense will continue to play a critical role in the rebalance – even as we navigate a challenging fiscal landscape.” He outlined four broad security priorities: encouraging the peaceful resolution of disputes while upholding principles including the freedom of navigation and standing firm against coercion, intimidation, and aggression; building a cooperative regional architecture based on international rules and norms; enhancing the capabilities of our allies and partners to provide security for themselves and the region; and strengthening our regional defense capabilities.

In the past, Hagel and his predecessors stressed the need to cooperate with China (among others) to ensure regional peace and prosperity and he repeated this message. But he was also much tougher and more specific in noting the challenge that Beijing’s policies and actions were posing: “One of the most critical tests facing the region is whether nations will choose to resolve disputes through diplomacy and well-established international rules and norms...or through intimidation and coercion. Nowhere is this more evident than in the South China Sea. . . . China has called the South China Sea ‘a sea of peace, friendship and cooperation.’ And that’s what it should be. But in recent months, China has undertaken destabilizing, unilateral actions asserting its claims in the South China Sea.”

He made Washington’s position abundantly clear: “we firmly oppose any nation’s use of intimidation, coercion, or the threat of force to assert these claims. We also oppose any effort – by any nation – to restrict overflight or freedom of navigation – whether from military or civilian vessels, from countries big or small. The United States will not look the other way when fundamental principles of the international order are being challenged.”

As documented in our chapter on US-China relations, the senior Chinese delegate at Shangri-La, Lt. Gen. Wang Guanzhong, deputy chief of the PLA General Staff Department, took great exception to Hagel’s “unwanted accusations” (and those of Japan Prime Minister Abe Shinzo), accusing him of “flaring rhetoric that usher destabilizing factors into the Asia-Pacific to stir up trouble, and a speech with unconstructive attitude.” Many were in fact surprised by Hagel’s bluntness, which must be seen as an expression of US frustration with Beijing’s “aggressive actions” toward US allies in both the South China Sea and East China Sea, while pretending to be the innocent victim of the aggression of others (or the target of the US pivot, which Beijing sees as the real source of the problem). Many were also again disappointed that China chose to send a lower ranking-officer to this gathering of the senior-most defense officials; while the defense minister does attend the ASEAN Defence Ministers Meeting Plus (ADMM+) meetings,

in all but one instance, the PLA has been represented at Shangri-La by a deputy chief of the General Staff.

Hagel also strongly endorsed a “rules-based order [that] requires a strong, cooperative regional security architecture,” praising ASEAN and the ADMM+ and calling on the nations to “work together to provide rapid humanitarian assistance and disaster relief.” He further announced that he was asking USPACOM commander Adm. Sam Locklear to host his regional counterparts to discuss concrete ways to establish greater maritime security awareness and coordination.

### **Kerry’s reaffirmations**

Secretary Kerry reinforced Washington’s commitment to regional security cooperation and the peaceful settlement of disputes during his sixth trip to the region. Kerry visited Myanmar on Aug. 9–10 to attend the annual ARF Ministerial Meeting and a Lower Mekong Initiative (LMI) Ministerial Meeting in Nay Pyi Taw. He also met Myanmar officials in the capital before traveling to Yangon to meet Daw Aung San Suu Kyi.

Not surprisingly, ARF discussions focused on the South China Sea. Kerry supported a Philippine proposal for a freeze on destabilizing actions in keeping with the 2002 Declaration on the Conduct of Parties in the South China Sea (DOC), noting that a freeze would be “a way of actually locking into place the very promises that people have already made.” China rejected the proposal and it did not find its way into the final Chairman’s Statement. As they have for the past 12 years (to little avail), the ministers did support the “early conclusion to the code of conduct” which all parties keep promising to enact. Kerry pushed for its early implementation: “While we all share the hope that ASEAN and China will accelerate negotiations on a meaningful code of conduct, we think the urgency of developments means that it is not enough simply to wait for that solution to arrive. Obvious dangers arise during waiting time. The claimants need to take steps now to lower the temperature.”

He also noted that the failure of all claimants to clarify their claims adds to the uncertainty, which in turn “limits the prospect for a mutually agreeable resolution or equitable joint development arrangements. But let me be clear: We believe the obligation to clarify claims in keeping with international law applies to all claimants, not just China.” Despite this attempt to appear even-handed, Beijing accused Kerry of once again instigating problems, insisting that outside interference was not wanted or helpful; most other ARF participants disagreed, recognizing that tensions in this vital waterway could affect all.

The problem with the freeze proposal is that each of the parties claims (with some justification) that the others have been cheating and feels that they have a right to catch up or even the score. That’s why the more sensible proposal is not a freeze per se but a rollback to the status quo ante, to what each state possessed as of the signing of the DOC in 2002. Instead of challenging the claimants to accept a Washington or Philippine proposal, they should just be asked to honor their own commitments made under article five of the DOC: “The Parties undertake to exercise self-restraint in the conduct of activities that would complicate or escalate disputes and affect peace and stability including, among others, refraining from action of inhabiting on the presently

uninhabited islands, reefs, shoals, cays, and other features and to handle their differences in a constructive manner.”

While in Nay Pyi Taw, Kerry also attended the Seventh Lower Mekong Initiative (LMI) Ministerial Meeting. According to a State Department Media Note, the LMI is the region’s only forum for addressing cross-border development and policy challenges facing the five Lower Mekong partner countries: Cambodia, Laos, Myanmar, Thailand, and Vietnam. Initiated by then-Secretary of State Hillary Clinton in 2009, the LMI holds four official events and many project and program events annually across six pillar areas: Agriculture and Food Security, Connectivity, Education, Energy Security, Environment and Water, and Health, as well as cross-cutting areas such as Women’s Empowerment and Gender Equality and the Water, Energy, and Food Security Nexus. At this year’s meeting, the ministers announced a renewed Lower Mekong Initiative program for the next five years that will focus the organization on its most successful, in-demand signature programs.

Kerry also met bilaterally with Myanmar officials, praising Nay Pyi Taw for its efforts in chairing ASEAN this year, duties that will culminate in November’s East Asia Summit (EAS), which will bring President Obama back to Myanmar for his second visit. He kept the pressure on for continued political and constitutional reform and progress in dealing with serious ethnic problems: “I made it very clear that these are important changes that need to take place in the course of the evolution of Myanmar into a democracy,” Kerry stressed. “This is not about Burma meeting US demands, it’s about Burma meeting the potential of the country. It will not be able to reach its full potential ... unless they address the issues that exist right here at home.” The US focus continues to be on the 2015 elections and whether Daw Suu will be allowed to run for the presidency: “next year’s election will absolutely be a benchmark moment for the whole world to assess the direction Burma is moving in.”

## **2+2 down under**

The US and Australia marked the 29<sup>th</sup> anniversary of the AusMin process when Secretary of State Kerry and Defense Secretary Hagel met counterparts Minister for Foreign Affairs Julie Bishop and Minister for Defence Sen. David Johnston in Sydney on Aug. 12. Their talks covered regional and global security concerns, ranging from Afghanistan to the Ukraine, and highlighted the allies’ determination to collaborate on strategic planning, to develop common approaches to regional security challenges, and to harness opportunities for greater defense cooperation across the Asia Pacific and Indian Ocean regions. The two governments see their alliance as a cornerstone of larger efforts to build capacity, work with other allies and partners on shared security concerns, and increase interoperability among defense forces.

The biggest takeaway of the meeting was the conclusion of a 25-year pact that would more than double the number of US troops rotating through Darwin from the current 1,200 to around 2,500 by 2017. It also calls for an expansion of cooperation on ballistic missile defense systems. All participants denied that the agreement was aimed at any particular country, Hagel spoke for the group when he said that it will “expand our regional cooperation here in the Asia-Pacific from engagement with [the Association of Southeast Asian Nations] to the trilateral cooperation that we have been working on with Japan.”

## **Kerry's island hopping**

Secretary Kerry did some island hopping on his way home from Australia, stopping first in the Solomon Islands to commemorate the “stunning bravery” of the US Marines who, 62 years earlier, began the Guadalcanal campaign that served as the “turning point” of the war in the Pacific. He then traveled to Honolulu, where he spoke about the continued US commitment to Asia and the “new model” relationship with Beijing.

Kerry stressed that “America’s security and prosperity are closely and increasingly linked to the Asia Pacific. And that’s why President Obama began what is known as the rebalance to Asia in 2009. That’s why he’s asked me to redouble my own efforts in the region over the next two and half years.” He talked about four specific opportunities: creating sustainable economic growth, powering a clean energy revolution, promoting regional cooperation, and empowering people.

Responding to allegations that the US was retrenching or disengaging from Asia, Kerry argued that “nothing could be further from the truth.” While noting that the US is “more engaged and more active in more countries and more parts of the world than any time in American history,” he argued that the Obama administration “will never forget the long-term strategic imperatives for American interests . . . [and] nowhere are those strategic opportunities clearer or more compelling than in the Asia Pacific.”

Turning to Sino-US relations, he stressed that “we are committed to avoiding the trap of strategic rivalry and intent on forging a relationship in which we can broaden our cooperation on common interests and constructively manage our differences and disagreements. But make no mistake: This constructive relationship, this ‘new model’ relationship of great powers, is not going to happen simply by talking about it. It’s not going to happen by engaging in a slogan or pursuing a sphere of influence. It will be defined by more and better cooperation on shared challenges. And it will be defined by a mutual embrace of the rules, the norms, and institutions that have served both of our nations and the region so well.”

## **US-DPRK mutual condemnation society**

During his Honolulu speech, as elsewhere during his trip, Kerry pulled no punches in dealing with the challenges posed by North Korea, condemning Pyongyang’s quest for nuclear weapons, its proliferation activities (which “pose a very serious threat to the United States, the region, and the world”), its pursuit of a nuclear-armed ballistic missile capability, and its “horrific human rights situation.” He praised the Report of the United Nations Commission of Inquiry on Human Rights in the Democratic People’s Republic of Korea “that revealed the utter, grotesque cruelty of North Korea’s system of labor camps and executions,” noting that “such deprivation of human dignity just has no place in the 21st century.”

Pyongyang begged to differ. The newspaper of the Workers Party of Korea called Kerry’s comments “clumsy and poor wordplay and mockery and insult to the Korean people.” Meanwhile, the North’s *Rodong Sinmun* went so far as to accuse the US of terrorist behavior: “Such harsh hostile moves pursued by the US against the DPRK for the last several decades are



unethical and state-sponsored terrorism unprecedented in history.” Dismissing Washington’s offer for improved ties in return for denuclearization, *Rodong Sinmun* asserted that “the US has never wanted improved relations with the DPRK but worked hard to overthrow it by force of arms, waiting for a chance through procrastination.” So much for “strategic patience.”

Pyongyang also expressed its disgust for its sole ally and benefactor China following President Xi Jinping’s first visit to Seoul (without first visiting Pyongyang): “Some spineless countries are blindly following the stinking bottom of the US, also struggling to embrace Park Geun-hye, who came to a pathetic state of being.” On the surface at least, it would appear that the prospects for a resumption of Six-Party Talks appears pretty slim.

One never seems to know what goes on beneath the surface, however. According to unconfirmed ROK press reporting (citing unnamed multiple diplomatic sources), a group of US officials clandestinely traveled to Pyongyang in mid-August, reportedly to seek the release of three detained US citizens: Kenneth Bae, Miller Matthew Todd, and Jeffrey Edward Fowle. Administration officials have long hinted that their release could serve as one of the signs of “sincerity” necessary for Washington to consider re-instituting the Six-Party Talks. If true, the trip was apparently to no avail, with one source being quoted as saying “the US appears to have not gained any tangible results from the trip.”

The game may not be over, however. As we were preparing to go to press, the North allowed the three captives to hold unprecedented interviews with *CNN*. All three said that they wanted Washington to send an envoy to North Korea to help bring them home. That they remain chips in an apparent high-stakes poker game seems pretty clear; less clear is what game the North is trying to play and what it really seeks in return for their release.

The only potential “good news” to report is the lack of anticipated bad news. Speculation was running high earlier in the year that the North was preparing for its fourth nuclear test. While preparations for the test have apparently been completed, none was conducted over the past four months (and Don Zagoria is taking bets there will not be one this year). The North did conduct a number of short and medium range missile launches, especially to “commemorate” Xi’s visit to Seoul, but has also refrained from renewed testing of its long-range missiles. This could change, however. A major construction program under way at the North’s Sohae Satellite Launching Station since mid-2013, focused on upgrading facilities to handle larger, longer-range rockets with heavier payloads, appears to be nearing completion, suggesting that Pyongyang may be able to test longer-range rockets at its new launch site before the end of this year.

### **Japan’s collective self-defense**

On July 1, the Japanese Cabinet reinterpreted the constitution to permit the exercise of the right of collective self-defense (CSD). While this is a domestic political development, it has implications for the US-Japan alliance and regional security, although the impact has been exaggerated: there is, as most observers point out, less than meets the eye. The limits are significant. Japan can act only when three conditions have been met: Tokyo can aid an ally with which it has a “very close relationship” if there is a threat to constitutional rights to life, liberty, and happiness of Japanese citizens. Second, there is no other diplomatic or negotiated means to

protect both that nation and its citizens but through the use of military force. Third, the use of military force is kept to a “bare minimum.” Those three conditions would seem to severely constrict Japanese behavior. Moreover, the change must be followed by enabling legislation, which will likely take a couple of years to pass. Finally, Prime Minister Abe himself has said that the change will not lead to Japan fighting in foreign wars.

As the conditions make clear, the change in the interpretation will have the biggest impact on the US-Japan alliance. After all, the first qualifier is “aiding an ally with which it has a very close relationship,” and Japan’s only alliance is with the US. The two countries will now be able to train and plan together in new ways. In theory, the change should facilitate Japanese participation – from a distance; no troops will be deployed – in a contingency on the Korean Peninsula. Not surprisingly, Korean security planners are nervous about the change, mostly because they are not sure what it means. Japan has been slow to brief ROK counterparts – the blame for that goes both ways – but the lack of legislation is a good part of the problem. Tokyo needs to address ROK anxieties. China was particularly vocal in the run-up to the change, but the Foreign Ministry response was muted once the change was adopted by the Cabinet. Other nations are either unconcerned or welcome the decision. Australia, which has forged a strong security relationship with Japan and continues to strengthen that partnership, has been enthusiastic. Southeast Asian governments have been aggressively courted by the Abe government since it took office, and seem happy to accept security assistance, usually in the form of equipment and training. Proximity to China creates anxieties and those governments are eager to engage Tokyo – as long as that engagement does not require them to choose between Tokyo and Beijing.

### **Democratic pageants and pains**

**India.** India held elections during April and May that yielded a landslide victory for the Bharatiya Janata Party (BJP) and propelled Narendra Modi into the prime minister’s office. Modi, the chief minister of the state of Gujarat, is a Hindu nationalist who played up his can-do pro-business sentiment during the campaign. The BJP victory was expected with the Indian public fatigued by a decade of Congress Party rule. Sub-5 percent economic growth, high inflation, rampant corruption, and a sense that the party had lost its way all contributed to the BJP landslide: the party won 282 seats in the legislature, up from 116 in the previous assembly and 10 seats more than needed to claim a majority.

Modi has been a tireless traveler. He met Chinese President Xi Jinping at the BRICS Summit in July and visited Tokyo at the end of August. India figures prominently in Japan’s diplomatic agenda and there has been much speculation about the relationship between Modi and Japanese counterpart Abe Shinzo. They see each other as kindred spirits in intent and world view. Both are wary of Chinese intentions and eager to work together to check Beijing’s assertive behavior.

**Indonesia.** In a closely watched ballet, Jakarta Gov. Joko Widodo, known to most Indonesians as “Jokowi,” bested former Gen. Prabowo Subianto for the presidency, taking 53 percent of the vote to Prabowo’s 47 percent. The results are important for a number of reasons. First, there is the demonstration effect when Southeast Asia’s largest country holds a successful democratic election. That impact was magnified when Prabowo contested the results and was overruled by the courts; the readiness of him and his backers to accept that decision bodes well for Indonesian

democracy. Similarly, Jokowi's win is a victory for outsiders, a reminder that democracy should be for all Southeast Asians, not just political elites. Jokowi is a Muslim, but his support for tolerance of other religious faiths is an important signal amidst signs of growing intolerance for non-Muslims in Indonesia. Finally, his win allows the US to dodge a bullet as Prabowo had been banned from entering the US as a result of human rights violations by Special Forces under his command in 1998.

**Thailand.** By contrast, Thailand again made plain its difficulties with democracy. The downward spiral intensified with the Constitutional Court's May decision that Prime Minister Yingluck Shinawatra abused her power in 2011 when she replaced the secretary general of the National Security Council, and ordered that she step down from office, along with all the members of her Cabinet that were in office at the time of the offense. A few days later, Gen. Prayuth Chan-ocha, head of the Royal Thai Army, launched a coup against the caretaker government, insisting that a military-led National Council for Peace and Order was the country's only salvation.

The military assumed control of all offices in the national government and introduced internet censorship while rounding up its opponents and key officials in the former government. Less than a week after the coup, the Thai king appointed Gen. Prayuth to run the new government. An interim constitution was revealed in late July. It established a new legislature that formally named Prayuth prime minister a month later. The constitution also set up a provisional Cabinet along with a committee to draft a new constitution, as well as a reform council that would OK the new constitution. Significantly, the constitution also granted immunity to members of the military for any actions they made during or after the coup. The government has banned public criticism of the interim constitution, amid fears that the new document will be drafted to ensure that Thaksin's power and influence are eradicated.

### **At CICA, Xi talks NASC, and the BRICS join the chorus**

While US officials played up the US "rebalance" to Asia, China's President Xi Jinping provided his own ideas about regional security order in early May. At the Summit of the Conference on Interaction and Confidence-Building Measures in Asia (CICA) held in Shanghai, Xi outlined his "New Asian Security Concept" (NASC). The CICA is a little-known organization, established in 1999, with a secretariat in Almaty, Kazakhstan, and a current membership of 26 member states, 7 observer states, and 4 observer organizations. A leader-level summit is held every four years: it was this meeting at which Xi unveiled his thinking.

The NASC draws on the "New Security Concept" (NSC) that Beijing advanced in the late 1990s, which had the core concepts of "mutual trust, mutual benefit, equality, and coordination." The NSC was an attempt to frame Chinese foreign and security policy as Beijing engaged more regional partners and sought to counter fears of its outreach and the modernization of US alliances in Asia. Implicit in this framework is a criticism of alliances, which are for Chinese "a Cold War legacy," but also inappropriate since they privilege allies and are therefore most assuredly not based on "mutual trust" or "equality."

Noting that "regional security cooperation has reached a new phase," Xi called on the assembled grandees – Vladimir Putin and Ban Ki-moon among them – to set up a new regional security

architecture, with the New Asian Security Concept at its core. The NASC is “common, comprehensive, cooperative and sustainable” security for Asia and, once again, demands that countries move on from the “old era of Cold War and zero-sum mentality.” Curiously for an organization that only includes five East Asian nations among its membership – Cambodia, China, Mongolia, South Korea, and Vietnam (Indonesia, Japan, Malaysia, and the Philippines are observers) – Xi said that “it is for the people of Asia to run the affairs of Asia, solve the problems of Asia and uphold the security of Asia.” (He did soften the statement a bit by noting that Asia must cooperate with other countries elsewhere in the world, but the overall tone did alarm many who don’t share Xi’s thinking.)

The NASC also emphasizes development, which Xi called “the greatest security and the master key to regional security issues.” To put some meat on the bones of that statement, Xi along with four other leaders at the BRICS Summit that was held in Brazil this summer, announced the decision to open the New Development Bank. Two years of discussion produced a compromise with something for everyone: headquartered in Shanghai, the first president will come from India, the first chair of the Board of Governors will come from Russia, the first chair of the Board of Directors will come from Brazil, and a regional center will be set up in South Africa. Initial authorized capital will be \$100 billion with initial subscribed capital of \$50 billion, apportioned evenly among all founding members. The bank will focus on infrastructure and development projects, with the first loans going out in 2016. Critics note that initial lending will be just under \$3.5 billion, a proverbial drop in the bucket. Moreover, the founders say the bank will “complement existing international arrangements.” That should quell the breathless speculation about a challenge to existing global governance mechanisms, even if the BRICS leadership is happy to see their efforts as such.

### **TPP reaches the final stretch**

In Honolulu, Secretary Kerry praised the “state-of-the-art” Trans-Pacific Partnership (TPP) as representing “a really an exciting new chapter in the long history of America’s mutually beneficial trade partnerships with the countries of the Asia Pacific.” Kerry’s enthusiasm notwithstanding, there have been few signs of progress in recent months. That is partly because the negotiations are being very closely held. While this may make it harder for critics to pick a deal apart, it will mean that there will be howls when the agreement is unveiled. Given the resistance from President Obama’s own Democratic Party – the biggest hurdle for any deal, although GOP support is increasingly subject to challenge – this is a dangerous strategy. Obama needs Trade Promotion Authority to get TPP approved and holding back details of what would be contentious in the best of circumstances is likely to only increase resistance.

The first hurdle, however, is forging a deal. The most positive sign thus far is silence; if talks weren’t progressing there would be denunciations and angry finger pointing over negotiations that failed. Instead, senior and working-level discussions proceeded apace, with the highlights of this reporting period (such as they were) being a two-day ministerial in Singapore in early May that “made progress in market access discussions and advanced outstanding rules issues,” and a 10-day negotiators’ meeting in Ottawa in July that “discussed labor, state-owned enterprises, services, investment, and all areas of market access, among others. These discussions were

concurrent with a small number of working-level, technical group meetings held with the objective of advancing remaining rules.”

This is all in lead-up to a meeting of top negotiators in Hanoi that will convene in early September to work out technical problems. Japan’s *Jiji* press reported that negotiators will try to lay a foundation for political decisions that could (should?) be made when the 12 TPP nations hold a ministerial meeting in October. The dates of the ministerial are not set in stone, but it is necessary if a final deal is to be realized as anticipated in November. Chris Nelson cites Robert Wang, the senior US official for APEC, to note that Obama is expected to launch a “roadmap” to a Free Trade Area of the Asia Pacific when he goes to Beijing in November for the annual Asia Pacific Economic Cooperation Leaders Meeting. All in all, our next report should be a doozy.

### **Regional Chronology\***

**May – August 2014**

**May 2, 2014:** China National Offshore Oil Corporation (CNOOC) deploys a deep-water drilling rig, the *HD-981*, in disputed waters near the Paracel Islands in the South China Sea.

**May 4, 2014:** China’s Maritime Safety Administration announces that all ships are prohibited from entering a 1.6 km radius (subsequently expanded to 5 km) surrounding an oil drilling area near the Paracel (Vietnam Hoang Sa; China: Xisha) Islands until operations end on Aug. 15.

**May 5, 2014:** Thailand’s Constitutional Court dismisses Prime Minister Yingluck Shinawatra from office for abuse of power, along with nine Cabinet officials.

**May 5-14, 2014:** US and the Philippines conduct *Balikatan* military exercise featuring live-fire drills, landing exercises, search-and-rescue operations, humanitarian response operations, and demonstrations of maritime surveillance systems. A small contingent from Australia participates.

**May 6, 2014:** Philippine National Police maritime patrol arrests 11 Chinese fishermen whose vessel is intercepted 60 nm off the coast of Palawan province. China demands the release of the fishermen, saying they were in an area where China has “undisputable” sovereign rights.

**May 10-11, 2014:** Myanmar hosts the 24<sup>th</sup> ASEAN Summit in Nay Pyi Taw.

**May 19, 2014:** Thai military declares martial law.

**May 19, 2014:** Philippines and Indonesia reach settlement of maritime boundaries.

**May 19-20, 2014:** Trans-Pacific Partnership (TPP) Ministerial Meeting is held in Singapore.

**May 19-20, 2014:** Russian President Vladimir Putin visits China. He and President Xi Jinping attend the opening of the Conference on Interaction and Confidence Building Measures in Asia.

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\* Chronology compiled by Pacific Forum CSIS research assistant Julian Wolfson

**May 19-21, 2014:** Eighth ASEAN Defense Ministers Meeting is held in Nay Pyi Taw.

**May 19-26, 2014:** Russia and China conduct *Maritime Cooperation-2014* naval exercises off China's east coast near Shanghai.

**May 21, 2014:** Thai military declares a coup and suspends the constitution. Army Gen. Prayuth Chan-ocha is identified as the junta leader.

**May 21, 2014:** North Korea fires artillery shells into water near South Korea ships.

**May 26, 2014:** Chinese Foreign Minister Wang Yi visits South Korea and meets counterpart Yun Byung-se to discuss the North Korea's nuclear program as well as an upcoming visit by Chinese President Xi to Seoul.

**May 26-28, 2014:** Japanese and North Korean officials meet in Stockholm. North Korea agrees to reopen its investigation into the whereabouts of the remaining Japanese citizens believed to have been abducted by the North Korean government. Japanese government will relax sanctions.

**May 26, 2014:** Narendra Modi is sworn in as prime minister of India.

**May 27-June 1, 2014:** Malaysian Prime Minister Najib Razak makes a state visit to China.

**May 30-June 1, 2014:** Shangri-La Defense Forum is held in Singapore.

**May 30, 2014:** Japanese Defense Minister Onodera Itsunori, US Secretary of Defense Chuck Hagel, and Australian Defense Minister David Johnston hold trilateral talks in Singapore on the margins of the Shangri-La Dialogue.

**May 31, 2014:** Japan Defense Minister Onodera Itsunori, South Korea Defense Minister Kim Kwan-jin, and US Secretary of Defense Hagel meet on the sidelines of the Shangri-La Dialogue in Singapore.

**June 2-5, 2014:** US Commerce Secretary Penny Pritzker leads a delegation of US business executives and members of the US-ASEAN Business Council to Vietnam, the Philippines, and Myanmar for meetings with heads of state, cabinet officials, and business leaders.

**June 4, 2014:** Permanent Court of Arbitration announces that China will have until Dec. 15 to file a memorial countering Philippine evidence in its case against Chinese claims in the South China Sea. China's Foreign Ministry restates its refusal to participate in the case.

**June 11, 2014:** Foreign and defense ministers of Japan and Australia meet in Tokyo and agree to cooperate on defense equipment and technology research and development. Hydrodynamics, used in submarines, will be the first area of the joint research.

**June 11, 2014:** Japan accuses China of flying fighter jets “dangerously close” to two of its military planes near disputed waters in the East China Sea where China’s air defense identification zone (ADIZ) overlaps with that of Japan.

**June 11-12, 2014:** Australian Prime Minister Tony Abbot visits the US and meets President Barack Obama.

**June 16, 2014:** South Korea and the US hold the first in a planned series talks to discuss the transfer of wartime operational command of South Korean troops.

**June 16, 2014:** Philippine Foreign Secretary Albert del Rosario calls for a moratorium on actions that can provoke tensions in the South China Sea.

**June 16-20, 2014:** New Zealand Prime Minister John Key visits the US. He meets President Obama, Secretary of State John Kerry, and Federal Reserve Chair Janet Yellen.

**June 17, 2014:** Japan agrees to relax visa requirements for nationals of Indonesia, the Philippines, Vietnam, and India.

**June 17, 2014:** US State Department urges reforms in Myanmar to ensure free elections.

**June 17-18, 2014:** Inter-sessional meeting of the negotiations on the Japan-China-South Korea Free Trade Agreement is held in Tokyo.

**June 18, 2014:** Chinese State Councilor Yang Jiechi visits Vietnam and meets Prime Minister Nguyen Tan Dung and Foreign Minister Pham Binh Minh in Hanoi to exchange views on bilateral relations and ongoing maritime tensions.

**June 19, 2014:** The 18<sup>th</sup> ASEAN-ROK Dialogue is held in Busan. For the first time, a separate dialogue on security is included.

**June 20, 2014:** South Korean Navy holds live-fire drills near Dokdo/Takeshima Islands. Japan’s Chief Cabinet Secretary Suga Yoshihide denounces the exercises.

**June 20, 2014:** Japan announces completion of a review of the Kono Statement issued in 1993 regarding the forced sexual-slavery of South Korean women during World War II.

**June 20, 2014:** Unofficial civil referendum on electoral reform is held in Hong Kong, with over 700,000 participants.

**June 20, 2014:** US State Department publishes the 2014 Trafficking in Persons report, adding Thailand and Malaysia to the list of countries that have failed to tackle human trafficking. Both countries protest this characterization.

**June 21-26, 2014:** Singapore Prime Minister Lee Hsien Long visits the US and meets President Obama, Vice President Biden, and National Security Advisor Susan Rice. Lee calls for US support to finalize the TPP.

**June 21-27, 2014:** Fifth round of negotiations for the Regional Comprehensive Economic Partnership is held in Singapore.

**June 23, 2014:** International Criminal Court decides that North Korea will not face war crimes for the 2010 artillery attack on Yeonpyeong Island and sinking of the ROK Navy ship *Cheonan*.

**June 23, 2014:** European Union condemns the recent coup in Thailand and halts all official visits and postpones the signing of a partnership and cooperation accord.

**June 24, 2014:** Philippine President Benigno Aquino visits Japan and meets Prime Minister Abe, offering support for Abe's plan to reinterpret the constitutional ban on collective self-defense.

**June 25, 2014:** US Ambassador to China Max Baucus, in his first public address since his arrival in March, criticizes China's lack of protection for basic rights such as freedom of expression.

**June 25-28, 2014:** Zhang Zhijun, director of China's Taiwan Affairs Office, visits Taiwan to reciprocate Mainland Affairs Council Chairman Wang Yu-chi's trip to China in February.

**June 26, 2014:** North Korea launches three short-range projectiles off its east coast, claiming they represent state-of-the art precision guided missiles.

**June 26-July 1, 2014:** US and Philippines conduct *Cooperation Afloat Readiness and Training (CARAT)* naval exercises near disputed South China Sea waters claimed by China.

**June 26-Aug. 1, 2014:** *Rim of the Pacific (RIMPAC)* naval exercises involving 22 countries, 49 surface ships, six submarines, more than 200 aircraft, and 25,000 personnel are held in Hawaii.

**June 27-30, 2014:** Myanmar President Thein Sein visits China and meets President Xi to celebrate the 60<sup>th</sup> anniversary of an agreement on the five principles of peaceful coexistence between China, India, and Myanmar.

**June 29-30, 2014:** Japanese Foreign Minister Kishida Fumio visits Cambodia and meets Prime Minister Hun Sen.

**June 30, 2014:** North Korea launches two short-range projectiles into the East Sea.

**June 30, 2014:** North Korea's National Defense Commission proposes a mutual halt of hostile military activities on the peninsula. South Korea dismisses the proposal as insincere.

**July 1, 2014:** An estimated 500,000 protestors carrying banners with slogans, including "We want real democracy" and "We stand united against China" attend a rally in Hong Kong to mark the anniversary of the handover of the territory from the United Kingdom to China.



**July 1, 2014:** North Korean and Japanese officials meet in Beijing to discuss the reinvestigation of the abductions of Japanese citizens in the 1970s and 1980s.

**July 1, 2014:** Japan's Cabinet approves a resolution that will allow the country to exercise the right to collective self-defense by reinterpreting the pacifist Constitution.

**July 2, 2014:** North Korea fires two missiles off its eastern coast.

**July 2, 2014:** Chinese government and media criticize Japanese decision to exercise the right of collective self-defense.

**July 2-3, 2014:** Philippine Foreign Affairs Secretary Albert Del Rosario visits Hanoi and meets Vietnamese counterpart Pham Binh Minh. They agree to establish a joint commission "to formulate a road map in working towards a strategic partnership."

**July 3, 2014:** Japan lifts some unilateral sanctions on North Korea after progress is made on investigating Cold War kidnappings of Japanese nationals by the DPRK.

**July 3-4, 2014:** Chinese President Xi Jinping visits South Korea.

**July 3-12, 2014:** Trade officials meet in Ottawa to discuss the Trans-Pacific Partnership.

**July 4, 2014:** Chinese Coast Guard detains six Vietnamese fishermen for "illegally operating in Chinese territory."

**July 4, 2014:** Vice Chairman of China's Central Military Commission Fan Changlong meets Indian Army Chief of Staff Bikram Singh to boost bilateral military cooperation.

**July 6-12, 2014:** Japanese Prime Minister Abe visits Papua New Guinea, New Zealand, and Australia to discuss concerns in energy, trade, and defense.

**July 9, 2014:** North Korea fires two short-range missiles into the East Sea. For the first time in 20 years the missiles are fired from an inland area rather than a coastal region.

**July 9-10, 2014:** US-China Strategic and Economic Dialogue (S&ED), co-chaired by Secretary of State Kerry, Treasury Secretary Jacob Lew, State Councilor Yang Jiechi, and Vice Premier Wang Yang is held in Beijing.

**July 11, 2014:** Japanese Defense Minister Onodera visits Washington and meets Secretary of Defense Hagel.

**July 12, 2014:** North Korea condemns the docking of the *USS George Washington* in the South Korean port of Busan.

**July 13, 2014:** North Korea launches two short-range missiles into the East Sea.

**July 14, 2014:** Chinese government condemns Prime Minister Abbott's pro-Japanese and anti-Chinese comments during Prime Minister Abe's recent visit to Australia.

**July 15, 2014:** President Xi Jinping visits South America to attend the annual BRICS Summit and to visit countries in the region.

**July 15, 2014:** US Chief of Naval Operations Adm. Jonathan Greenert visits China and meets counterpart Adm. Wu Shengli in Beijing.

**July 15, 2014:** South Korea resumes humanitarian funding for North Korea after four years of economic sanctions stemming from the sinking of the South Korean corvette *Cheonan*.

**July 16-21, 2014:** US and South Korea conduct annual naval exercises off the east coast of South Korea. The exercise includes a trilateral search and rescue exercise involving US, South Korean, and Japanese maritime forces.

**July 17, 2014:** China removes its offshore oil rig from contested waters near the Paracel Islands, a month before schedule.

**July 17, 2014:** Malaysian Airlines flight 17 shot down over eastern Ukraine.

**July 22, 2014:** Joko Widodo is officially declared winner of Indonesia's presidential election.

**July 22, 2014:** Japan and Mongolia sign a free trade agreement.

**July 23, 2014:** Japan and South Korea resume high-level talks on wartime sex slaves in Seoul.

**July 23, 2014:** China and South Korea hold fourth Defense Strategic Dialogue in Beijing.

**July 24, 2014:** Japan government rejects UN Humans Rights Committee call to take responsibility for its use of sex slaves during World War II.

**July 25-30, 2014:** US and Indian navies, along with Japan Maritime Self-Defense Force conduct annual *Malabar* exercise. Portions of the exercise are held off the southern coast of Japan.

**July 25-Aug. 4, 2014:** Japanese Prime Minister Abe visits Latin America and the Caribbean.

**July 26, 2014:** North Korea launches a short-range missile into the East Sea.

**July 28, 2014:** Fifteen Pacific Island countries hold the Pacific Islands Forum in Palau.

**July 28, 2014:** President Xi meets Laotian counterpart Choummaly Saygnasone in Beijing.

**July 28-Aug. 2, 2014:** People's Liberation Army Navy conduct military drills off the Gulf of Tonkin and in the East China Sea.

**July 28-29, 2014:** Fourth Mekong-ROK Foreign Ministers Meeting takes place in Seoul.

**July 29-Aug. 7, 2014:** US and Singaporean navies hold annual *CARAT* exercises in the South China Sea.

**July 30-Aug. 1, 2014:** Secretary of State Kerry visits India and meets Prime Minister Narendra Modi at the fifth annual Strategic Dialogue between the two countries.

**July 30, 2014:** North Korea fires four projectiles into the East Sea.

**Aug. 1, 2014:** Chinese military announces the development of the *Dongfeng-41*, a nuclear missile with multiple independently targetable re-entry vehicles with a range of 7,500 miles.

**Aug. 1, 2014:** Japanese Foreign Minister Kishida meets Vietnamese Prime Minister Nguyen Tan Dung in Hanoi. Japan agrees to provide Vietnam six naval vessels.

**Aug. 1-22, 2014:** *Pitch Black* air combat exercise with fighter aircraft from the US, Singapore, France, Thailand, the UAE, New Zealand, and Australia is held near Darwin, Australia.

**Aug. 2-6, 2014:** North Korean Foreign Minister Ri Su Yong visits Laos, Vietnam, Myanmar, Indonesia, and Singapore in conjunction with his attendance at the 21<sup>st</sup> ASEAN Regional Forum and East Asia Summit Foreign Ministers Meeting.

**Aug. 3, 2014:** Chinese media condemn Japan's decision to name individual islets of the Senkaku/Diaoyu Islands.

**Aug. 5, 2014:** Japan releases its 2014 Ministry of Defense white paper, which is criticized by South Korea for claiming the Dokdo/Takeshima islets as Japanese territory.

**Aug. 5-10, 2014:** The 47<sup>th</sup> ASEAN Foreign Ministers Meeting/Post Ministerial Conference, the 21<sup>st</sup> ASEAN Regional Forum, the 15<sup>th</sup> ASEAN Plus Three Foreign Ministers Meeting, and the fourth East Asia Summit Foreign Ministers' Meeting are held in Nay Pyi Taw.

**Aug. 8-13, 2014:** Secretary of State Kerry travels to Myanmar, Australia, and Solomon Islands.

**Aug. 8-10, 2014:** Secretary of Defense Hagel visits India and meets Foreign Minister Sushma Swaraj and Defense Minister Arun Jaitley.

**Aug. 9, 2014:** Australia announces it will join the US in humanitarian airdrops in Iraq.

**Aug. 11-12, 2014:** Secretary of State Kerry, Secretary of Defense Hagel, and Chairman of the Joint Chiefs of Staff Gen. Martin Dempsey meet Australian Foreign Minister Julie Bishop and Defense Minister David Johnston for annual Australia-US Ministerial Consultations in Sydney.

**Aug. 11-15, 2014:** Singapore hosts annual *Southeast Asia Cooperation and Training (SEACAT)* naval exercises with personnel from Brunei, Indonesia, Malaysia, the Philippines, Singapore, Thailand, and the United States participating.

**Aug. 12, 2014:** Russia begins military drills near the Kuril Islands. Japan issues a protest.

**Aug. 14, 2014:** North Korea fires five short-range rockets into the East Sea.

**Aug. 14-17, 2014:** US Chairman of the Joint Chiefs of Staff Gen. Martin Dempsey visits Vietnam to become the first chairman to visit Vietnam since 1971.

**Aug. 14-18, 2014:** Pope Francis visits South Korea, marking the first papal visit to an Asian country since 1999.

**Aug. 15, 2014:** Three Japanese Cabinet members and other politicians visit Yasukuni Shrine on the anniversary of Japan's surrender in World War II. Prime Minister Abe does not visit the shrine, but sends an offering. The visit and offering are condemned by China and Korea.

**Aug. 18-29, 2014:** US and South Korea conduct annual *Ulchi-Freedom Guardian* military exercise. North Korea demands the exercise "should be cancelled unconditionally," adding that failure to do so would push the "Korean peninsula to the brink of a war and increase the danger of a nuclear war."

**Aug. 21-22, 2014:** President Xi Jinping visits Mongolia and meets President Tsakhiagiin Elbegdorj. They agree to upgrade bilateral relations to a comprehensive strategic partnership.

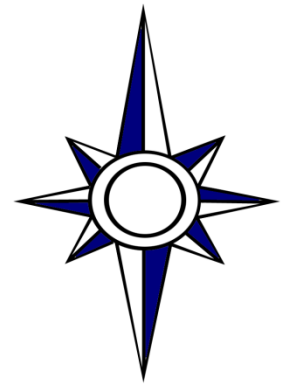
**Aug. 22, 2014:** US Department of Defense denounces dangerous intercept of US reconnaissance aircraft by armed Chinese fighter aircraft over the South China Sea.

**Aug. 23, 2014:** Chinese Defense Ministry spokesman rejects a US protest of the previous day accusing China of dangerous harassment of US surveillance flights over the South China Sea.

**Aug. 24-29, 2014:** Shanghai Cooperation Organization (SCO) conducts *Peace Mission 2014* joint military exercise to deter the "three evil forces" (terrorism, separatism, and extremism) in Inner Mongolia.

**Aug. 25, 2014:** Thailand's coup leader, Prayuth Chan-Ocha is formally endorsed as prime minister by King Bhumibol Adulyadej.

**Aug. 31-Sept. 3, 2014:** Indian Prime Minister Modi visits Japan and meets Prime Minister Abe.



**US-Japan Relations:  
Pursuing a Path Forward**

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

The Abe government outlined an economic growth strategy and introduced a package of defense policy reforms aimed at enhancing Japan's leadership role on security. Bilateral dialogue on security cooperation and military exercises featured prominently, complemented by trilateral coordination with other US allies on the margins of multilateral gatherings in the region. The two governments conducted several rounds of bilateral trade negotiations related to the Trans-Pacific Partnership but were unable to make progress on sensitive market access issues that threatened to prolong efforts to boost the economic pillar of the alliance.

**Economic and defense strategy**

In late June, the Abe government released a blueprint for structural reform, the third element or “arrow” of an economic strategy known as “Abenomics” that also combines fiscal stimulus and monetary easing in a recipe for sustainable growth. The blueprint built on an initial framework introduced in June 2013 targeting 2 percent real annual GDP growth and 1 percent annual inflation over the next decade and identifying private sector competitiveness, labor market reform, and the promotion of new industries as key priorities. The first document was criticized for a dearth of details and this second package was meant to alleviate concerns about the government's commitment to structural reform by addressing several themes such as female labor force participation, deregulation through the creation of special economic zones, and health care sector reform. But the second version also fell short of expectations in certain areas such as corporate taxes, where the government pledged to reduce rates below 30 percent over the next few years but did not list specific targets or timelines for implementation. The relatively vague nature of the blueprint reflected political debates over reform and left observers wondering how much political capital Prime Minister Abe Shinzo would expend on this critical component of his growth strategy. An announcement in August that real gross domestic product fell 6.8 percent on an annualized basis in the second quarter of 2014, attributed to a tax increase that went into effect in April, also promised to further public debate on the tradeoff between economic stimulus and the need to reduce Japan's mounting public debt, as well as whether Abe can shoot additional arrows to sustain confidence in his economic plan.

Defense policy reform took center stage on July 1 when the Abe Cabinet announced reforms including measures that would allow the Japan Self-Defense Forces to exercise the right of collective self-defense, or aid allies under attack. The decision was based on a review of the legal basis for security policy and informed by the findings of an advisory panel submitted to the government in May, which recommended that the Cabinet Legal Bureau revise its interpretation of Article 9 of the constitution to enhance defense cooperation with the United States and other

countries for Japan's own national security. Article 9 renounces war as a sovereign right of the nation and prohibits the threat or use of force as a means of settling international disputes. Previous governments have reinterpreted that clause to allow the use of force for self-defense and revise security policy as necessary. Measures of self-defense have traditionally been permitted when an armed attack against Japan occurs, there is no other means available to repel an attack and ensure Japan's security, and the use of force is limited to the minimum extent necessary. The Abe government, in contrast to previous administrations, concluded that measures of collective self-defense (an inherent right under international law, specifically the UN Charter) also meet the standard interpretation of the minimum use of force and are permitted under Article 9 when an attack on a country with a close relationship with Japan occurs and as a result threatens Japan's security. The details of the policy would be subject to debate in the Diet, and after consultations with the Komeito, a junior partner in the ruling coalition, the Abe government determined that requisite legislation incorporating this reinterpretation of the constitution would be presented to the Diet in Spring 2015.

The decision was met with public demonstrations on the day of the announcement and Prime Minister Abe's public approval rating fell 10 points to just below 50 percent on average in the wake of the decision (the poll numbers later recovered for Abe in August). Public opinion on collective self-defense varied depending on how the question was asked: surveys that simply mentioned the policy revealed less support than those that placed the decision in the context of strengthening defense cooperation with the US. The Abe government began to expand on the policy in special parliamentary sessions in July and was expected to use the interval before legislative debates next spring to continue engaging the public on this issue. The Obama administration welcomed the decision as a means to enhance the US-Japan alliance and the two governments are expected to address this decision in the context of a review of guidelines for defense cooperation due at the end of this year. While the details of the policy will not be settled for some time, the Cabinet decision opens new avenues for dialogue on future defense cooperation including enhanced information sharing, contingency planning, and interoperability with the potential to strengthen deterrence and regional stability.

### **Bilateral and regional engagement**

Coordination with like-minded countries on regional security issues featured prominently at multilateral gatherings in the Asia-Pacific region. At the end of May, Defense Secretary Chuck Hagel, Defense Minister Onodera Itsunori, and Australian Defense Minister David Johnston participated in a trilateral defense ministerial meeting focused primarily on North Korea and maritime security issues during the Shangri-La Dialogue in Singapore. A trilateral defense ministerial with ROK Minister of National Defense Kim Kwan-jin also took place: it centered on North Korea's nuclear, ballistic missile, and proliferation programs. In August, Secretary of State John Kerry, Foreign Minister Kishida Fumio, and ROK Foreign Minister Yun Byung-se also conferred on North Korea in a trilateral during the ASEAN Regional Forum in Myanmar.

Kishida reportedly briefed his colleagues on Japan's decision to resume discussions with Pyongyang on the fate of Japanese citizens abducted in the 1970s and 1980s and plans to partially lift unilateral sanctions against North Korea should it initiate a new investigation of the issue. Kerry and Kishida also conducted informal telephone consultations periodically during

the summer on a range of issues including Russia's activities in Ukraine. Japan imposed sanctions on Russia in August but left the door open for a summit between Prime Minister Abe and President Vladimir Putin in the fall, possibly to pursue bilateral energy cooperation and dialogue over the disputed Northern Territories near Hokkaido.

US-Japan security cooperation over the summer was evidenced by multiple exercises, working-level dialogues on bilateral alliance issues, and bilateral engagement at senior leadership levels. Japan's Self-Defense Forces (SDF) participated in exercises with US counterparts and other militaries over the summer including the multilateral *Rim of the Pacific (RIMPAC)* exercises in Hawaii, a bilateral amphibious landing exercise with US forces on the margins of *RIMPAC*, and a search-and-rescue exercise (SAREX) with US and ROK forces off the Korean island of Jeju.

US and Japanese officials began consultations on a review of guidelines for bilateral defense cooperation and also conducted ongoing dialogues on space and extended deterrence. Defense Minister Onodera met Defense Secretary Hagel at the Pentagon on July 11 to exchange views on bilateral and regional security issues. Onodera also reviewed developments in Japanese defense policy in an address to the Center for Strategic and International Studies, stressing the need to strengthen deterrence in the face of Chinese coercion, but also a shared interest in China's peaceful rise and Japan's willingness to engage in dialogue with China. Rounding out a busy period of coordination, Deputy Secretary of Defense Bob Work visited Japan in late August for consultations on a range of bilateral issues, including the realignment of US forces on Okinawa, where underwater drilling surveys commenced at the site designated as the replacement facility for Marine Corps Air Station Futenma.

## **Trade negotiations**

Bilateral discussions on trade featured multiple rounds of shuttle diplomacy between Tokyo and Washington in an attempt to sustain momentum after intense negotiations during the Abe-Obama summit back in April, when in a joint statement the two governments declared they had identified a path forward on bilateral issues related to the Trans-Pacific Partnership (TPP). Progress on sensitive market access issues related to motor vehicles and agricultural products remained elusive, however, and House Ways and Means Trade Subcommittee Chairman Devin Nunes (R-CA) and Ranking Member Charles Rangel (D-NY), together with 138 other House members, submitted a letter to President Obama in July expressing concerns about agricultural market access negotiations with Japan. Negotiators were expected to resume talks in September but the prospects for a breakthrough prior to the November Asia Pacific Economic Cooperation (APEC) Leaders Meeting in Beijing, an unofficial target for concluding the broader TPP negotiations, remained uncertain.

## **A busy autumn**

Prime Minister Abe will likely remain focused on the economy with a decision on a second sales tax increase due roughly by the end of this year. The domestic political calendar also features gubernatorial elections in Fukushima and Okinawa prefectures, areas at the center of debates on energy and security policy, respectively, that could serve as referendums on his leadership. Meanwhile, Washington will be seized with the midterm congressional elections in November

and the prospects for Republican control of both houses. Bilateral dialogue will likely revolve around trade negotiations linked to TPP and revising guidelines for bilateral defense cooperation. President Obama and Prime Minister Abe also will have opportunities to coordinate on the sidelines of the United Nations General Assembly in New York and the APEC meeting in Beijing, where the complexities of engagement with China could come to the fore.

### **Chronology of US-Japan relations May – August 2014**

**May 1, 2014:** United States Trade Representative (USTR) Michael Froman testifies before the US Senate Finance Committee on the Obama administration's trade agenda.

**May 4, 2014:** Japan's Ministry of Internal Affairs and Communications releases data indicating that the estimated number of people under age 15 in Japan decreased for the 33<sup>rd</sup> consecutive year to 16.33 million, the lowest total since comparable data became available in 1950.

**May 9, 2014:** The second meeting of the Japan-US Comprehensive Dialogue on Space is held in Washington, DC.

**May 12, 2014:** Survey by public broadcaster *NHK* finds 31 percent of the public supports Japan's participation in the Trans-Pacific Partnership (TPP) negotiations, 16 percent oppose, and 45 percent are undecided.

**May 13, 2014:** *Yomiuri Shimbun* poll reveals 63 percent of the public supports Japan exercising the right of collective self-defense in a limited capacity.

**May 15, 2014:** Government advisory panel submits a report to Prime Minister Abe Shinzo recommending changes in defense policy to exercise the right of collective self-defense.

**May 19, 2014:** USTR Froman and Minister for Economic Revitalization Amari Akira meet to discuss bilateral trade negotiations on the margins of the TPP ministerial meeting in Singapore.

**May 19, 2014:** *Mainichi Shimbun* publishes a survey indicating 54 percent of the public opposes Japan reinterpreting the constitution to exercise the right of collective self-defense and 39 percent is in favor.

**May 26, 2014:** Japanese and North Korean officials meet in Stockholm to discuss Japan's demand for a reinvestigation into the fate of Japanese citizens abducted by North Korea in the 1970s and 1980s.

**May 29, 2014:** Prime Minister Abe reveals that North Korea agreed to reinvestigate past abductions of Japanese citizens. Chief Cabinet Secretary Suga Yoshihide announces Japan will partially lift unilateral sanctions against North Korea once the investigation is under way.



**May 30, 2014:** Prime Minister Abe delivers the keynote address at the Shangri-La Dialogue in Singapore.

**May 30, 2014:** US Secretary of Defense Chuck Hagel, Japanese Minister of Defense Onodera Itsunori, and Australian Defense Minister David Johnston conduct trilateral defense ministerial talks regarding regional security and trilateral defense cooperation on the sidelines of the Shangri-La Dialogue in Singapore.

**June 1, 2014:** Secretary Hagel, Minister Onodera, and ROK Minister of National Defense Kim Kwan-jin hold trilateral defense ministerial talks regarding North Korea and regional security on the sidelines of the Shangri-La Dialogue in Singapore.

**June 2, 2014:** A survey by *Yomiuri Shimbun* on scenarios in which Japan might exercise the right of collective self-defense suggests 75 percent of the public would support authorizing the Self-Defense Forces (SDF) to guard US vessels carrying Japanese nationals fleeing a foreign country. The poll also finds 74 percent would support SDF involvement in minesweeping operations during armed conflicts at sea.

**June 5, 2014:** G-7 issues a declaration at the conclusion of a summit in Brussels including a statement on tensions in the East and South China Seas, declaring opposition to any unilateral attempt to assert maritime or territorial claims by the use of intimidation, coercion or force.

**June 9-10, 2014:** Acting Deputy USTR Wendy Cutler and Ambassador Mori Takeo lead US-Japan Parallel Negotiations to the Trans-Pacific Partnership (TPP) in Washington focused on motor vehicle trade.

**June 10, 2014:** Acting Deputy USTR Cutler addresses a conference on Asia-Pacific economic integration co-hosted by the Center for Strategic and International Studies (CSIS) and Japan External Trade Organization (JETRO).

**June 10, 2014:** US Special Representative for North Korea policy Glyn Davies hosts Ihara Junichi, director general for Asian and Oceanian Affairs, Ministry of Foreign Affairs, for consultations on North Korea at the State Department in Washington.

**June 11, 2014:** Assistant Secretary of State for East Asian and Pacific Affairs Daniel Russel visits Tokyo for consultations with Japanese officials on bilateral and regional issues.

**June 10-12, 2014:** US and Japan hold bilateral Extended Deterrence Dialogue in Albuquerque, New Mexico.

**June 19, 2014:** US Secretary of State John Kerry and Japanese Foreign Minister Kishida Fumio discuss the situation in Iraq as well as regional security issues in a telephone call.

**June 24, 2014:** Abe Cabinet approves a revised growth strategy including a blueprint for structural reforms.

**June 26, 2014:** Advisory panel supports a report to Foreign Minister Kishida including recommendations for revising Japan's ODA charter.

**June 26-August 1:** *Rim of the Pacific (RIMPAC)*, the world's largest international maritime exercise, is hosted by US Pacific Fleet in Hawaii. Japan's Maritime Self-Defense Force leads a scenario-based humanitarian assistance/disaster relief (HA/DR) response portion of the exercise and conducts an amphibious landing exercise with US counterparts on the margins of *RIMPAC*.

**June 30, 2014:** Deputy USTR Cutler visits Tokyo to resume parallel negotiations to TPP, meeting Ambassador Oe Hiroshi and Ambassador Mori Takeo to discuss agriculture and automobile market access issues, respectively.

**June 30, 2014:** *Mainichi Shimbun* poll shows 58 percent of the public opposes Japan reinterpreting the constitution to exercise the right of collective self-defense.

**July 1, 2014:** Abe Cabinet issues a decision on defense policy reforms including measures that would allow the Self-Defense Forces to exercise the right of collective self-defense.

**July 3, 2014:** Abe Cabinet posts a 48 percent approval rating in a public opinion survey published by *Kyodo News*.

**July 9, 2014:** North Korea launches multiple ballistic missiles toward the Sea of Japan.

**July 9, 2014:** Secretary of State Kerry and Foreign Minister Kishida discuss North Korea issues in a telephone call.

**July 11, 2014:** Defense Secretary Hagel and Minister of Defense Onodera discuss bilateral defense cooperation and regional security issues at the Pentagon in Washington.

**July 11, 2014:** Defense Minister Onodera addresses the Center for Strategic and International Studies (CSIS) in Washington.

**July 15, 2014:** Japanese and US officials meet in Tokyo to begin talks aimed at revising guidelines for bilateral defense cooperation.

**July 15, 2014:** US Marine Corps begins relocating *KC-130* refueling aircraft from Marine Corps Air Station (MCAS) Futenma in Okinawa to MCAS Iwakuni in Yamaguchi Prefecture.

**July 18, 2014:** *Jiji Press* poll posts a 44 percent approval rating for the Abe Cabinet.

**July 21, 2014:** South Korea, Japan, and the US conduct a search-and-rescue exercise (SAREX) near the island of Jeju.

**July 30, 2014:** House Ways and Means Trade Subcommittee Chairman Devin Nunes (R-CA) and Ranking Member Charles Rangel (D-NY), together with 138 other House members, submit

a letter to President Obama expressing concerns about agricultural market access negotiations with Japan and Canada in the TPP negotiations.

**July 31, 2014:** Prime Minister Abe and Vice President Joe Biden discuss regional and global security issues in a telephone call.

**Aug. 4, 2014:** *Yomiuri Shimbun* survey reveals a 51 percent approval rating for the Abe Cabinet.

**Aug. 4-5, 2014:** Acting Deputy USTR Cutler and Ambassador Oe meet in Washington to continue bilateral trade talks on agriculture market access issues.

**Aug. 5, 2014:** Government of Japan imposes sanctions against Russia, restricting imports from Crimea and freezing assets in Japan of individuals and organizations associated with Russia's involvement in Ukraine.

**Aug. 5, 2014:** Japan's Ministry of Defense publishes its annual defense white paper focused mainly on concerns over North Korea and Chinese assertiveness in the East China Sea.

**Aug. 10, 2014:** Secretary Kerry, Foreign Minister Kishida, and ROK Foreign Minister Yun Byung-se meet on the margins of the ASEAN Regional Forum (ARF) in Myanmar.

**Aug. 13, 2014:** Cabinet Office announces that Japan's real gross domestic product fell 6.8 percent on an annualized basis in the second quarter of 2014.

**Aug. 13-14, 2014:** Japanese and US officials continue bilateral trade talks on automobile market access issues in Tokyo.

**Aug. 18, 2014:** Japan's Defense Ministry begins an underwater drilling survey at the planned site for the Futenma Replacement Facility off the coast of Nago in Okinawa Prefecture.

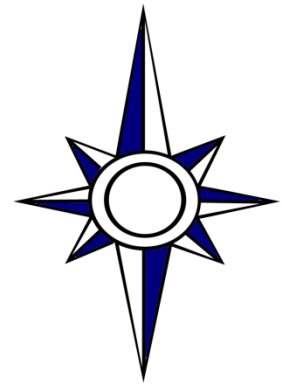
**Aug. 22, 2014:** Deputy Secretary of Defense Bob Work meets Defense Minister Onodera, Parliamentary Senior Vice Minister of Defense Takeda Ryota, and Parliamentary Senior Vice Minister of Foreign Affairs Kishi Nobuo in Tokyo.

**Aug. 29, 2014:** Japan's Defense Ministry approves a draft budget totaling approximately \$49 billion for the fiscal year beginning April 2015, a 3.5 percent increase over current fiscal year.



# Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



## US-China Relations: Still Treading Water, the Sixth S&ED

Bonnie Glaser, CSIS/Pacific Forum CSIS  
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The US and China held the sixth Strategic and Economic Dialogue in Beijing in July. None of the myriad of problems in the relationship were solved, but the annual meetings provided an opportunity to take stock of bilateral relations and hold high-level discussions. Tensions in the South China Sea caused by China's deployment of an oil rig off the Paracel Islands dominated many bilateral and multilateral meetings. There were several military exchanges, with a visit to the US by Chief of the General Staff of the PLA Fang Fenghui and a visit to China by Chief of Naval Operations Adm. Jonathan Greenert. The PLA Navy participated in the US-led *RIMPAC* military exercises for the first time. In an incident reminiscent of the 2001 collision between a Chinese fighter jet and a US surveillance plane, a Chinese fighter flew dangerously close to a US Navy *P-8 Poseidon* aircraft.

### The sixth Strategic and Economic Dialogue

The sixth round of the US-China Strategic and Economic Dialogue (S&ED) took place July 9-10 in Beijing. Secretary of State John Kerry and State Councilor Yang Jiechi headed the strategic track, while Treasury Secretary Jack Lew and Vice Premier Wang Yang co-led the economic track. In a written statement greeting the two delegations, President Barack Obama noted that as the "premier mechanism for dialogue between the United States and China," the S&ED "offers us a chance annually to exchange views on a diverse range of bilateral, regional, and global challenges critical to both our countries." He reiterated US support for the emergence of a "stable, peaceful, and prosperous China" and said the US is "committed to the shared goal of developing over time a 'new model' of relations with China defined by increased practical cooperation and constructive management of differences."

In his address to the opening ceremony, Xi Jinping stressed that history and reality demonstrate that cooperation between the US and China benefits both nations, while struggles against each other are mutually harmful. His four-point proposal called for both sides to 1) deepen mutual trust; 2) respect each other, build up common views and defuse differences; 3) treat each other as an equal and deepen cooperation; and 4) set the sights on the masses and deepen friendship. Xi also maintained that the new model of great power relationship between China and the US is a "mission and responsibility."

A document issued following the S&ED enumerated 116 "outcomes" of the strategic track, highlighting the breadth and depth of the US-China diplomatic relationship. A few of the notable achievements were: 1) establishment of a joint working group on counter-proliferation; 2) creation of a joint working group between maritime law enforcement agencies; 3) eight

demonstration projects – four on carbon capture, utilization, and storage, and four on smart grids – under the US-China Climate Change Working group; 4) agreement to explore new proposals to extend reciprocal visa validity for tourists, short-term business travelers, and students; and 5) commitment to expand cooperation to combat wildlife trafficking and promote global health.

There were sharp exchanges on South China Sea maritime disputes. Secretary Kerry urged China to apply the golden rule that President Xi invoked in his opening speech to the S&ED, namely, that no country should do unto others as they don't want to be done to them. State Councilor Yang blamed the US for increasing tensions on China's periphery by emboldening small countries to challenge Chinese sovereignty and by driving a wedge between China and its neighbors.

Regional architecture was another contentious topic. The US sought to clarify the intentions behind Xi Jinping's speech on May 21 at the Conference on Interaction and Confidence Building Measures in Asia (CICA) that included a call for Asian problems to be solved by Asians. Kerry staunchly defended US alliances as a stabilizing force in the region. In a briefing on background, a senior State Department official noted that the conversation about regional architecture is "ongoing," including the "right mix" between "longstanding venerable regional institutions, between new and emergent institutions and fora, and to what extent there needs to be tweaks and adjustments and updates to reflect changing dynamics in the region and shifts in priorities." State Councilor Yang reiterated China's position that the region and the Pacific is big enough for both the US and China, and that Beijing welcomes constructive US engagement in the region and is not seeking to exclude the United States. Other topics discussed included North Korea, Iran, Afghanistan, human rights, counter-terrorism, Hong Kong, and bilateral US-China relations.

The fourth round of the Strategic Security Dialogue (SSD) was held on July 8, co-chaired by Executive Vice Foreign Minister Zhang Yesui and Deputy Secretary of State William Burns, who were joined by Deputy Chief of the PLA General Staff Lt. Gen. Wang Guanzhong and Under Secretary of Defense for Policy Christine Wormuth. A Chinese Foreign Ministry press release noted that "the two sides had in-depth discussions on strategic and comprehensive security issues of mutual concerns in a candid, pragmatic and constructive manner, which strengthened mutual understanding of each other." Maritime security, nuclear and outer space issues, cyberspace, risk reduction, and Taiwan were included on the agenda. The delegations agreed that they would hold an inter-sessional round of the SSD at an undetermined time, likely at the end of the year.

At the opening session of the economic track of the S&ED, Secretary Lew delivered remarks praising the reforms that China outlined in last November's Third Plenum. He urged China to undertake efforts to structure growth around household consumption rather than investment and exports, among other ventures, arguing that doing so would "help China achieve sustainable and balanced growth in the future." While his overall remarks on Chinese reforms were positive, Lew did not miss the chance to emphasize certain points on the US agenda, suggesting that, "opening the Chinese economy to greater foreign investment and strengthening the protection of intellectual property rights and trade secrets is also important to boost productivity growth."

Several objectives were achieved in this year's economic discussions, and over 90 items of agreement were reached, including a commitment from China to continue efforts to liberalize its

exchange rate, an outcome the US welcomes with the belief that it will create a more level economic playing field. The delegations also agreed to “intensify the US-China Bilateral Investment Treaty (BIT) negotiations,” marking the sixth time in as many successive S&EDs the two sides have agreed to continue such discussions. This year, however, there are grounds for optimism that a BIT will be concluded as they announced the US and China will soon begin discussions on the second phase of talks – negotiating China’s negative list, which details the sectors within China that are barred to foreign investment. These talks are set to begin in early 2015. According to Chinese Vice Finance Minister Zhu Guangyao, “Conclusion of the BIT talks would be historic, significantly helping the bilateral relationship and the world economy.”

In keeping with the theme of Chinese reform efforts, China also promised to continue to take steps to reform state-owned enterprises (SOEs), strengthen trade secrets protection, enhance bilateral cooperation on intellectual property and rule of law, and expand opportunities for US firms in China. According to US Trade Representative Michael Froman, the two countries also had “constructive discussions” on expanding WTO Information Technology Agreement negotiations, but no formal agreement was reached. In Wang Yang’s concluding remarks at the S&ED, he highlighted the economic dialogue as a model stating, “The success of this round of talks reaffirms that the two countries have the ability and wisdom to manage their contradictions and differences.”

On July 8, immediately prior to the start of the S&ED, companies and research institutions from both countries signed agreements on eight joint projects to combat climate change. The next day, Kerry, Lew, Yang, and Wang chaired a special Joint Session on Climate Change “to review and strengthen efforts to tackle climate change and air pollution in both countries.” The two countries signed a new round of Eco-Partnerships on June 10, the final day of the S&ED, which will expand the scope of emissions trading systems and seek to reduce pollution from transportation in China, among other ambitious environmental protection goals. Differences in approach to combat climate change still exist, however, and according to Vice Chairman of China’s National Development and Reform Commission (NDRC) Xie Zhenhua, “developing countries are most concerned that they get funds and technological support from developed countries. On this issue, we are still having great difficulties and we have to put forth more effort.”

The US and China also held the fifth round of High-Level Consultations on People-to-People Exchange (CPE) on July 9-10. Headed by Secretary Kerry and Vice Premier Liu Yandong, the talks resulted in a 104-item agreement aimed at enhancing bilateral cooperation in education, science, culture, and sports. The agreement seeks to sharply boost the number of students studying in each other’s countries, and specifically sets aside funding for African-American students to study in China. Kerry acknowledged that the US “attaches great importance to people-to-people exchanges,” and Liu named people-to-people exchanges as one of the “three indispensable backbones of Sino-US relations.”

At a press conference, Kerry suggested that the US and China continue to differ over the fundamental objectives and principles that guide the bilateral relationship. The new model of relations is “not going to be defined by us carving up areas and suggesting there are spheres of influence, it’s going to be defined by our mutual embrace of standards of global behavior and activity that protect the values and interests that we have long worked by the norms of

international behavior,” Kerry said. Nevertheless, he maintained that the discussions had a “seriousness of purpose and intent”; that US-China cooperation overall on major issues of global concern remains “significant”; and that both sides are effectively managing their disagreements.

After the S&ED, Xi Jinping met Kerry, Lew, and other key members of the US delegation at the Great Hall of the People. Emphasizing the extraordinary journey that the two nations have taken since the establishment of diplomatic relations 35 years ago, Xi urged the two sides to enhance mutual trust, expand converging interests, and manage and control differences in order to continuously promote the bilateral relationship along the right track.

## **Cyber charges**

On May 19, the US Justice Department indicted five Chinese military officers for stealing data from six US companies. According to US Attorney General Eric Holder, the case “represents the first ever charges against a state actor for this type of hacking.” He maintained that “the range of trade secrets and other sensitive business information stolen in this case is significant and demands an aggressive response. Success in the global market place should be based solely on a company’s ability to innovate and compete, not on a sponsor government’s ability to spy and steal business secrets. This Administration will not tolerate actions by any nation that seeks to illegally sabotage American companies and undermine the integrity of fair competition in the operation of the free market.” Holder’s strong statements were echoed by FBI Director James Comey, who said, “for too long, the Chinese government has blatantly sought to use cyber espionage to obtain economic advantage for its state-owned industries. The indictment announced today is an important step. But there are many more victims, and there is much more to be done.”

The Chinese government reacted quickly and furiously. The Foreign Ministry issued a statement calling the charges “purely ungrounded with ulterior motives.” Foreign Ministry Spokesman Qin Gang announced the suspension of all activities related to the bilateral Cyber Working Group, citing a “lack of sincerity on the part of the US to solve issues related to cyber security through dialogue and cooperation.” The day after revelation of the indictment, Assistant Foreign Minister Zheng Zeguang summoned US Ambassador to China Max Baucus to lodge a formal complaint. Zheng reportedly told Baucus that depending on how the situation developed China would “take further action on the so-called charges.” Zheng also repeatedly denied any Chinese government involvement in the “theft of trade secrets over the Internet.” He additionally accused the US of spying on the Chinese government, businesses, universities, and individuals, again emphasizing the apparent hypocrisy of the US charges.

Retaliatory steps were also taken against US companies Cisco and Microsoft. One day after the US charged the five PLA officers, China declared that governmental departments would not use Microsoft’s Windows 8 operating system in the future. A few days later, China’s National Internet Information Office declared that it would implement an Internet security censorship system that it said was aimed at preventing “some countries and enterprises” from collecting sensitive information by “utilizing their products’ unilateral monopoly and technological advantages.” The party newspaper, *People’s Daily*, accused the US National Security Agency of embedding monitoring tools in routers, server, and other Internet devices produced by Cisco.



Cyber security remained a sticking point in bilateral discussions at the S&ED. As Secretary Kerry remarked in a press briefing on the dialogue, “we continued our conversation on cyber security and cyber theft... I emphasized that incidents of cyber theft have harmed our businesses and threatened our nation’s competitiveness. And we believe it is essential to continue the discussion in this area.” The two sides discussed in detail the importance of cooperation to reduce risk in cyberspace, and also talked about the upcoming UN negotiations on the application of international law in cyberspace. At the conclusion of the S&ED Vice Premier Yang remarked, “the Chinese side believes that cyberspace should not become a tool for damaging the interests of other countries. The Chinese side hopes that the US side would create conditions for the two sides to have dialogue and cooperation on the cyber issue.” The Chinese are clearly waiting for the US to make the next constructive move, and despite the apparent appetite for dialogue on both sides no agreement was reached to restart the bilateral working group on cyber talks.

### **Military interactions, positive and negative**

Chief of the General Staff of the PLA Gen. Fang Fenghui visited the US in May. His trip began with a stop at the US naval base in San Diego where he met Adm. Samuel Locklear, head of Pacific Command. Fang then traveled to Washington, where he met Chairman of the Joint Chiefs of Staff Gen. Martin Dempsey at the Pentagon and discussed the East China Sea, the South China Sea, North Korea, and the US-China military relationship. They also agreed to establish a dialogue between the strategic planning departments at the headquarters level and to continue to advance the army-to-army dialogue. The generals also discussed the possibility of upgrading the defense telephone link they use to allow secure video teleconferencing with each other and agreed to explore opportunities to conduct joint exercises and training in a third country. At a joint press conference with Fang, Dempsey characterized their discussions as “refreshingly frank and open.” He also called on China to contribute to stability in the region, noting that the two sides had pledged to work with each other toward that end.

Substantial disagreements were apparent as the two generals responded to questions posed by the media. Gen. Fang strongly insisted on China’s right to drill for oil in disputed waters near Vietnam after Dempsey described China’s actions in the South China Sea as “provocative.” Fang charged that the US rebalance to Asia “has stirred up some of the problems which make the South China Sea and East China Sea not so calm as before.” Defending the rebalance, Dempsey stated “We’ll go because we can and should, and we’ll go because we have to.” He stressed, however, that strengthening military ties with China is necessary to avoid miscalculation that could lead to conflict.

A few weeks later Fang’s deputy, Lt. Gen. Wang Guanzhong, met Secretary of Defense Chuck Hagel briefly on the sidelines of the Shangri-La Dialogue in Singapore. According to the Pentagon press secretary, Hagel reiterated the US position that all regional disputes should be solved peacefully, through diplomacy and in accordance with international law. He also encouraged China to foster more dialogue and deeper relations with its neighbors. In his speech at the Shangri-La Dialogue, Hagel criticized China more harshly than he had one year earlier. After providing firm reassurance that the US rebalance to Asia is “not a goal, not a promise, or a

vision,” but rather is “a reality,” Hagel detailed China’s “destabilizing, unilateral actions asserting its claims in the South China Sea.” Although the US takes no position on competing territorial claims, Hagel said, it would “not look the other way when fundamental principles of the international order are being challenged” and would “firmly oppose any nation’s use of intimidation, coercion or the threat of force” to assert its claims.

Gen. Wang and the entire Chinese delegation were incensed by Hagel’s remarks. After overnight consultations with Beijing, Wang told the gathering of defense officials and scholars that Hagel’s speech was “excessive beyond . . . imagination” and suffused with hegemonism . . . threats and intimidation.” He also sharply criticized Prime Minister Abe Shinzo’s keynote speech, which he suggested was coordinated with Hagel’s to “stage a provocative challenge against China.” Abe had barely mentioned China, but his speech was replete with implied criticisms of China’s challenges to the rule of law and detailed Japanese efforts to aid other countries to build capacity to defend their interests against coercion, presumably from China. The strident rhetoric used by both Hagel and Wang at the Shangri-La Dialogue provided ample evidence of the growing friction between the US and China over the handling of territorial disputes between China and its neighbors.

In mid-June, four PLA officers were among the guests who were welcomed on the *USS George Washington* for a “VIP visit” as the carrier prepared to berth in Hong Kong on a routine port call. The visitors were shown a display of take-offs and landings of some of the carrier’s *F/A-18 Super Hornet* fighter aircraft. Rear Adm. Mark Montgomery, commander of the task force accompanying the *George Washington*, welcomed the group and urged China to allow more visits to its carrier, the *Liaoning*. In August, the US 7<sup>th</sup> Fleet’s command ship *USS Blue Ridge* visited the port of Qingdao in Shandong province. Three ships from the Chinese Navy, including a destroyer, a frigate, and a supply ship, visited the US naval base in San Diego.

Chief of Naval Operations Adm. Jonathan Greenert made his second visit to China this year in mid-July. Hosted by Commander-in-Chief of the PLA Navy Admiral Wu Shengli, Greenert visited China’s aircraft carrier, the *Liaoning*, the first US service member to do so. He also toured a Type 039B diesel-powered submarine, a frigate, and a missile patrol craft. Discussions between Greenert and Wu focused on expanding US-China naval interaction and cooperation, including eight proposals made by Wu when he visited the US last September. These include implementation of the code for unplanned encounters at sea, or CUES, signed by 21 Pacific naval powers in April, sending officers to each other’s naval academies and war colleges, and arranging simple joint exercises on short notice in the Gulf of Aden, the Mediterranean, the South China Sea, and the East China Sea. After his visit, Greenert told the Aspen Security Forum that “It was a good visit; it was frank; it was respectful.”

For the first time ever, China’s Navy participated in the US-led *Rim of the Pacific (RIMPAC)* maritime exercises from June 26 to Aug. 1. The PLA Navy sent four ships and 1,100 personnel as well as two helicopters, a commando unit, a diving squad, and a medical team. China’s task force rendezvoused in Guam with ships from the navies of Singapore, Brunei, and the US, and together made the 16-day transpacific voyage to Pearl Harbor. Chinese ships participated in drills that covered surface warship maneuvers, counterpiracy, simple gunnery, military medicine, diving, and search and rescue.

Zhao Xiangang, the drill director of the Chinese fleet, described the experience as “profound and far-ranging” and hailed China’s participation in *RIMPAC* as a step toward enhancing military transparency. Vice Adm. Kennet Floyd, commander of the US Third Fleet and commander of the 2014 *RIMPAC*, positively evaluated China’s performance in the exercises. He said the US would continue to invite the Chinese Navy to the biennial naval exercise and looked forward to China’s broader and deeper participation in 2016.

Overall, China’s involvement was a success, but there were a few hiccups along the way. Apparently Chinese requests to participate in specific exercises such as “opposed boarding” of a ship, which included dropping commandos from a helicopter, and kinetic drills were declined because of US legal restrictions and China’s limited capabilities and experience. After a Japanese officer was put in charge of a humanitarian assistance and disaster relief exercise, China withdrew its request to join that drill, likely because of persisting tensions between China and Japan and the sensitivities involved for China of putting its ships under Japanese command. The appearance of a Chinese Navy electronic surveillance ship to spy on the exercises also caused some consternation.

In an incident reminiscent of the 2001 collision between a Chinese fighter jet and a US *EP-3* surveillance plane, a Chinese fighter flew dangerously close to a US Navy *P-8 Poseidon* aircraft 135 miles east of Hainan Island on Aug. 19. The Pentagon claimed that the wingtips of the Chinese fighter came within 30 feet of the US reconnaissance aircraft and then performed a roll maneuver above the US plane so that the US pilot could see the Chinese jet’s weapons. A US defense spokesman called the maneuvers by the Chinese jet “pretty aggressive” and “very unprofessional.” The Chinese military rejected US accusations as “groundless,” however. A Ministry of National Defense spokesman insisted that the Chinese pilot had maintained a safe distance from the US aircraft. He blamed the incident on the United States, saying that the US is conducting “large-scale, high-frequency close-proximity surveillance” which endangers Chinese-US maritime and aviation safety. An editorial published in the Chinese Communist Party’s newspaper, *People’s Daily* under the pen-name homophone for “Voice of China,” maintained that “such practice not only harms the mutual trust between China and the United States, but also damages Washington’s international creditability.”

The incident was undoubtedly a central focus of discussion at talks a few days later between US and Chinese military officials on establishing rules of behavior in the air and at sea. The working talks had been scheduled previously and are aimed at implementing an agreement between US and Chinese presidents to negotiate a code of conduct for naval and air assets as well as a system for mutual notification of major military activities. No readout of the meeting was provided.

### **Chinese deployment of oil rig heightens tension**

On May 2, China’s state-owned China National Offshore Oil Corporation moved a huge oil platform, the *Haiyang Shiyou 981*, to waters near the disputed Paracel Islands in the South China Sea and 120 nm from Vietnam’s coastline. Subsequent Vietnamese efforts to disrupt the rig’s placement and operations resulted in repeated confrontations between Chinese and Vietnamese vessels, including one instance in which a Vietnamese fishing boat sank after being rammed by a

Chinese law enforcement ship. On May 13, Secretary of State Kerry told Chinese Foreign Minister Wang Yi in a phone call that China's move was "provocative" and "aggressive." The Chinese Foreign Ministry issued a statement in response, cautioning Kerry to be more objective and "speak and act cautiously."

At a round of ASEAN-based multilateral meetings in Yangon, Myanmar the following month, Assistant Secretary of State for East Asian and Pacific Affairs Daniel Russel discussed rising tensions in the South China Sea. In an effort to prevent further escalation and promote settlement of outstanding territorial disputes, Russel put forward two suggestions. First, he encouraged the claimants to identify behaviors that they find provocative when others undertake them, and to offer to impose a voluntary freeze on those sorts of actions on the condition that all other claimants agree to do the same. Citing a few examples, Russel proposed that claimants could agree to not occupy land features that are currently unoccupied and cease large-scale reclamation projects as well as the construction of military facilities in the South China Sea. Second, he suggested that China reconsider its position to not participate in the arbitration case brought by the Philippines to the International Tribunal on the Law of the Sea, noting that it had until mid-December to submit clarification of the legal basis of its claim. Both suggestions, Russel noted, are consistent with, if not actually implicit in the 2002 Declaration of Conduct on the South China Sea. The US initiative for a "freeze" on destabilizing actions in the South China Sea was fleshed out by Michael Fuchs, deputy assistant secretary of state for East Asian and Pacific affairs, at the fourth annual South China Sea Conference held by the Center for Strategic and International Studies on July 11.

Concerns about the Chinese behavior in the South China Sea and the East China Sea were also highlighted in testimony by Secretary Russel at a Senate Foreign Relations Committee hearing on US-China relations. He stated that China's neighbors were "understandably alarmed by China's increasingly coercive efforts to assert and enforce its claims" in regional waters. Calling for peaceful resolution of disputes, he maintained that from the perspective of the US and the international community, the use or threat of force to try to advance a claim has "no effect in strengthening the legitimacy of China's claims." Instead, claims must be decided based on their legal merits; Russel called on countries, including China, to avail themselves of third-party dispute resolution processes.

At the end of July, the US Senate passed Resolution 167 condemning the use of coercion and threat or force in the South China Sea and the East China Sea to alter the status quo. The bill, cosponsored by Senate Foreign Relations Chairman Robert Menendez (D-NJ) and Senators Marco Rubio (R-Fla), Ben Cardin (D-Md), and John McCain (R-Ariz), strongly urged all parties to maritime and territorial disputes in the region to exercise self-restraint and engage in collaborative diplomatic processes to peacefully their disagreements.

When foreign ministers of the ASEAN Regional Forum member nations met in Nay Pyi Taw in early August, South China Sea issues were prominent, despite China's decision to remove the oil rig on July 15. Secretary Kerry made a plea for steps to "lower the temperature" in the South China Sea as the claimants continue to discuss a meaningful code of conduct. He told reporters that the US proposal for a voluntary freeze on tension-producing activities "is a way of actually locking into place the very promises that people have already made." The US initiative got a

cool response, however, not only from China, but also from some Southeast Asian nations. China argued that the US proposal interfered with ongoing discussions on a code of conduct for the South China Sea and indicated its intention to continue with its construction activities.

ASEAN Secretary General Le Luong Minh said the proposed freeze was not discussed by ASEAN ministers because there was already a mechanism in place to reduce provocative actions such as land reclamation and building on disputed islands. In their joint communique, the ministers said they remained “seriously concerned over recent developments which had increased tensions in the South China Sea” and urged all parties to exercise self-restraint and avoid actions that could undermine peace, stability and security.

Nevertheless, a senior US State Department official insisted that China was “feeling the heat” and that Chinese efforts to “play for time and change the subject” had suffered a setback.” The official maintained that “the movement is away from diversionary topics, the happy talk issues between China and ASEAN, in the direction of significant engagement on the South China Sea itself.” Going forward, the US said it would be monitoring closely the situation around the rocks, reefs, and shoals in the South China Sea.

On the margins of the 47<sup>th</sup> ASEAN Foreign Ministers Meeting, Kerry met Foreign Minister Wang Yi, who chided him for arriving 30 minutes late. Kerry said he was “very, very sorry” for keeping Wang waiting.

### **China remains a free rider**

In a long interview with the *New York Times* in mid-August, President Obama talked bluntly about China’s unwillingness to assume greater responsibility in the international system. Calling China a “free rider,” Obama said that he jokes sometimes that the US should “be a little bit more like China” since nobody expects the Chinese “to do anything when this stuff comes up. The comment was made in the context of the crisis in Iraq, where China has maintained a low profile. An editorial published in the *People’s Daily* insisted that China was a “partner” and “builder” in Iraq, providing humanitarian assistance to the Iraqi people and reinvigorating the economy. On the contrary, the US has been an “invader” and “deserter” of Iraq, the article charged.

### **Final months of 2014**

The highlight of the final four months of the year will be President Obama’s trip to China in November to attend the APEC Leaders Meeting and hold a summit with President Xi. According to Robert Wang, the senior State Department official in charge of the APEC meeting, the two leaders are likely to hold informal discussions as they did at Sunnylands in June last year. Those talks will take place against the background of a strained relationship, despite recognition by both presidents of the importance of bilateral cooperation on a host of regional and global challenges. In advance of the president’s trip, National Security Advisor Susan Rice will travel to Beijing on Sept. 7-9 to consult with senior Chinese officials on a range of bilateral, regional, and global issues. A White House statement announcing her upcoming visit stated that Rice “will underscore the United States’ commitment to building a productive between our two countries in advance of the President’s visit to China in November.”

## **Chronology of US-China Relations\***

**May – August 2014**

**May 1, 2014:** US State Department spokeswoman condemns “the horrific and despicable acts of violence against innocent civilians” at the train station in Urumqi, capital of Xinjiang Uygur Autonomous Region, saying it appears to be “an act of terrorism.”

**May 2, 2014:** US Commission on International Religious Freedom releases its 2014 Annual Report, re-designating China as one of the “countries of particular concern.” Chinese Foreign Ministry spokesperson says that “reports released by this US Commission over recent years are full of misstatements about China.”

**May 4-7, 2014:** Wang Jiarui, director of the International Department of the Central Committee of the Communist Party of China, visits the US. He holds extensive talks on North Korea with Secretary of State John Kerry on May 7.

**May 7, 2014:** Department of State expresses deep concerns over reports that human rights lawyer Pu Zhiqiang and other activists have been detained following their participation in a meeting to peacefully mark the June 4 anniversary of the Tiananmen Square incident.

**May 12, 2014:** In a meeting with the visiting Singaporean foreign minister, Secretary Kerry says that the US is deeply concerned by China’s “aggressive act” of moving an oil rig into an area in the South China Sea also claimed by Vietnam.

**May 13, 2014:** Chinese Foreign Minister Wang Yi holds a phone conversation with US Secretary Kerry. Kerry says China’s introduction of an oil rig and numerous government vessels in waters disputed with Vietnam is provocative.

**May 13, 2014:** US Treasury Secretary Jacob Lew meets Chinese Premier Li Keqiang in Beijing, pressing China to ease exchange rate controls and lower barriers to trade and investment.

**May 13-15, 2014:** Gen. Fang Fenghui, chief of the General Staff of the Chinese People’s Liberation Army, visits the US.

**May 19, 2014:** US Justice Department indicts five members of the PLA on charges of hacking into computers and stealing valuable trade secrets from American companies. In response, Beijing suspends the cyber working group with the US that was launched in June 2013.

**May 22, 2014:** White House issues a statement condemning the terrorist attack in Urumqi, calling it “a despicable and outrageous act of violence against innocent civilians.”

**May 31, 2014:** Secretary of Defense Chuck Hagel criticizes China’s recent moves in the South China Sea as “unilateral and destabilizing in his speech at the Shangri-La Dialogue in Singapore.

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\* Chronology and research assistance by CSIS intern Susan Sun

**June 1, 2014:** Deputy Chief of Staff of the PLA Gen. Wang Guanzhong delivers a speech at the Shangri-La Dialogue in which he criticizes Secretary Hagel for “groundless accusations.”

**June 4, 2014:** Chinese state media asks Beijing to severely punish US IT firms, including Google, Apple, Microsoft, and Facebook, for cyber spying.

**June 4, 2014:** White House press secretary statement on the 25<sup>th</sup> anniversary of the Tiananmen Incident expresses US support of the freedoms that the protestors sought and urges China to guarantee the universal rights.

**June 5, 2014:** China expresses its strong dissatisfaction with the White House statement marking the 25<sup>th</sup> anniversary of the Tiananmen Incident.

**June 6, 2014:** Pentagon releases its annual report to Congress on developments in China’s military modernization and activities.

**June 9, 2014:** Thirteenth round of negotiations aimed at reaching a US-China bilateral investment treaty between China and the US begins in Beijing.

**June 10, 2014:** US cybersecurity company CrowdStrike reports that Shanghai-based unit 61486 of the People’s Liberation Army 12th bureau has been hacking the US space, aerospace, and communications sectors as well as networks of Western government agencies.

**June 11, 2014:** US and China sign a package of agreements on energy efficiency projects during the fifth US-China Efficiency Forum in Beijing, which opened on June 9, 2014.

**June 16, 2014:** Four PLA officers are welcomed for a VIP visit to the *USS George Washington* docked in Hong Kong.

**June 23, 2014:** Chinese Vice Premier Wang Yang and US Treasury Secretary Jacob Lew discuss US-China economic ties by phone.

**June 24, 2014:** Four PLA ships arrive in Hawaii for the *Rim of the Pacific* (RIMPAC) exercise.

**June 25, 2014:** Assistant Secretary of State for East Asian and Pacific Affairs Daniel Russel delivers testimony at Senate Foreign Relations Committee hearing on US-China relations.

**July 2, 2014:** In advance of the US-China Strategic and Economic Dialogue (S&ED) and the US-China Consultation on People-to-People Exchange, Secretary Kerry and State Councilor Yang Jiechi talk by phone.

**July 7, 2014:** The World Trade Organization (WTO) rules in its Appellate Body Report that the US has acted inconsistently with WTO rules in regard to its countervailing and anti-dumping measures on certain products from China. China urges the US to respect the ruling.

**July 8, 2014:** The fourth US-China Strategic and Security Dialogue (SSD) under the framework of the sixth US-China Strategic and Economic Dialogue (S&ED) begins in Beijing.

**July 8, 2014:** The US and China sign eight partnership pacts to cut greenhouse gases.

**July 8, 2014:** Chief of General Staff of the Chinese People's Liberation Army Fang Fenghui meets visiting commander of US Pacific Command Adm. Samuel Locklear.

**July 9-10, 2014:** Sixth round of the US-China S&ED is held in Beijing.

**July 9, 2014:** Deputy Chief of General Staff Wang Guanzhong meets US Undersecretary of Defense Christine Wormuth to discuss US-China military relations in Beijing.

**July 10, 2014:** The US Senate passes a bipartisan resolution co-sponsored by Sens. Marco Rubio (R-Fla.), Ben Cardin (D-Md.), and John McCain (R-Ariz.), urging China to refrain from implementing the Air Defense Identification Zone (ADIZ) in the East China Sea, and all parties to refrain from increasing tensions over disputed territory.

**July 14, 2014:** President Barack Obama calls President Xi to discuss Iran and North Korea.

**July 14, 2014:** WTO rules that the US has acted inconsistently with WTO rules in regard to its countervailing measures against certain products from China.

**July 15, 2014:** First US-China Counterterrorism Dialogue at the vice-minister level is held in Washington, DC. Ambassador Tina Kaidanow, coordinator for counterterrorism leads the US delegation and Cheng Guoping, vice foreign minister, leads the Chinese delegation.

**July 15, 2014:** US Chief of Naval Operations Jonathan Greenert meets China's Defense Minister Chang Wanquan and Wu Shengli, China's navy commander in Beijing.

**July 15, 2014:** US initiates anti-dumping duty (AD) and countervailing duty (CVD) investigations against imports of certain passenger vehicles and light truck tires from China.

**July 17, 2014:** China's Commerce Minister Gao Hucheng urges the US not to abuse the global trade system by imposing duties on Chinese goods to protect its own economy, following a rebuke to Washington by the WTO.

**July 20, 2014:** It is revealed that China sent a surveillance vessel to waters off Hawaii to spy on the US-led *RIMPAC* exercises.

**July 23, 2014:** China successfully carries out an anti-satellite missile test. *Xinhua News Agency* reports it as a successful missile interception test within Chinese territory.

**July 28, 2014:** China's Commerce Ministry condemns the US for setting new import duties on Chinese solar products after the US placed anti-dumping duties of 165.05 percent on solar panels and cells from China.



**July 29, 2014:** Chinese regulators open an anti-monopoly investigation into Microsoft Corp., seizing computers and documents from offices in four cities.

**Aug. 2, 2014:** President Obama says in an interview with the *Economist* magazine that the West needs to be “pretty firm” with China as Beijing pushes to expand its role in the world.

**Aug. 5, 2014:** The *Blue Ridge*, the 7<sup>th</sup> Fleet command ship, begins a friendly visit to Qingdao.

**Aug. 7, 2014:** WTO upholds a ruling that China violated international trade rules with restrictions on the export of rare earths.

**Aug. 7, 2014:** *China News Service* announces that China plans to build lighthouses on five islands in the South China Sea.

**Aug. 8, 2014:** President Obama expresses the view that China has been a “free rider” for 30 years in the Middle East.

**Aug. 9, 2014:** Secretary Kerry and Foreign Minister Wang Yi meet on the sidelines of the 47th ASEAN Foreign Ministers Meeting in Nay Pyi Taw.

**Aug. 10, 2014:** Task Group 171, a Chinese flotilla, arrives at San Diego naval base for a five-day visit after participating in *RIMPAC* maritime military exercise.

**Aug. 13, 2014:** Secretary Kerry discusses US-China relations and disputes in the South China Sea in a speech entitled “US Vision for Asia-Pacific Engagement,” in Hawaii.

**Aug. 16, 2014:** Premier Li Keqiang meets Bill Shuster, chairman of the House Transportation and Infrastructure Committee, and a delegation of US Congressmen in Beijing.

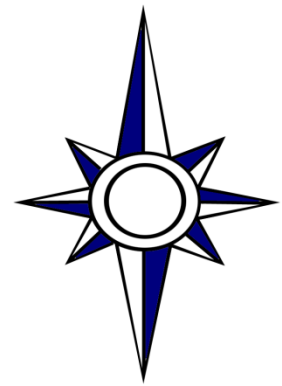
**Aug. 19, 2014:** US Department of Defense claims that a Chinese *J-11* fighter jet conducted a dangerous intercept of a US *P-8 Poseidon* anti-submarine and reconnaissance plane in airspace to the east of China’s Hainan province.

**Aug. 19, 2014:** Chinese hackers break into databases for US hospital group, Community Health Systems, Inc., and steal the names and social security numbers of 4.5 million patients. The FBI starts investigations into the matter.

**Aug. 27-28, 2014:** US and China hold a round of talks at the Pentagon on establishing rules of behavior in the air and at sea.

**Aug. 28, 2014:** Chinese Defense Ministry spokesperson Yang Yujun tells the US to stop air and naval surveillance near its borders. China claims this ‘close-in’ surveillance harms the broader strategic relationship.





**US-Korea Relations:**

**Waltzing Dragon, UFG Drills, DPRK Chills**

**Stephen Noerper, The Korea Society**

The summer months saw steady progress in Republic of Korea-US relations, following President Obama's visit to Seoul where he sought to offer reassurances on US commitments and condolences on the tragic loss of life after the sinking of the ferry *Sewol*. The reporting period ended with the *Ulchi Freedom Guardian* exercises, involving tens of thousands of South Korean and US soldiers. Pyongyang grumbled about the exercises as well as the visit by Pope Francis to Seoul in August, but contained its anger to diatribes and short-range missile launches, perhaps in anticipation of North Korean athletes attending the upcoming Incheon Asian Games. The biggest development for the ROK-US relationship came with the July 3-4 visit by Chinese President Xi Jinping to Seoul for what some viewed as an overly warm summit with President Park Geun-hye. Xi brought with him a large business delegation proffering a host of new economic opportunities, from film distribution to new flight routes. The two presidents called again for denuclearization on the peninsula and new cooperation. The media emphasized the significance of Xi's visit to Seoul coming before either Pyongyang or Tokyo. Chinese strategists quietly acknowledged Beijing's charm offensive coming directly after Obama's reassurances in Seoul on the US pivot, or rebalance, toward Asia.

**Multilateral and bilateral cooperation**

With the start of May, South Korea continued to increase its leadership in the multilateral arena with a second presidency of the United Nations Security Council in its two-year, rotating term. Foreign Minister Yun Byung-se presided over UNSC debate on May 7, a day after addressing the Korea Society on the *U.S.-Korea Alliance: Toward the Next Sixty Years*, with the US Special Representative for North Korea Policy attending. US Ambassador to Korea Sung Kim and Korean Ambassador to the US Ahn Ho-young traveled to New York, Detroit, and Atlanta in mid-May as part of the Korea Economic Institute's *Ambassadors' Dialogue*, affording the two ambassadors exposure to leaders in business and academe keen on hearing the latest on bilateral relations. The ambassadors trumpeted gains for US agriculture under the Korea-US Free Trade Agreement (KORUS FTA), in line with *Wall Street Journal* and East-West Center pieces in June and July on the boom in Korean demand for American orange juice and Maine lobster.

Assistant Secretary of State for East Asian and Pacific Affairs Daniel Russel offered a comprehensive overview of US-ROK cooperation in a June 18 Woodrow Wilson Center address. Citing Obama's fourth visit to the ROK, President Park's Dresden speech on unification, and her July meeting with Xi, Russel suggested "these events show the strength of our alliance, the threat it faces, the Republic of Korea's growing confidence, and the changes taking place in the region – all highlighting South Korea's prospects for an even brighter future and the potential stumbling blocks along the way." Noting the military, diplomatic, and economic tools employed by the US

and ROK in dealing with the DPRK, Russel suggested that “the strategy is to sharpen the DPRK’s choice: to raise the cost of continued defiance, and effectively leave the DPRK no viable alternative but to honor its commitments and come into compliance.” Russel applauded the “increasingly comprehensive global partnership” of South Korea and the US, while acknowledging challenges such as tensions between Korea and Japan, as well as opportunities like the Trans-Pacific Partnership (TPP), in a “very complicated neighborhood.”

The Congressional Research Service issued its comprehensive report on US-South Korea relations on June 24, praising South Korea as “one of the United States’ most important strategic and economic partners in Asia,” with relations “at their best state in decades.” Hailing the alliance and describing the challenges of North Korea as the “dominant strategic element” in the relationship, the CRS specialists also acknowledged “areas of significant differences” on some broad strategic matters in the region, namely that “South Korea often hesitates to take steps that antagonize China and has shown mistrust of Japan’s efforts to expand its military capabilities,” realities complicating US efforts at alliance management. Noting the extension of the bilateral civilian nuclear agreement to 2016, the researchers pointed to ROK requests for – and Obama administration resistance to – future uranium enrichment and reprocessing in South Korea.

### **Xi-Park summit**

Xi Jinping’s July 3-4 state visit followed Park Geun-hye’s June 2013 Beijing trip – a fifth meeting since the two were inaugurated. Xi and his wife, seven senior officials, and 200 Chinese business leaders joined in official meetings, a business forum, and a presidential address at Seoul National University. Park and Xi issued statements calling for denuclearization and a renewal of dialogue. One strategist from the Shanghai Academy of Social Sciences suggested that by way of strategic partnerships, “China has tipped the scales toward South Korea.”

Some analysts see the strengthening of Sino-Korean ties as in the near- and medium-term spiking mutual distrust of Japan – further complicating US relations with its allies. Others argue that China’s shift is tactical and not yet strategic, and that any shift toward Seoul will aid ROK management of integration and eventual Korean unification. The personal rapport between the two leaders was pronounced, and in the words of one senior US analyst, “South Koreans sense some space in Sino-North Korean ties, and they are trying to exploit the opportunity to move the needle on China.” Assistant Secretary of State Russel described the meeting as an “extraordinary milestone ... helpful in promoting needed cooperation on North Korea.”

In contrast, there was little improvement in relations between South Korea and Japan. The strongest US effort was on the sidelines of the August ASEAN-related meetings in Myanmar, where Secretary of State John Kerry encouraged ROK Foreign Minister Yun and Japanese Foreign Minister Kishida to consider the “great deal to talk about with respect to the DPRK and security issues in the region.”

### **DPRK protests**

August began with DPRK Deputy UN Ambassador Ri Tong Il conducting a news conference in which he asked for an emergency meeting of the UNSC to protest US-South Korea military

drills. The August UNSC president, the UK's Mark Lyall Grant, refused the request given the obvious lack of support among the 15 members to take up the complaint.

In anticipation of *Ulchi Freedom Guardian* (formerly *Ulchi Focus Lens*), North Korea threatened to “mercilessly open the strongest preemptive strike.” As it did before the Xi-Park summit, the DPRK fired three short-range rockets into the East Sea as Pope Francis prepared to visit South Korea – the last rocket fired just a half-hour prior to the Pope's arrival. The DPRK justified the launches as a response to the impending US and ROK military exercises. The State Department response was measured as it called on North Korea to refrain from such provocative actions.

### **Papal blessings**

Pope Francis conducted a five-day visit to South Korea from Aug. 14-18, appealing for renewed dialogue and a spirit of forgiveness among Koreans. He saw large crowds at a Daejeon youth rally and called for peace and reconciliation on the peninsula. At Seoul's historic Myeondong Cathedral – the onetime seat of the democratic movement – and with President Park attending, Pope Francis prayed for “the emergence of new opportunities for dialogue, encounter and the resolution of differences, for continued generosity in providing humanitarian assistance to those in need, and for even greater recognition that all Koreans are brothers and sisters, members in one family, one people.” Seoul followed with an appeal to Pyongyang, suggesting a resumption of high-level dialogue and willingness to “discuss any subject.”

### **Hawaii calls**

The highest-level US administration statement on the region during this time period came in an Aug. 13 address by Secretary of State Kerry at the East-West Center on *U.S. Visions for the Asia Pacific*. Kerry spoke to a redoubling of his efforts on Asia over the next two and a half years, of “revitalizing security partnerships” with South Korea, Japan, Australia, and the Philippines, and of “increased” dialogue with China on the DPRK. Kerry suggested a coupling of US concerns over denuclearization and North Korean human rights abuses following the release of the United Nations Commission of Inquiry report on DPRK human rights abuses:

North Korea's proliferation activities pose a very serious threat to the United States, the region and the world. And we are taking steps to deter and defend against North Korea's pursuit of a nuclear-armed ballistic missile capability. But make no mistake: We are also speaking about the horrific human rights situation. We strongly supported the extraordinary United Nations investigation this year that revealed the utter, grotesques cruelty of North Korea's system of labor camps and executions. Such deprivation of human dignity just has no place in the 21<sup>st</sup> century. North Korea's gulags should be shut down—not tomorrow, not next week, but now. And we will continue to speak out on this topic.

### ***Ulchi Freedom Guardian***

The latter part of August saw 50,000 ROK and 30,000 US troops (3,000 from outside the peninsula) participate in *Ulchi Freedom Guardian* (UFG), though the drills took place with what *Stars and Stripes* termed “little fanfare,” to avoid provoking the DPRK. The US described the

computer-simulation exercise as “routine and defense-oriented” and based on “realistic scenarios.” Official confirmation of *UFG* came only on the day it began, Aug. 18. The drills allowed the ROK and US militaries to evaluate capabilities in the areas of military intelligence, logistics, joint air procedures, and plans and systems, including combined space operations. *UFG* came at a sensitive time, as the US and ROK negotiate the transfer of wartime control of allied forces to Seoul in December 2015. The US led *UFG* in 2014, perhaps suggesting a delay in transfer according to some observers.

Despite missile firings, condemnation of the drills as “gangster-like,” and its UN envoy Ri Tong Il warning of military “counteractions,” the DPRK in the end did little. The response likely was conditioned by the upcoming Asian Games in South Korea. North Korea aims to send more than 150 athletes to the Incheon Games, with South Korea paying the cost and approving travel routes for its athletes.

### **Steel resolve**

Late August saw a major challenge in bilateral US-ROK economic relations, with the US approving anti-dumping duties against the ROK and other steel pipe producers – a victory for US producers seeking to gain from the boom in shale oil and gas extraction in the US. Subject to appeal, the decision allows the US Commerce Department to levy tariffs as high as 118 percent on tubular goods. The ROK’s exports to the US are valued at \$818 million in 2013 – more than all other national producers combined.

The summer started with a positive development on the energy cooperation front, however, with the US joining host South Korea and other nations in Seoul in mid-May for the Clean Energy Ministerial, under the theme “Act Together, Think Creative.” Energy leaders from some 20 nations gathered to consider new approaches to accelerate the deployment of clean and efficient energy. Korea’s next effort at global green leadership comes with President Park’s visit to New York for the Sept. 23 UN Climate Summit 2014 and UN General Assembly opening (China’s Xi and India’s Narendra Modi have advised UN Secretary General Ban Ki-Moon that they’ll not be attending the Summit, which may undercut efforts).

### **Detained Americans**

Capitalizing the Labor Day news cycle, North Korea sought to shift international attention back to itself by parading out US detainees Kenneth Bae, Matthew Todd Miller, and Jeffrey Edward Fowle before a *CNN* crew, already in Pyongyang for a Japanese-sponsored wrestling friendship tour. Bae faces a 15-year sentence for having had church materials on a hard drive. Miller ripped up a visa and requested asylum, and Fowle left a Bible in his hotel room; both face trial early autumn. The detainees’ dilemma took on new intensity in the public arena, especially after Islamic State detentions and killings of US journalists. The DPRK insists on a visit by a senior-level emissary in line with former Presidents Clinton or Carter to win the captive Americans’ release and elevate Kim Jong Un’s standing. Analysts remain divided over calls for US efforts and caution against rewarding bad behavior.

## **Chronology of US – Korea Relations**

### **May – August 2014**

**May 1, 2014:** Republic of Korea assumes its second turn at the presidency of the United Nations Security Council in its 24-month term.

**May 7, 2014:** ROK Foreign Minister Yun Byung-se addresses UNSC as rotating president. Yun lays the foundation for President Park’s September visit and speaks to the Korea Society on the *Korean-U.S. Alliance: Toward the Next Sixty Years*.

**May 12-13, 2014:** The Fifth Clean Energy Ministerial (CEM5) is held in Seoul with officials from Korea, the US, and some 20 states participating or observing to strategize next steps to accelerate deployment of clean and efficient energy.

**May 13, 2014:** US Ambassador Sung Kim and ROK Ambassador Ahn Ho-young address the Korea Society in New York City on opportunities and challenges in the US-ROK relationship. They underscore economic benefits since implementation of the KORUS FTA.

**June 16, 2014:** South Korea and the US hold the first in a planned series talks to discuss the transfer of wartime operational command of South Korean troops.

**May 23, 2014:** National Committee on American Foreign Policy hosts a dialogue with Korean, US, Chinese, and Japanese representatives aimed at solution-building on the Korean Peninsula.

**June 18, 2014:** Assistant Secretary of State Daniel Russel speaks to the Woodrow Wilson Center in Washington on *Assessing Threats Facing the U.S.-Korean Alliance*, underscoring the US-ROK “global partnership.”

**June 23-26, 2014:** South Korean First Vice Minister Cho Tae-Yong visits the US to meet Deputy Secretary of State William Burns and other officials to discuss opportunities to further solidify bilateral policy coordination.

**June 24, 2014:** Following on President Obama’s April visit to South Korea, the Congressional Research Service issues a detailed 36-page report on *U.S.-South Korean Relations*.

**July 26, 2014:** Korean War Veterans Association of America and the Embassy of the Republic of Korea share in the 61<sup>st</sup> National Korean War Veterans Armistice Day ceremonies at Arlington National Cemetery.

**July 3-4, 2014:** Chinese President Xi Jinping visits “old friend” President Park Geun-hye, senior officials, the business community, and Seoul National University students in Seoul.

**July 12, 2014:** North Korea condemns the docking of the *USS George Washington* in the South Korean port of Busan.

**July 16-21, 2014:** US and South Korea conduct annual naval exercises off the east coast of South Korea. The exercise includes a trilateral search and rescue exercise involving US, South Korean, and Japanese maritime forces.

**July 31, 2014:** US Ambassador to Korea Sung Kim receives Seoul Honorary Citizenship.

**Aug. 1, 2014:** DPRK Deputy UN Ambassador Ri Tong Il addresses a news conference at UN headquarters asking for an emergency meeting of the UNSC to protest ROK-US military exercises. The Security Council rejects the request.

**Aug. 10, 2014:** US Secretary of State John Kerry, ROK Foreign Minister Yun, and Japanese Foreign Minister Kishida Fumio meet on the sidelines of ASEAN-related meetings in Nay Pyi Taw, Myanmar.

**Aug. 13, 2014:** Secretary of State Kerry delivers an address on the *U.S. Vision for the Asia Pacific* at the East-West Center in Honolulu.

**Aug. 14-18, 2014:** Pope Francis visits South Korea, calling for peace and reconciliation on the Korean Peninsula.

**Aug. 18-29, 2014:** 50,000 South Korean and 30,000 US troops take part in *Ulchi Freedom Guardian*, a computer simulation exercise aimed at evaluating and exercising capabilities in military intelligence, logistics, joint air procedures, and plans and systems, including combined space operations.

**Aug. 22, 2014:** US approves anti-dumping duties against the ROK and other steel pipe producers; South Korea's exports to the US exceed all other nations combined.

**Aug. 25, 2014:** North Korea warns of "military countermeasures" in the face of joint drills between the US and ROK through Deputy Ambassador to the UN Ri Tong Il.

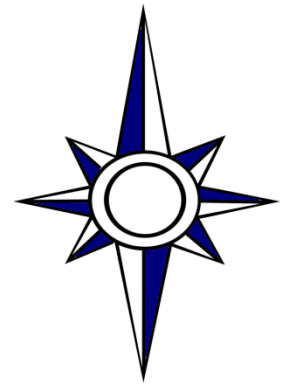
**Aug. 31, 2014:** Voice of America (VOA) reports an acceleration of the process of identifying US remains from the Korean War, with 49 of 208 boxes containing some 600 remains identified in just the last three years.

**Sept. 1, 2015:** US detainees in North Korea provide brief news conferences appealing for increased US government efforts to win their freedom. The family of US missionary Kenneth Bae expresses increased concern over his health.



# Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



**US-Southeast Asia Relations:**

## **Enhancing the Rebalance**

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Senior US State and Defense Department officials emphasized the centrality of Southeast Asia in the Obama administration's rebalance policy. Highlighted were US presentations at several ASEAN-based venues, including ASEAN+1, the ASEAN Regional Forum (ARF), and the preparatory gathering for the East Asia Summit, where US representatives stressed the roles of these organizations in regional diplomacy for resolving disagreements. At the ARF in August, Secretary of State Kerry proposed a freeze by South China Sea claimants – China, Vietnam, Philippines, Brunei, Malaysia, and Taiwan – on activities that would unilaterally change the status quo. The ASEAN states generally support this approach because it can be interpreted as fulfilling a pledge made by ASEAN and China in the 2002 Declaration of Conduct on the South China Sea. US officials also stressed the importance of following the UN Convention on the Law of the Sea (UNCLOS) in South China Sea dispute negotiations and endorsed the efficacy of the International Arbitral Tribunal to which the Philippines has filed an appeal. The US is negotiating the implementation of the Expanded Defense Cooperation Agreement (EDCA) with the Philippines, determining five locations where US facilities will be set up within Philippine military bases. One will probably be Subic Bay – a major US Pacific Fleet base until the early 1990s. There is also talk of a more extensive security relationship with Vietnam. For some time Hanoi has desired more US intelligence on the South China Sea. Washington would like more access for Seventh Fleet ships to Vietnamese ports. In June, US Ambassador-designate to Hanoi Ted Osius stated the US might reconsider its ban on weapons sales to Hanoi, a prediction echoed in August when Chairman of the Joint Chiefs of Staff Gen. Martin Dempsey visited Vietnam.

### **The rebalance advances**

Despite a multitude of international crises over the past four months in Iraq/Syria, Gaza, Afghanistan, and Ukraine to which the US devoted diplomatic, financial, and military resources, the Obama administration insisted that its Asia emphasis remains robust – a claim for which there is substantial evidence. State and Defense Department officials articulated the new emphases of the *rebalance*: (1) Southeast Asia's centrality and within Southeast Asia, ASEAN's key role, and (2) building the maritime defense capacities of allies and partners.

Illustrative of the first emphasis were Assistant Secretary of State for East Asian and Pacific Affairs Daniel Russel's remarks in Rangoon (Yangon) Burma (Myanmar) on June 18 at the ASEAN Senior Officials Meeting. Russel cited the succession of ASEAN-level gatherings through 2014, including the US-ASEAN Summit, the East Asia Summit (EAS), and the ASEAN Regional Forum (ARF), all listed as important components of "the long term US rebalance strategy ...." These venues permit countries to "deal with disagreements in a diplomatic manner

and a constructive manner.” The US has a particular interest in these discussions because it has “a longstanding and special responsibility for the ... peace and security in the Asia-Pacific region.” Russel went on to discuss a proposal he had made – subsequently presented more formally – based on the 2002 ASEAN China Declaration of Conduct on the South China Sea (DOC) that claimant states “identify the kind of behaviors that each find provocative when others do it and offer a voluntary freeze on those sorts of actions....” More specifically, at the Fourth Annual South China Sea Conference sponsored by the Center for Strategic and International Studies on July 11, Deputy Assistant Secretary of State Michael Fuchs spelled out what a “freeze” would entail: Based on the DOC, “claimants would recommit not to establish new outposts ... nor to seize features that another claimant has occupied before the 2002 Declaration of Conduct was signed.” Without naming China and the Philippines, Fuchs averred that “claimants could agree to refrain from unilateral enforcement measures against other claimants’ long-standing economic activities that have been taking place in disputed areas.”

In San Francisco on July 28, Assistant Secretary Russel, speaking on “ASEAN and America: Partners for the Future,” explained the importance of the relatively new EAS – an annual forum for heads of state to discuss common security concerns. He stated that the US believes “the EAS can become the premier forum for addressing pressing issues in the Asia-Pacific region” and that the US must be “at the table for a strategic discussion about how we build and shape this region over time.” He particularly pointed to the potential for cooperation on nontraditional security issues such as humanitarian assistance and disaster relief (HA/DR) for the weather-based disasters that plague Southeast Asia, noting that collaborative military exercises now always include these humanitarian scenarios. Russel reiterated US support for the use of a UN tribunal currently employed by the Philippines to determine the legal character of features in the South China Sea on which territorial claims can be based.

As for the second point of rebalance emphasis, the US is deploying close to 60 percent of its *F-22 Raptor* fighter inventory in and around the Pacific, and the region will be the first basing location for the new multi-role *F-35*. Sixty percent of the US naval fleet is also scheduled to be in the Pacific by 2020. President Obama’s 2015 budget request for Southeast Asian maritime capacity building over two years exceeds \$156 million and includes \$18 million for coastal patrol units in Vietnam, counter-piracy support for the littoral countries around the Malacca Strait, and counter-terrorism capabilities in the tri-border region of the Sulu Sea, involving the Philippines, Indonesia, and Malaysia. The US is also ramping up joint exercises with Southeast Asian partners, most notably *Cooperation Afloat, Readiness, and Training (CARAT)*. These annual bilateral naval exercises in Southeast Asia partner elements of the US Seventh Fleet with Singapore, Malaysia, Indonesia, Philippines, Thailand, Bangladesh, Brunei, Cambodia and Timor-Leste. Of one to two weeks duration, these exercises include HA/DR elements as well as gunnery, search and rescue, shipboard helicopter operations, anti-submarine warfare, and maritime interdiction. No other country outside Southeast Asia engages in the frequency and sophistication of *CARAT* maneuvers.

Leveraging the rebalance is military assistance to Southeast Asian states from US allies in Northeast Asia, particularly Japan. This fits well with the Obama administration’s view that partnerships are essential for international security in an era when the US no longer possesses the wherewithal to operate predominantly by itself. Thus, Washington welcomed Prime Minister

Abe Shinzo's new principles for arms transfers. The new criteria emphasized that arms aid must enhance Japan's own security, strengthen overall cooperation with partner countries, and insure that Japanese arms are not transferred to third countries. Several Southeast Asian states meet these standards; among them, according to the Japanese prime minister's keynote address to the May 30 Shangri-La Dialogue, was Tokyo's "utmost support for the efforts of the countries of ASEAN as they work to ensure the security of the seas and the skies and thoroughly maintain freedom of navigation and overflight." Abe was saying that Northeast and Southeast Asian security were entwined and that the sea lanes of international commerce passed through both regions. By adding to Southeast Asian security capabilities Japan was serving its own needs. Although not coordinating directly with the US, Tokyo's provision of coastal patrol vessels to selected ASEAN states reinforced Washington's efforts. Abe also announced that he would provide 10 new patrol boats to the Philippine Coast Guard and three vessels to Indonesia. Additionally Malaysian maritime law enforcement personnel were training in Japan. While in Vietnam in March, Abe also promised patrol boats through the Official Development Assistance Program. Six used vessels would be accompanied by training and spare parts.

### **South China Sea diplomacy**

In a variety of venues, including ASEAN+1, the ARF, the EAS, the Shangri-La Dialogue, and the ASEAN Foreign Ministers Meeting, US officials have emphasized provisions of the 2002 ASEAN-China Declaration of Conduct on the South China Sea (DOC) that abjure the use of force in dealing with territorial disputes. Washington also backs ASEAN efforts to establish a code of conduct (COC) for the South China Sea that would formalize ways of peacefully resolving maritime confrontations in those waters. Finally, the US has endorsed the Philippine submission to an arbitral tribunal to define the legal status of South China Sea features that can be used to extend territorial waters. Going further, the US has implied that other claimants (read Vietnam) might also consider going to the International Tribunal on the Law of the Sea (ITLOS) for a ruling.

ASEAN as an organization, however, remains cautious on the South China Sea. At the May 24 ASEAN Summit in Nay Pyi Taw, the ASEAN foreign ministers managed to issue a standalone statement urging all involved parties to prevent violence as enshrined in the DOC, although no particular country was named. Moreover, the foreign ministers and ASEAN chairman's statements highlighted the importance of "freedom of navigation and overflight above the South China Sea" – an implicit rejection of any possible plan by China to declare an air defense identification zone in Southeast Asia comparable to its 2013 declaration in Northeast Asia.

Hanoi also reached out to the US over China's deployment in May of a massive oil rig in Vietnam's exclusive economic zone (EEZ) west of the Paracel Islands. Top Vietnamese officials in late May welcomed a visiting US Senate delegation studying South China Sea issues. Prime Minister Nguyen Tan Dung and National Assembly leader Nguyen Sinh Hung expressed gratitude to that delegation for prompt US reactions to the rig's deployment and urged Washington to take "specific actions" in support of Vietnam. Subsequently, the Philippines, Vietnam, and other ASEAN states in June reacted favorably to the suggestion originally made by Assistant Secretary of State Russel during a visit to Burma that all South China Sea claimants

agree to a “voluntary freeze” on activities that seek to change the territorial status quo on the Sea’s features. A freeze would reduce tension in the area while a COC was being negotiated.

Secretary of State Kerry formalized Russel’s earlier suggestions and presented them at the August meeting with ASEAN foreign ministers. He specified the actions he believed should be frozen to include seizing unoccupied islands as well as land reclamation efforts – activities undertaken by China, though Kerry did not name any country. In July, the Philippines had called on the other ASEAN claimants – Vietnam, Malaysia, and Brunei – to meet with Manila to work out a common position for the ASEAN Foreign Ministers Meeting and the ARF conclave that follows. Agreement to do so was not reached, however. (Brunei and Malaysia may not have wanted to antagonize China.) Nevertheless, in early August, Manila asked ASEAN and other foreign governments during the ARF meeting to support a “Triple Action Plan” (TAP) consisting of first the US-proposed freeze on construction of new facilities in the disputed waters. Second, full and effective implementation of the 2002 DOC, which had over a decade ago discouraged aggressive actions and barred new construction in the contested areas. Going on, the second action also called for the expeditious conclusion of the COC. The third the final component of the TAP called for international arbitration of the disputes, an action the Philippines had already taken that has been endorsed by the United States. On Aug. 3, the Philippine government claimed that its TAP proposal won support from Vietnam, Indonesia, and Brunei.

The Aug. 10-11 meetings in Nay Pyi Taw constituted a series of gatherings: initially the ASEAN foreign ministers, then the foreign ministers plus each dialogue partner separately (ASEAN+1), then the ARF, and finally a preliminary conclave for the November EAS. Foreign ministers of the ASEAN states and high-level diplomats from the partners were in attendance. In his opening remarks at the US-ASEAN meeting, Secretary Kerry reiterated ASEAN’s centrality to the region’s “multilateral architecture” and its “rules-based system in the Asia-Pacific.” The South China Sea was a hot topic at all the meetings, and the ASEAN Foreign Ministers Joint Communique on Aug. 10 urged “all parties concerned” to exercise restraint and avoid actions that would complicate the situation, though once again China was not mentioned. The foreign ministers “noted” the Philippine three-part plan to freeze “destabilizing actions.” However, the statement did not mention the US proposal and did not endorse the Philippine submission.

Secretary Kerry argued for a moratorium on actions in the South China Sea at the ARF. In actuality, both the Philippine and US presentations merely asked for implementation of the 2002 DOC. That document, signed by ASEAN states and China, called on all claimants to abjure any activities that would alter the status quo. Both the ASEAN Foreign Ministers Statement and ARF Communique reiterated those commitments by reminding all those present of their obligations under the DOC.

ASEAN diplomats all agreed that a COC was needed because, as Secretary Kerry said, it would go toward “everybody clarifying claims under international law.” At a press briefing following the ARF, a “senior State Department official” said that implementing the already agreed DOC would result in a *de facto* freeze on destabilizing activities and that the US would be “monitoring the actual situation around the rocks, reefs, and shoals in the South China Sea.” How that would be accomplished, however, was left unsaid.

## Philippines: debating EDCA

When President Obama visited the Philippines in late April, two years and eight rounds of negotiations were rewarded with the conclusion of a 10-year Enhanced Defense Cooperation Agreement (EDCA). It emphasizes “capacity building” for the country's armed forces in “external defense, maritime security and humanitarian assistance and disaster relief.” So far, EDCA is just a framework the specifics of which have yet to be determined. It will include the construction of new facilities for US personnel and equipment within Philippine bases to which Philippine forces will have access; in other words, there is no return to US bases on Philippine territory. US forces will rotate through these facilities much like the current arrangement in Mindanao and in Darwin, Australia. Discussions in Manila focused on US assistance for Philippine armed forces’ transition from internal to external defense, particularly maritime security. However, Obama did not specify what conditions in the Sino-Philippine South China Sea confrontation would lead to the activation of the 1951 Mutual Defense Treaty. Instead, he reiterated that an enhanced US military presence in the region is not directed against China but will reassure Southeast Asia of US presence and its commitment to “international rules and norms that include the area of maritime disputes.”

Those in the Philippines who support the EDCA insist that it demonstrates to all of Southeast Asia that the US remains the region’s indispensable source of stability whose *bona fides* were based on the fact that it has neither territorial claims nor ambitions. Defenders of the EDCA also note that it is the only defense accord the US has with an ally that contains a consent provision. That is, all supplies the US plans to bring into the country must be preapproved by the Philippine Mutual Defense Board and the Security Engagement Board.

Concerns remain, however, over the reliability of the US commitment to defend Philippine forces if they are attacked in the South China Sea. Nevertheless, Foreign Affairs Secretary Albert Del Rosario characterized President Obama’s statements as affirming the US commitment if they are attacked in the Pacific, according to the April 30 *GMA News Online*. Further, in a one-day visit to Tokyo in late June, the July 3 *Philippine Star* reported that President Aquino was also interested in forging a stronger defense relationship with Japan similar to EDCA, implying that Japanese forces might also be offered access to the Philippines. Aquino’s statement was part of his endorsement of Prime Minister Abe’s reinterpretation of Japan’s pacifist constitution that for the first time permits collective defense.

Other signs of the US commitment to Philippine defense, according to Manila’s May 6 *Shi Jie Ri Bao*, was an assessment of this year’s *Balikatan* joint military exercises. In opening the exercises, Foreign Secretary Rosario stated that the maneuvers would boost his country’s maritime capabilities to deal with challenges from “a hostile neighboring country.” Past *Balikatan* exercises have focused on counter-terrorism and HA/DR. In late June, the Pentagon announced that the US counter-terrorism unit operating as trainers in Mindanao for over a decade was being phased out. Although US Special Forces would continue to help counter Al Qaeda-linked remnants in the southern Philippines, the mission size would be reduced from 320 to a dozen or so advisers. While the reduction in US Special Forces was explained as a result of their success in reducing the threat from Abu Sayyaf, it was also seen as a part of the new emphasis in EDCA that locates US forces in the country to address external threats.

Critics of EDCA abound. Some distrust US reliability as a protector, noting that the US will not automatically defend the Philippines in a confrontation with China and that the US public might not support military action in Asia. Others, representing leftist and nationalist groups, have appealed to the Philippine Supreme Court, arguing that EDCA violates the constitution because it sets up *de facto* US bases on Philippine territory. Moreover, contrary to the government's claim that the EDCA is an executive agreement, it is, in fact, a treaty and must be ratified by the Philippine Senate. This same argument was employed unsuccessfully over a decade ago when US Special Forces were deployed on the long-term training mission in Mindanao. Under the EDCA, the US will be allowed to build structures, preposition weapons and supplies, and station troops as well as civilian support staff on Philippine bases for a period of 10 years.

Left-leaning members of the Philippine House of Representatives have filed impeachment proceedings against President Aquino because of EDCA, though the action is not expected to succeed. At bottom, Philippine officials hope EDCA will dampen China's assertiveness in the South China Sea, giving the Philippines time to rebuild its cash-strapped military.

### **Vietnam-US: a warmer relationship**

The summer months have witnessed continued warming of the Vietnam-US relationship, though the major obstacle to more military support from Washington has not yet been overcome: Hanoi's poor human rights record. Additionally, Washington is interested in more military access to Vietnamese ports, particularly Cam Ranh Bay. Currently, noncombat US ships put into Vietnamese ports for minor repairs, but no warships have been permitted. There are indications, however, that some of these roadblocks could be lifted. In June, US Ambassador-designate to Vietnam Ted Osius testified before the US Senate Foreign Relations Committee that the US was reconsidering the arms sales ban to Vietnam, and Secretary Kerry announced \$18 million in nonlethal military assistance to support Vietnam's maritime security last December. Presently, Hanoi buys weapons from Russia, India, Israel, and South Korea. In his presentation on Vietnam's maritime forces to the Center for Strategic and International Studies July 10-11 conference on the South China Sea, Australian Southeast Asia specialist Carl Thayer sounded a cautionary note about whether Vietnam really wanted to add a significant number of US weapons to the variety of countries already supplying its forces as it would complicate logistics.

A probable breakthrough on US arms for Vietnam occurred when Chairman of the US Joint Chiefs of Staff Gen. Martin Dempsey visited Hanoi in mid-August. Dempsey stated that the arms embargo would likely soon be lifted after which the two countries would discuss the kinds of equipment that could be made available, most likely in the area of maritime surveillance. Dempsey cited the importance of Vietnam's capabilities for the future security of the South China Sea and said, "I would suggest as so goes Vietnam in managing its maritime resources and territorial disputes, so goes the South China Sea." In an apparent effort to assure both China and Vietnam, the general stated that his visit was not designed to force Vietnam to choose between the US and China. Nor will there be any change in Vietnam's restriction on US naval visits or the prospect of access of combat vessels to Cam Ranh Bay. Moreover, this author could detect no mention of Vietnam's human rights record attendant upon Dempsey's visit.

## Other US-Southeast Asian links

**Indonesia.** Jakarta's interest in an ongoing US naval presence in Southeast Asia may well be piqued by China's nine-dash line map that encompasses Indonesia's EEZ north of the Natuna Islands. The Indonesian government has decided to deploy more forces to the Natunas to demonstrate its commitment to that region. New President Joko Widodo has stated that he would consider helping mediate South China Sea disputes if he was requested to do so by all parties involved, suggesting that he is prepared to continue the interlocutor role that Foreign Minister Marty Natelegawa has performed in ASEAN.

Indonesia also welcomed President Obama's speech at West Point in late May on countering terrorism that would fund counter-terrorism partnerships to assist countries in their own counter-terrorism endeavors. In a May 30 article in Singapore's *Straits Times Online*, Indonesian analysts were cited as estimating that over 100 Southeast Asian radicals were fighting in Syria with extremist groups, acquiring skills that could be used against their home governments upon their return. When Senators John McCain and Sheldon Whitehouse visited Jakarta on Aug. 12, their discussions with Indonesian leaders emphasized concerns about the return of radicalized Indonesians and Americans to their home countries and the need to monitor them carefully.

**Thailand.** After months of insisting it would not precipitate a coup, the Thai military did just that on May 22, removing Prime Minister Yingluck Shinawatra and creating a conundrum for ASEAN, which is in the final stages of creating the ASEAN Community. Thailand is ASEAN's second largest economy and has been a leader in democratic consolidation. All of that has been thrown in reverse. The military-written interim constitution concentrates political authority in the armed forces. Adopting a tough line, the Thai junta rebuffed an Indonesian proposal to discuss Thai developments at a special ASEAN foreign ministers meeting with a Thai official insisting they are an internal matter and thus inappropriate for ASEAN consideration.

The US immediately denounced the military takeover. Secretary of State Kerry averred, "There is no justification for the military coup" and called for the release of all detained political leaders. He also urged the immediate restoration of civilian government. Kerry warned that the coup would harm US-Thai relations, "especially ... our relationship with the Thai military." At the time of the military political intervention, the US and Thailand were in the middle of a *CARAT* exercise, which was immediately halted by the US and US ships withdrawn. US Ambassador to Thailand Kristie Kenney also criticized the coup, leading to a social media campaign by Thai royalists – who back the coup – for her recall. In late June, Washington suspended \$4.7 million in military aid.

While the future of the next *Cobra Gold*, Asia's largest military exercise held annually in Thailand, is in doubt, in mid-July Ambassador Kenney reaffirmed US support for the Thai Air Force efforts to upgrade and modernize its *F-16* fleet. So, it appears that the commercial components of military relations continue while political relations are frayed.

**Burma.** President Obama's West Point speech in May attributed reforms in Burma to US diplomatic initiatives that have encouraged the growth of democracy and national reconciliation. However, a number of outside observers argue that these reforms have stalled, that the civil war

with ethnic insurgents persists, and that the military shows no sign of giving up the authority it maintains under the current constitution. Although the government of President Thein Sein has lifted press censorship, granted freedom of assembly, and freed hundreds of political prisoners, including Nobel-laureate Aung San Suu Kyi who now serves in Parliament, when these reforms actually threaten the military elite, the government has reverted to its old ways of jailing dissidents and cracking down on the media.

These deficits have led the Obama administration to keep some sanctions in place, in contrast to EU members who for the most part have lifted theirs. For example, military-to-military relations are limited to allowing Burmese armed forces observers to attend such exercises as *Cobra Gold* in Thailand but not to participate. US military representatives talk to their Burmese counterparts on human rights and rule of law but, so far, not on military tradeecraft. The efficacy of these conversations is problematic. On June 9, the Thailand-based organization Fortify Rights issued a report saying that the Burmese military has “systematically tortured Kachin civilians” allegedly aligned with the Kachin Independence Army near China’s border.

Member of both houses of the US Congress have introduced bills that would block any US military assistance to Burma until its government undertook “meaningful accountability reforms including the fair and equal treatment of all ethnic groups, addressing human rights abuses committed by the military and cutting off military relations with North Korea.” The State Department has assured Congressional critics that US engagement with Burma’s military will be limited to discussions on human rights and civilian control of the armed forces. While visiting Burma in mid-August, Secretary Kerry was told by opposition groups that the US was too soft on the Thein Sein administration. Kerry stressed the need for continued political and human rights reforms in his talks with government officials and expressed concern over the attacks on Muslim Rohingya minority by Buddhist nationalists. These concerns have blocked the further advance of US-Burma relations.

### **Looking ahead: regional anxiety**

The State Department’s Bureau of East Asian and Pacific Affairs announced a 2015 budget request for a modest 5 percent increase, hardly an example of rebalancing to Asia. Given other global concerns and crises, a relatively calm Asia means a continuation of established policies. The rebalance, then, may be seen in Southeast Asia as rhetoric accompanied by little increase in diplomatic presence or development dollars. Moreover, US engagement is perceived in the region as primarily focused on the military. The economic component embodied in the Trans-Pacific Partnership (TPP) is stalled because Southeast Asian states continue to protect uncompetitive sectors of their economies and resist US demands on labor and human rights components of the agreement. Moreover, the US Congress appears unwilling to grant the Obama administration a fast track procedure when and if a TPP is finalized meaning that Congressional approval of the agreement could be drawn out and subject to amendments that would then have to be resubmitted to the signatories. While Southeast Asian states welcome US assistance in building up their maritime domain awareness, this promises to be a long, drawn-out capability increase and hardly a near-term buildup of regional defense capacities.



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

### **May - August 2014**

**May 1, 2014:** Malaysian elites, including former Prime Minister Mahathir Mohamad and past editor of the *New Straits Times* Abdul Kadir condemn President Obama's comments to the Young Leaders Group of the University of Malaya in which he warned Malaysia would fall behind if it did not provide the same opportunities for non-Muslims as it does for Muslims.

**May 3, 2014:** US Congressional leaders assure visiting Philippine Vice President Jejomar Binay of continued aid for recovery from Typhoon *Yolanda* as well as congressional support for the new Enhanced Defense Cooperation Agreement (EDCA).

**May 5, 2014:** Thailand's Constitutional Court dismisses Prime Minister Yingluck Shinawatra from office for abuse of power, along with nine Cabinet officials.

**May 5-14, 2014:** US and the Philippines conduct *Balikatan* military exercise featuring live-fire drills, landing exercises, search-and-rescue operations, humanitarian response operations, and demonstrations of maritime surveillance systems. A small contingent from Australia participates.

**May 7, 2014:** US State Department spokesperson says that China's movement of an oil rig into disputed waters near Vietnam "undermines peace and stability in the region."

**May 9, 2014:** US National Security Adviser Ben Rhodes affirms US opposition to Chinese military actions in response to an oil rig standoff between Vietnam and China in the South China Sea. He also says the US is strengthening military ties with such allies as the Philippines.

**May 9, 2014:** A bipartisan group of US senators from the Foreign Relations Committee urge passage of a resolution reaffirming support for freedom of navigation and the diplomatic resolution of outstanding maritime disputes. The statement condemns Chinese boats' ramming Vietnamese ships as interrupting the free flow of maritime commerce.

**May 12, 2015:** Greeting Singapore's foreign minister in Washington, Secretary of State John Kerry cites both countries' national concern over China's actions around the Paracel Islands.

**May 15, 2014:** Secretary Kerry in a phone call to Vietnam's deputy prime minister terms China's actions in the South China Sea "provocative" and urges safe conduct for all vessels in the vicinity.

**May 15, 2014:** State Department spokesperson cautions that any Chinese military construction on a disputed Spratly reef has the potential to raise tensions and calls on all parties to abide by the 2002 Declaration of Conduct on the South China Sea that prohibits such activity.

**May 15, 2014:** US extends sanctions against Burma for one more year, banning US companies from doing business with those involved in repressing pro-democracy movements.

**May 15, 2014:** Philippines offers the US access to a small naval base on Palawan facing the South China Sea. Manila hopes the US will rehabilitate the base.

**May 19, 2014:** Thai military declares martial law.

**May 20, 2014:** State Department issues a statement reacting to the Thai martial law declaration, urging the military to “honor its commitment to make this a temporary action to prevent violence and not to undermine democratic institutions.”

**May 21, 2014:** Thai military declares a coup and suspends the constitution. Army Gen. Prayuth Chan-ocha is identified as the junta leader.

**May 21, 2014:** Vietnam’s Deputy Prime Minister Pham Binh Minh telephones Secretary Kerry to discuss implications of China’s deployment of an oil rig near the Paracel Islands.

**May 22, 2014:** White House announces it will support Vietnam if it chooses to take legal action in resolving its dispute with China in the South China Sea.

**May 22, 2014:** Secretary Kerry refers to the Thai coup as a “disappointment,” without justification and demands the release of detained political leaders. He warns that the coup could negatively affect US-Thai military relations.

**May 24, 2014:** State Department warns US citizens to “reconsider any nonessential travel to Thailand.” It also suspends \$2.5 million in military financing and training and says an additional \$10.5 million in assistance to the country is under review. It calls for “the immediate restoration of civilian rule.”

**May 24, 2014:** Pentagon halts an underway *CARAT* joint military exercise with Thai forces.

**June 2-5, 2014:** US Commerce Secretary Penny Pritzker leads a delegation of US business executives and members of the US-ASEAN Business Council to Vietnam, the Philippines, and Myanmar for meetings with heads of state, cabinet officials, and business leaders.

**June 9, 2014:** The ASEAN Regional Forum (ARF) Senior Officials meeting in Yangon discusses the South China Sea conflicts. Most delegates express concerns and urge the disputants to observe provisions of the UN Convention on the Law of the Sea (UNCLOS).

**June 9, 2014:** In a joint exercise with Malaysia, the US deploys an *F-22* for the first time against a Malaysian *Su-30*.

**June 10, 2014:** Assistant Secretary of State for East Asian and Pacific Affairs Daniel Russel attends the preliminary meetings in Yangon for the ASEAN-related meetings. He calls on both Vietnam and China to withdraw their ships from disputed waters near the Paracel Islands and also asks Beijing to withdraw its oil exploration rig.

**June 12, 2014:** Australian Prime Minister Abbott meets with President Obama in Washington, emphasizing ASEAN's importance for maritime issues in the South China Sea.

**June 17, 2014:** State Department urges reforms in Burma to ensure free elections.

**June 20, 2014:** State Department publishes the 2014 Trafficking in Persons report, adding Thailand and Malaysia to the list of countries that have failed to tackle human trafficking. Both countries protest this characterization.

**June 21-26, 2014:** Singapore Prime Minister Lee Hsien Long visits the US and meets President Obama, Vice President Biden, and National Security Advisor Susan Rice. Lee calls for US support to finalize the TPP.

**June 26-July 1, 2014.** Annual US-Philippine *CARAT* naval exercise is held in the South China Sea adjacent to the island of Luzon. A total of 1,000 personnel from both countries participate.

**July 11, 2014:** Deputy Assistant Secretary of State Michael Fuchs stresses ASEAN's key role for US foreign policy in Asia.

**July 17, 2014:** China removes its offshore oil rig from contested waters near the Paracel Islands, a month before schedule.

**July 18, 2014:** State Department criticizes a Burmese court's sentence of four journalists and their newspaper's executive to 10 years of hard labor for reporting that a Defense Ministry factory was producing chemical weapons.

**July 18, 2014:** Former US President Bill Clinton visits Vietnam and meets President Truong Tan Sang and Prime Minister Nguyen Tan Dung. Among other issues, Sang calls for an early signing of Trans-Pacific Partnership (TPP) trade agreement.

**July 23, 2014:** Washington congratulates Joko Widodo on his victory in the Indonesian presidential election.

**July 26, 2014:** *USS Columbus* submarine calls at Subic Bay, one of the areas being considered as a site for US facilities formalized in the April EDCA.

**July 29-Aug. 7:** US and Singapore conduct their annual *CARAT* exercise, involving 1,400 personnel, nine ships, two submarines, and five naval helicopters.

**Aug. 1-22, 2014:** *Pitch Black* air combat exercise with fighter aircraft from the US, Singapore, France, Thailand, the UAE, New Zealand, and Australia is held near Darwin, Australia.

**Aug. 4, 2014:** US Sen. Bob Corker of the Foreign Relations Committee meets Vietnam's Deputy Defense Minister Lt. Gen. Truong Quang Keah in Hanoi where they discuss the possibility of the US lifting its ban on weapons exports to Vietnam.

**Aug. 5-10, 2014:** The 47<sup>th</sup> ASEAN Foreign Ministers Meeting/Post Ministerial Conference, the 21<sup>st</sup> ASEAN Regional Forum, the 15<sup>th</sup> ASEAN Plus Three Foreign Ministers Meeting, and the fourth East Asia Summit Foreign Ministers' Meeting are held in Nay Pyi Taw. Secretary Kerry expresses concern that the government was stumbling on the path to democracy.

**Aug. 11-15, 2014:** Singapore hosts annual *Southeast Asia Cooperation and Training (SEACAT)* naval exercises with personnel from Brunei, Indonesia, Malaysia, the Philippines, Singapore, Thailand, and the US participating.

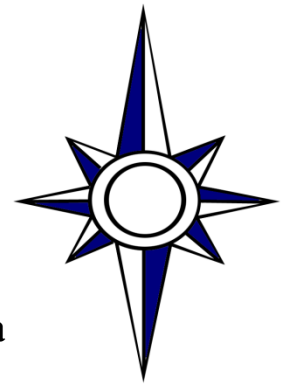
**Aug. 12, 2014:** US Senators John McCain and Sheldon Whitehouse visit Indonesia and explain the US military action in Iraq. McCain warns that both Indonesia and the US could face the return of radicalized youth from fighting with ISIS.

**Aug. 14-18, 2014:** Chairman of the US Joint Chiefs of Staff Gen. Martin Dempsey visits Hanoi and discusses lifting the US arms embargo as well as Vietnam's military needs.

**Aug. 25, 2014:** Thailand's coup leader Prayuth Chan-Ocha is formally endorsed as prime minister by King Bhumibol Adulyadej.

# Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



## China-Southeast Asia Relations:

### China Advances, More Opposition in South China Sea

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China's abrupt deployment in the disputed Paracel Islands of the South China Sea on May 2 of a 40-story oil rig along with a protecting armada of over 100 fishing, coast guard, and reportedly military vessels shocked the region and particularly Vietnam, the other main claimant to these islands. Concurrent disclosures showed large-scale dredging creating Chinese controlled islands on four previously submerged reefs in the disputed Spratly Islands with China fortifying some of these sites for surveillance and power projection far from the Chinese mainland.

The egregious Chinese advances demonstrated how far Beijing is prepared to go in confronting its neighbors, the US, and other powers concerned with regional stability to advance its broad territorial claims in the South China Sea. They were reinforced by China's rebuff of a strong Pentagon complaint on Aug. 22 over heavily armed Chinese jet fighters harassing US reconnaissance aircraft in dangerously close maneuvers. Domestic support for the Chinese moves to defend and advance control in the South China Sea elicited uniformly positive treatment in Chinese media while Chinese leaders exuded confidence in facing predictable negative international reactions.

Nevertheless, probably unanticipated by Beijing's planners were mass demonstrations in Vietnam that turned violent, killing five Chinese and injuring many more while causing widespread damage to Chinese and other Asian invested enterprises. Sharply critical rhetoric and moves at odds with Chinese interests by the US, Japan, Australia, and some Southeast Asian countries also underlined deepening wariness and growing diplomatic and security measures directed at China. Chinese delegates at the annual Shangri-La Defense Forum in late May were on the defensive in the face of direct attacks on China led by the US and Japan. Beijing nonetheless stood firm in blaming Vietnam for all negative consequences of their dispute and dismissed international assessments that Chinese territorial advances were counterproductive and accelerating US and regional cooperation against China.

Against this background, China's removal of the rig and its protective fleet in mid-July, much earlier than expected, was widely interpreted outside China as designed to reduce tensions, at least for a time. Major foreign policy speeches by President Xi Jinping, State Councilor Yang Jeichi, and other senior leaders emphasized the positive in China's avowed commitment to development and peaceful coexistence. Chinese officials duly noted determination to protect sovereignty and maritime rights and took aim at US alliances and the alleged US role in encouraging other claimants to act against China. A US proposal in July to freeze oil exploration, reef reclamation, or other changes in the status quo in the South China Sea set the stage for friction at the ASEAN Regional Forum (ARF) in August, with China rejecting US involvement

and regional initiatives that would curb China's freedom of action in pursuing its claims. Beijing's prompt dismissal of US complaints of Chinese harassment of surveillance flights in the South China Sea was followed by high-level Sino-Vietnamese talks in Beijing on Aug. 27 where the two sides reached an agreement to avoid acts that would worsen maritime disputes and to support overall peace and stability in the South China Sea.

### **Crisis with Vietnam**

When China deployed the *Haiyang Shiyou 981* oil drilling rig to the Paracel Islands (China: Xisha, Vietnam: Hoang Sa) in early May, Vietnam promptly protested and confronted the protecting armada with coast guard and fishing fleets, frogmen deploying nets, and other obstacles. Both sides kept count of the repeated ramming of boats and other damage from the confrontations at sea. A Vietnamese Foreign Ministry briefing on June 5 reported that 19 Vietnamese vessels were damaged by Chinese ramming and water cannon attacks, injuring 12 Vietnamese officers. Vietnamese media on May 26 highlighted the sinking of a Vietnamese fishing boat after being rammed by a Chinese government ship. A Chinese government document on June 8 said as many as 63 Vietnamese vessels confronted the rig and protecting Chinese boats, ramming Chinese government ships 1,416 times. Both sides also highlighted official contacts over the crisis. China said in mid-June that 30 such contacts had taken place. A highlight was the June 17-18 visit of China's senior foreign affairs specialist, State Councilor Yang Jiechi, to Hanoi for previously scheduled talks with his Vietnamese counterpart and Prime Minister Nguyen Tan Dung, which nonetheless failed to ease the crisis.

Much greater violence and destruction came when popular protests supported by the Vietnamese government in mid-May were followed by widespread rioting, burning, and destruction targeting China and Chinese properties but involving many enterprises from Taiwan and other countries. *Xinhua* reported on June 9 that five Chinese were killed in the riots. It said that 20 foreign factories were destroyed and over 1,000 foreign companies were damaged, with Taiwan enterprises bearing the brunt of the attacks. Initial Vietnamese government offers apologizing and compensating for the deaths, injuries, and destruction were rejected by China.

The US, on May 7, led international criticism of China for its "provocative" deployment of the oil rig and disruption of stability in the South China Sea. Japan and other concerned powers followed. The ASEAN foreign ministers on May 10 issued a statement on the crisis that avoided explicit mention of China. Concurrently, the Indonesian foreign minister told the media he was disappointed with China's action. The US and its allies led the criticism of China at the Shangri-La Dialogue in late May. The G-7 also issued a statement along these lines in early June.

Vietnam endeavored to buttress its position against China through international maneuvers. Vietnam's prime minister joined Philippine leaders in criticizing China's South China Sea behavior at the ASEAN Summit on May 11, resulting in another ASEAN statement of concern over rising tensions in the area. In a joint statement with Philippine President Benigno Aquino in Manila on May 21, Vietnam's Prime Minister Dung supported joint efforts for international support to oppose Chinese violations in disputed areas in the South China Sea. Against the background of the Philippines legal challenge in the Permanent Court of Arbitration in The Hague against Chinese claims in the South China Sea, Dung indicated that Hanoi was now

considering legal actions against China. On May 20, Vietnam agreed to join the US-supported Proliferation Security Initiative, a move quickly welcomed by the US. Vietnam's deputy prime minister met in Tokyo with Prime Minister Abe Shinzo on May 22, following Japan's initiative to begin Japan-ASEAN defense minister meetings later this year. Hanoi warmly welcomed the August visit to Vietnam of the US Chairman of the Joint Chiefs of Staff Gen. Martin Dempsey. The visit followed recent trips to Hanoi by leading Asian affairs officials from the US National Security Council and State Department and came amid rising calls by US congressional and non-government advocates for US arms sales in Vietnam.

Apart from showing solidarity with Vietnam, the Philippines complained repeatedly over Chinese dredging and expanding land reclamation projects for military and other use in the disputed Spratly Islands. It warned in August against oil exploration by Chinese ships in the energy-rich Reed Bank region claimed by the Philippines. It took other initiatives that were criticized by China, including an agreement on maritime borders between the Philippines and Indonesia in May and President Aquino's support during a visit to Tokyo in June of Prime Minister Abe's efforts to allow Japan to engage in collective self-defense.

Others in ASEAN were much more reticent in criticizing or offending China. Although Malaysian officials continued to affirm claims to South China Sea territory also claimed by China, Prime Minister Najib Razak visited China for six days in late May and met President Xi Jinping without any apparent sign of discord over the South China Sea or other issues. Singapore's foreign minister ended a visit to China in mid-June pledging to avoid "finger pointing" and to serve as a "bridge" between China and ASEAN as Singapore undertakes the role of coordinating country for China-ASEAN relations in 2015.

Chinese officials and government media explained the withdrawal of the oil rig in mid-July as warranted by the completion of exploration work a month ahead of schedule. Some analysts argued the rig was moved to safer territory in anticipation of a threatening typhoon. Many foreign commentaries saw the move designed to ease tensions with Vietnam and to reduce international criticism of China prior to the ASEAN Regional Forum (ARF) in August and the East Asia Summit (EAS) in November.

Chinese interest in easing tensions with Vietnam was underlined by the three-point agreement involving easing maritime border disputes and improving relations reached during talks on Aug. 27 between Vietnamese Communist Party Special Envoy Le Hong Anh and Chinese Communist Party Politburo Standing Committee Member Liu Yunshan. As reported by Chinese and Vietnamese media, the agreement pledged that the two sides would "avoid actions that might complicate and expand the disputes" and would "safeguard the overall stability of bilateral relations and peace in the South China Sea." Xi Jinping endorsed improving relations with Vietnam in meeting Ahn at the end of his visit. On Aug. 26, the Chinese Foreign Ministry spokesperson noted that China had accepted Vietnamese apologies and offers of compensation for the deaths, injuries, and property damage caused by the anti-Chinese riots in May. That Chinese opinion nonetheless remained wary of Vietnamese intentions was shown in the state-controlled but not always authoritative *China Daily*, which warned of unnamed powers influencing Vietnam to contest Chinese claims and alleged Vietnam's calculations that "outside intervention can help it win bigger through confronting Beijing."

## **China's island building prompts stronger opposition**

The summer months featured increasing concern by the Philippines, the US, and other powers about stepped-up Chinese efforts to use sophisticated dredging equipment, barges, and other means to move sand to expand the size of some of the small islets and reefs held by China in the disputed Spratly Islands. The result is new or larger islands on heretofore submerged territory. These outposts are being fortified and seen as providing a base for further expansion. An analysis by Andrew Erickson and Austin Strange in mid-July said the Chinese reclamation effort centers on Fiery Cross Reef where China has created a five-square mile fortified installation. China in the past two years has built a 74-acre island on previously submerged Johnson South Reef and equipped it with radar and satellite communications equipment, anti-aircraft and naval guns, a helipad, and a dock. Similar dredging and island building is underway at Cuateron Reef, Gaven Reef, and Johnson North Reef.

The Philippines heightened attention to the island building with public protests in May and June. Philippine Foreign Minister Albert Del Rosa on June 16 called for a moratorium on such construction. In July, the US incorporated concern over land reclamation in its proposals to freeze provocative actions. The Philippines came up with a “triple action plan” that it planned to advocate at the ARF meeting in August. One of the three steps called for a moratorium on such actions as construction of structures that raise tensions in the region.

## **ASEAN Regional Forum**

The US and the Philippines publicly articulated their plans prior to the August ARF while Chinese officials and government media remained comparatively quiet. Chinese Foreign Ministry officials duly refused proposals for a construction freeze and have continued periodic criticism of alleged US interference, underlining Chinese insistence that China and ASEAN handle their problems by themselves. Just prior to the ARF meeting, China announced it would build five lighthouses in the disputed Paracel Islands and the Foreign Ministry spokesperson highlighted China's determination to continue building lighthouses in both the Paracel and Spratly Islands.

Foreign Minister Wang Yi rebuffed the “triple action plan” advocated by the Philippine foreign minister in ASEAN meetings with China and the broader ARF meeting. Secretary of State John Kerry supported Manila's efforts in seeking ways to encourage restraint and reduce tensions. Chinese government media said Kerry's efforts to promote a freeze on construction and other provocative actions received a cool response from Southeast Asian participants at the ARF. However, the Singapore foreign minister said that the freeze proposal was generally supported by the ASEAN claimant states.

After the ARF meeting, ASEAN foreign ministers issued a statement that the organization “remained seriously concerned over recent developments that had increased tensions in the South China Sea,” but without any mention of China. According to sources and officials at the meeting, the initial draft of the statement did not include the word “seriously,” but it was subsequently approved and added in the final version following a formal request by Vietnam. The statement



also reaffirmed the importance of the freedom of navigation in and above the high seas and for all parties to abide by international law. Interestingly, *Kyodo News Agency* reported the initial draft also contained a line on concerns over “the current tensions in the East China Sea,” and that it had called for countries involved in that dispute “to refrain from taking unilateral action that would increase tensions and change the status quo.” The final version, however, deleted the East China Sea discussions, with Brunei, Cambodia, Laos, Myanmar, and Thailand requesting that the paragraph be dropped from the official, final version. The Philippines, Singapore, and Vietnam favored the inclusion of the paragraph while Indonesia and Malaysia abstained.

Chinese government media highlighted as a new “major step” Wang Yi’s call at the press conference after the ARF meeting for a “dual-track” approach that includes disputes being addressed by countries directly concerned through friendly negotiations in a peaceful way, and peace and stability in the South China Sea being jointly maintained by China and ASEAN countries. Other commentary saw the proposed approach as being in line with longstanding Chinese practice. Wang also proposed having informal ASEAN-China leaders’ meetings in conjunction with the Boao Forum for Asia, held every April on Hainan Island, and the China-ASEAN trade fair, held in September in Nanning, Guangxi Zhuang autonomous region.

### **China-Myanmar trade relations**

China’s relations with Myanmar saw some mixed developments in recent months. On the positive side, a number of key senior-level engagements took place, including Vice Chair of the Central Military Commission Xu Qiliang’s visit to Myanmar in May to discuss stepping up bilateral military personnel training and border security. Later that month, officials from the two sides met with other Mekong River Basin border states to discuss border management and joint law enforcement to help ensure stability and security along the borders. Of symbolic importance was President Xi Jinping’s invitation to President Thein Sein (and India’s Vice President Mohammad Hamid Ansari) to Beijing for an event commemorating the 60<sup>th</sup> anniversary of the establishment of the “Five Principles of Peaceful Coexistence.” In August, when Foreign Minister Wang Yi visited Myanmar for the ARF, he also met Thein Sein.

Managing and resolving bilateral trade and investment issues dominated most of the discussions between China and Myanmar. In recent months, Chinese economic investments and activities in Myanmar have provoked and renewed some angst and flare-ups in the country, mostly because they have led to severe, negative environmental impact, involved land confiscation without proper compensation, and lacked development and employment opportunities for the local communities where the Chinese projects were set up. A recent report in the *Nikkei Asian Review* found that there has been increased backlash against the pervasive economic role of Chinese state-owned enterprises in Myanmar’s extractive industry, with a number of Chinese operations targeted by the local population. In late May, for example, two Chinese contractors working in the Letpadaung copper mine in central Myanmar were kidnapped and taken hostage. Myanmar officials have responded to the public pressure by forcing some Chinese companies in violation of national laws to shut down their operation. In 2011, for example, the government suspended the Chinese-run \$3.6 billion Myitsone Dam project.

The backlash in Myanmar has led to a dramatic drop in Chinese investment. According to official data from Myanmar's Central Statistical Organization, Chinese foreign direct investment from April 2013 to January 2014 amounted to \$46 million – a paltry sum compared to FY2012, which saw \$407 million and \$4.3 billion in FY2011. However, given Myanmar's close proximity to China's southwest corridor and China's growing demand for Myanmar's natural resources, it is likely that Chinese investors will eventually return to Myanmar. More Chinese companies are now investing in corporate social responsibility and responding to community-based needs and priorities, attributable in part to the number of recent high-level visits and exchanges focusing on better management of bilateral trade, investment, and economic issues.

## **Outlook**

The agreement with Vietnam after the spike in tensions over the deployment of the Chinese oil rig reduced tensions and offers the potential to forestall the kinds of assertive and provocative Chinese actions seen in the South China Seas over the past two years. Beijing will have an opportunity to explain its evolving South China Sea positions in the important APEC Leaders Meeting and East Asian Summit in November, which are slated to include a one-day summit between President Obama and President Xi Jinping. Meanwhile, prospects for a more unified position in ASEAN's continued negotiations with China on a binding code of conduct in the South China Sea will be further tested at a senior-level working group meeting in Bangkok in mid-October and again at the East Asia Summit in November.

Whatever optimism comes from recent developments is tempered by ongoing evidence of often intense competition and disagreement. Beijing remains suspicious of Vietnam's closer ties with the US, Japan, and the Philippines. It sharply rebuffs US complaints of dangerous harassment of US surveillance flights; expands, develops, and militarizes land holdings in disputed islands; and advances oil exploration efforts, most recently in the energy rich Reed Bank. The Chinese moves are often backed by a strident Chinese elite and public nationalism along with continued heavy investment in sophisticated oil rigs, coast guard fleets, and other means to control territory and resources in the South China Sea.

## **Chronology of China-Southeast Asia Relations**

### **May – August 2014**

**May 2, 2014:** China National Offshore Oil Corporation (CNOOC) deploys a deep water drilling rig, the *HD-981*, in disputed waters near the Paracel Islands in the South China Sea.

**May 4, 2014:** China's Maritime Safety Administration announces that all ships are prohibited from entering a 1.6 km radius (subsequently expanded to 5 km) surrounding an oil drilling area near the Paracel Islands until operations end.

**May 6, 2014:** Xu Qiliang, vice chairperson of China's Central Military Commission (CMC), meets Myanmar's Air Force Commander-in-Chief Khin Aung. They agree to increase bilateral military ties, including personnel training, high-level exchanges and visits, and joint collaboration to contribute to stability in the border areas.

**May 6, 2014:** Philippine National Police maritime patrol arrests 11 Chinese fishermen whose vessel is intercepted 60 nm off the coast of Palawan with 500 endangered species of turtles on board. China demands the release of the fishermen, saying they were in an area where China has “undisputable” sovereign rights.

**May 7, 2014:** Vietnam releases video showing Chinese ships repeatedly ramming and using water cannons against Hanoi’s patrol vessels in the area where Beijing has placed an oil rig.

**May 9, 2014:** Xu Qiliang leads a military delegation to Phnom Penh and meets Deputy Prime Minister/Defense Minister Tea Banh to sign a military cooperation agreement. China agrees to provide grants and scholarships for Cambodian military personnel and officers to study in China.

**May 10-11, 2014:** Myanmar hosts the 24<sup>th</sup> ASEAN Summit in Nay Pyi Taw.

**May 19, 2014:** Philippines and Indonesia reach a settlement of maritime boundaries.

**May 26, 2014:** China’s Ministry of Foreign Affairs spokesperson expresses hope for continuity of normal ties with Thailand, following the Thai military’s announcement of a coup. He urges all parties to exercise restraint and to resolve their differences through dialogue and consultation.

**May 27-June 1, 2014:** Prime Minister Najib Razak makes a state visit to China and meets Premier Li Keqiang. They agree to accelerate the use of local currency settlements for two-way trade and investment. On the South China Sea, they reaffirm the need to uphold freedom and safety of navigation in the high seas, and to exercise self-restraint and resolve their differences through continued dialogue in accordance with the UN Convention on the Law of the Sea.

**May 30, 2014:** China’s Ministry of Public Security hosts a meeting with counterparts from Cambodia, Laos, Myanmar, Thailand, Vietnam, and the UN Office on Drugs and Crime to address the growing threat of illicit drugs and narcotics in the Greater Mekong Sub-Region. They agree to increase cross-border cooperation.

**June 4, 2014:** Minister of Public Safety Guo Shengkun meets Cambodian Deputy Prime Minister/Interior Minister Sar Kheng in Beijing to discuss bilateral law enforcement cooperation, particularly on combating telecom fraud and tracking fugitives who have fled abroad. They sign a five-year action plan to increase joint coordination on cross-border crime.

**June 4, 2014:** Vietnam releases video footage showing a large Chinese ship chasing and ramming one of its fishing boats, which subsequently sank.

**June 4, 2014:** Permanent Court of Arbitration announces that China will have until Dec. 15 to file a memorial countering Philippine evidence in its case against Chinese claims in the South China Sea. China’s Foreign Ministry restates its refusal to participate in the case.

**June 9, 2014:** Wang Min, China’s deputy permanent representative to the United Nations, submits a position paper to UN General Secretary Ban Ki-moon alleging that Vietnam “illegally and forcefully disrupted the Chinese operation” of its oil rig in the South China Sea.

**June 11, 2014:** Vietnam's mission to the UN submits a position paper for circulation to the General Assembly demanding that China withdraw its oil rig from the area in the Paracel Islands, its escort vessels from Vietnam's maritime zones, and to stop "all activities that are interfering with maritime safety and security, and affecting regional peace and security."

**June 12, 2014:** Chinese State Councilor Yang Jiechi meets Singaporean Minister for Foreign Affairs K. Shanmugam in Beijing. They pledge to further strengthen economic, cultural, and security as they prepare to celebrate 25 years of formal bilateral relations next year.

**June 16, 2014:** Philippine Foreign Secretary Albert del Rosario calls for a moratorium on actions that can provoke tensions in the South China Sea.

**June 18, 2014:** Chinese State Councilor Yang Jiechi visits Vietnam and meets Prime Minister Nguyen Tan Dung and Foreign Minister Pham Binh Minh in Hanoi to exchange views on bilateral relations and ongoing maritime tensions.

**June 27-30, 2014:** Myanmar President Thein Sein visits China and meets President Xi to celebrate the 60<sup>th</sup> anniversary of an agreement on the five principles of peaceful coexistence between China, India, and Myanmar.

**July 4, 2014:** Chinese Coast Guard detains six Vietnamese fishermen for "illegally operating in Chinese territory."

**July 17, 2014:** China removes its offshore oil rig from contested waters near the Paracel Islands, a month before schedule.

**July 24, 2014:** Fan Changlong, vice chairperson of the CMC, visits Jakarta and meets Indonesian Defense Minister Purnomo Yugisantoro to discuss prospects for deepening bilateral military and security relations, including more frequent high-level visits, defense consultations, navy dialogues, personnel training, and joint military drills.

**July 28, 2014:** President Xi Jinping meets Laotian counterpart Choummaly Sayasone in Beijing. They discuss development of a comprehensive strategic cooperative partnership, including closer cooperation in agriculture, energy, and infrastructure development, as well as law enforcement activities along the border areas and the Mekong River Basin.

**Aug. 5-10, 2014:** The 47<sup>th</sup> ASEAN Foreign Ministers Meeting/Post Ministerial Conference, the 21<sup>st</sup> ASEAN Regional Forum, the 15<sup>th</sup> ASEAN Plus Three Foreign Ministers Meeting, and the fourth East Asia Summit Foreign Ministers' Meeting are held in Nay Pyi Taw.

**Aug. 8, 2014:** Chinese Foreign Ministry spokesperson defends China's right and intention to build lighthouses throughout disputed South China Sea islands.

**Aug. 11, 2014:** Following the ASEAN Regional Forum (ARF), Southeast Asian foreign ministers issue a joint statement expressing serious concerns over rising tensions in the South

China Sea and call for ASEAN to intensify consultations with China and have substantive discussions for the conclusion of a legally binding code of conduct in the South China Sea.

**Aug. 11, 2014:** Chinese Foreign Minister Wang Yi meets President Thein Sein in Nay Pyi Taw as part of his official visit to Myanmar to attend the 21<sup>st</sup> ARF. They discuss deepening business, trade, and economic activities, including building and expanding new economic corridors in South and Southeast Asia.

**Aug. 16, 2014:** President Xi Jinping meets Singaporean counterpart Tony Tan Keng Yam in Nanjing at the opening of the Youth Olympic Games. They pledge to deepen cooperation in the Suzhou Industrial Park Zone, the Tianjin Ecological City, and other joint flagship investment and development projects in China and Singapore.

**Aug. 18, 2014:** Philippine officials publicly warn against Chinese ships doing oil exploration in the energy-rich Reed Bank.

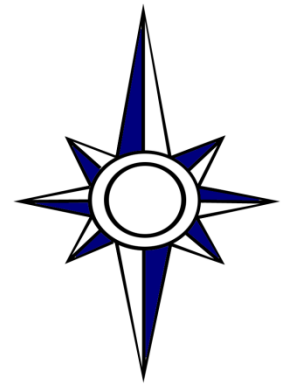
**Aug. 22, 2014:** Senior security officials from China and Indonesia meet in Beijing and pledge closer bilateral cooperation on combating terrorism and extremist activities.

**Aug. 23, 2014:** Chinese Defense Ministry spokesman rejects a US protest of the previous day accusing China of dangerous harassment of US surveillance flights over the South China Sea.

**Aug. 26, 2014:** Chinese Foreign Ministry spokesperson accepts Vietnam's apology and compensation for the deaths, injuries, and damage caused by anti-China riots in May.

**Aug. 27, 2014:** Sino-Vietnamese talks in Beijing reach an agreement to avoid acts that would worsen maritime disputes and to support overall peace and stability in the South China Sea.





**China-Taiwan Relations:**

**Beijing Pursues Steady Course despite Headwinds**

**David G. Brown, Johns Hopkins School of Advanced International Studies**  
**Kevin Scott, The Brookings Institution**

In early May, General Secretary Xi Jinping made clear that Beijing would adhere to its peaceful development policy toward Taiwan in the wake of the Sunflower Student Movement. In June, TAO Minister Zhang Zhijun made a first official visit to Taiwan reaching out to broader segments of Taiwan society and meeting DPP Kaohsiung Mayor Chen Chu. DPP obstructionism has continued to prevent the LY from action on cross-strait issues. Tsai Ing-wen was elected Chair of the DPP in July and has indicated there will be no change in basic DPP policy toward the mainland.

**Beijing adjusts to Sunflower Movement**

How the Sunflower Student Movement and setbacks for the services trade agreement (STA) in the Legislative Yuan (LY) would affect Beijing's policy toward Taiwan remained uncertain for several weeks. General Secretary Xi Jinping took advantage of a meeting with People's First Party (PFP) Honorary Chairman James Soong Chu-yu on May 6 to make clear that the core elements of the peaceful development policy would not change and even be strengthened. The mainland would reach out to all segments of Taiwan society, increase efforts to ensure that all on Taiwan benefit from cross-strait economic relations, and make a special effort to connect with young people who represent the future. And of course, Beijing would continue opposing Taiwan independence.

To symbolize Beijing's commitment to reach out to all, Sun Yafu, a deputy chairman of the Association for Relations Across the Taiwan Strait (ARATS) met June 12 for the first time with President of the Taiwan Brain Trust and long-time pro-independence advocate Koo Kuan-min, in Taipei. Addressing the sixth Cross-Strait Forum in Fujian on June 15, Politburo Standing Committee member Yu Zhengsheng told participants that Beijing was listening to all views from Taiwan. Most importantly, on June 12, the Taiwan Affairs Office (TAO) and Mainland Affairs Council (MAC) announced simultaneously that TAO Minister Zhang Zhijun's first visit to Taiwan, which had been postponed during the Sunflower Movement occupation of the LY in April, would take place later in June.

**Zhang Zhijun's visit**

Before Zhang arrived, the TAO emphasized that the visit would focus on outreach and that Zhang would mainly be listening. The Democratic Progressive Party (DPP) LY caucus cautioned that the Taiwan side should not mention Beijing's One China Framework or express opposition to Taiwan independence. The MAC gave assurance that the meetings between MAC Minister

Wang Yu-chi and Zhang would avoid sensitive political issues. Sunflower Movement student leaders organized a pre-visit protest. However, the DPP released a statement that Zhang's visit was a positive development and did not call for party members to demonstrate during the visit.

Minister Zhang arrived in Taiwan on June 25 and met MAC Minister Wang that day. After the meeting, the MAC stated that the exchange of Straits Exchange Foundation (SEF)-ARATS offices had been discussed and that agreement had been reached that those offices' functions should include humanitarian visits to detained citizens. The TAO said only that the two sides had agreed to continue discussing the issue. On subsequent days, Zhang met New Taipei City Mayor Eric Chu Li-lun, Kaohsiung's DPP Mayor Chen Chu, and Taichung Mayor Jason Hu Chih-chiang. In her meeting, Chen Chu explained that democracy and freedom were the core values of Taiwan society, and press reports indicated that Zhang had said that Beijing respects Taiwan's choice of its social system. While Zhang's statement was widely welcomed in Taiwan, it was not mentioned in Beijing's official media. DPP Chair Tsai Ing-wen commented that Zhang's meeting with Chen Chu was a first step toward better understanding between the DPP and Beijing. Zhang also had carefully choreographed meetings with a wide range of people including local officials, entrepreneurs, religious leaders, farmers, scholars, and a select group of Taiwan and mainland students. Zhang had a second more informal meeting with MAC Minister Wang in Kaohsiung on June 27, and after completing his program in Taichung departed and returned to Beijing on June 28.

There were demonstrations each day organized by pro-independence organizations, by Sunflower Movement-related groups, and by the opposition Taiwan Solidarity Union (TSU). The demonstrations were small and peaceful, when compared to those against ARATS Chairman Chen Yunlin on his first visit to Taiwan in 2008. However, on one occasion a Sunflower Movement-related group, the Black Island Nation Youth Front, splashed white paint on Zhang's motorcade. That incident caused the cancellation of two events on Zhang's original itinerary.

Zhang's visit was in return for the ground-breaking visit by MAC Minister Wang to China in February. Zhang was the first People's Republic of China (PRC) official to visit Taiwan in his official capacity; earlier visits had all been under the auspices of some unofficial capacity. As such, the visit represents a further significant step in the institutionalization of cross-strait contacts, a point that President Ma made in assessing the visit. In addition, when Wang visited China he was referred to in the official Chinese media as the responsible person at the MAC. During Zhang's visit, Wang was referred to by his official title as MAC minister (主委). This significant courtesy was a further step by Beijing toward acknowledging the government in Taipei. That Wang is the only Cabinet member so referred to seems to reflect a view in Beijing that the MAC can be treated differently because it is responsible for internal affairs between two parts of China.

In his post-visit press conference in Beijing, Minister Zhang said his visit showed that "the great majority of Taiwan people" support the peaceful development of cross-strait relations, though there is also a "minority" that holds a different view. Zhang said that beneath the visible society reported in the raucous Taiwan media there is an "everyday, real and concrete (and by implication more favorably disposed toward China) society" that is hidden from view that needs to be the focus of PRC attention. In painting this optimistic view at a time when there are



increasing challenges facing Beijing, Zhang seems to have been indulging in some “happy talk” for his domestic audiences.

### **Taiwan domestic politics stalls cross-strait agreements**

Several important but controversial bills were before the Legislative Yuan over the summer but went nowhere – despite two special sessions – as opposition legislators continued to physically obstruct deliberation and all parties maneuvered for advantage. In early May, opposition legislators occupied the podium to block consideration of legislation on oversight of cross-strait negotiations and agreements, which they say must be enacted before the STA can be reviewed. Negotiations resulted in a plan to conduct the review at the end of the month, but DPP legislators then blocked that with a filibuster. Reviews were also blocked in both special sessions. The review of the oversight bill may now take place in the next regular session beginning in September, at which time a DPP legislator will convene the relevant committee. The DPP has said it will submit its own oversight bill, but has not yet done so. Blocked in part by these delays, the STA also made no progress, though government ministries are tasked with submitting reports to address concerns raised by the Sunflower Movement protests. According to one press report, new Minister of Economic Affairs Woody Duh Tyzz-jiun said Aug. 20 that, following consultations with lawmakers, Taiwan’s negotiators might ask China to renegotiate aspects of the STA. Whether his remarks indicate a change in the Ma administration’s past opposition to revising the STA remains to be seen.

The DPP criticized the government’s plans to establish Free Economic Pilot Zones (FEPZs), saying at times that the zones are not well thought-out, there are administrative flaws, there was insufficient consultation, the government is effectively blackmailing local officials to gain their support, and the zones would serve as “back doors” for Chinese funds and goods to enter Taiwan possibly through smuggling. The DPP proposed amendments to the bill on July 31, but deliberation was soon suspended in part because of the major gas explosion in Kaohsiung. The government argues that the FEPZs are an important preparatory step for entry into the Trans-Pacific Partnership (TPP) and the Regional Comprehensive Economic Partnership (RCEP).

The DPP announced on June 4 that it would not participate in a government-organized national conference on the economy and trade which took place in late July – in response to Sunflower Movement protest demands – because the agenda focused on “relatively old thinking” and did not sufficiently address domestic issues such as unemployment. At the end of the conference, the minister of the National Development Council said that the government would produce an annual “red book” on economic risks emanating from China, create a system to evaluate China’s influence on Taiwan, and develop a social media platform to attempt to give citizens more input into the policy process.

### **Other cross-strait developments**

Despite the prospect that neither the cross-strait agreements oversight bill nor the STA will be approved by the LY this year, Beijing and Taipei have tried to keep other negotiations moving. Following a preparatory meeting in July, the sixth Cross-strait Economic Cooperation Committee (CSECC) meeting was held Aug. 5 in Beijing. The published results focused on

implementing existing agreements. However, this meeting, led by sub-cabinet officials, also stated that the negotiations on a merchandise trade agreement (MTA) would resume in late August. Taipei reported in late August that those negotiations would be held in Taipei Sept. 10-12. In late July, a round of discussions on the SEF-ARATS office exchange agreement was held, and again the MAC spokesman subsequently said that “a degree of consensus” had been reached on the sensitive issue of humanitarian visits. These limited results show that the LY logjam is, as would be expected, affecting other negotiations.

MAC Deputy Chairman Chang Hsien-yao was forced to resign on Aug.16. Chang had been a key figure in cross-strait negotiations because he served concurrently as SEF deputy and secretary general. He is now under investigation for leaking secrets to the PRC, an allegation that he vigorously denies. The media has been flooded with stories of spying, espionage, and treason. Whatever the facts, the case has further undermined public confidence in the Ma administration’s mainland policy and added another strain to cross-strait relations. The TAO has avoided comment except to decry the damaging speculative media reporting and to state that one isolated case would not affect the continued development of cross-strait relations.

### **DPP developments**

Tsai Ing-wen was elected chair of the DPP on May 25. She said in a number of venues that the DPP should enhance contacts with China, especially at the civil society level. She said she was willing to meet Zhang Zhijun during his visit provided there were no preconditions, but she set a precondition by saying Zhang would have to come to DPP headquarters. Before the party election, Tsai said she would seek a “premium” cross-strait relationship, stressing quality over quantity; she had earlier called for the STA to be renegotiated. In an interview with Taiwan’s *Commonwealth* magazine published on July 10, Tsai said she is confident that the DPP can “maintain stable relations with China so that cross-strait relations would not be affected by a change in the ruling party.” However, she said that if the party does well in Taiwan’s Nov. 29 municipal elections, “even China will shift in the direction of the DPP.” The TAO responded promptly to the latter remark by stating that Beijing’s opposition to Taiwan independence would never change.

This indication that Tsai does not anticipate any major shift in the DPP’s policy toward China was borne out by her treatment of a petition to “freeze” the “independence clause” in the party’s 1991 [charter](#), which calls for the establishment of a “sovereign, independent, and self-determined Republic of Taiwan.” The authors of the petition claimed that the clause is outdated, unlikely to be achieved, and counter-productive. Freezing it would make the DPP more attractive both to Taiwan’s electorate and to Beijing, they argued.

Though Tsai said in early July that she would prefer to describe the DPP as “pro-Taiwan” rather than “pro-Taiwan independence,” she and most senior party officials do not favor a freeze. In an otherwise conciliatory speech at Fudan University in Shanghai on June 7, Tainan Mayor Lai Ching-te said that freezing the independence clause would not solve any fundamental issues. He asked his audience rhetorically whether they thought the DPP was responsible for society’s desire for independence. “Or was there first the idea of Taiwan independence, and then the DPP?” Following these remarks, the TAO said that Taiwan’s future must be decided by all

China's people, including Taiwan compatriots. This drew a strong reaction from Taiwan, with Ma Ying-jeou, Tsai Ing-wen, and many others claiming that Taiwan's future will be decided by its 23 million people.

When the petition came up for discussion at the DPP Congress on July 20, rather than formally rejecting it Tsai buried it by referring it to the party's Central Executive Committee "for further study." Her comments echoed statements she had made earlier in the summer, including that independence remains a fundamental goal of the party. In Beijing, a TAO spokesman said that freezing the independence clause would not satisfy China, as the Resolution on Taiwan's Future is also a barrier to better relations with the DPP. He added that the DPP must abandon its position of "one country on each side of the strait" – a formula uttered by Chen Shui-bian in 2002, when Tsai was chairwoman of the Mainland Affairs Council.

### **"Greater One China Framework"**

On May 27 in Taipei, a group of seven former senior officials and scholars from both Kuomintang (KMT) and DPP administrations presented a "Greater One China Framework" (大一中架構) for cross-strait relations. The [proposal](#) suggested five indivisible principles: 1) the current status quo should be respected and not changed unilaterally; 2) the status quo is that the Republic of China (ROC) and PRC currently operate as "governments with separate jurisdiction"; 3) older "one China" formulas are not accepted by Taiwan's people and should be replaced with "Greater One China Framework"; 4) within this framework the ROC and PRC should form "an imperfect international legal personality"; and 5) both sides should end hostilities maintain peace, and the ROC and PRC would not "sign military pacts with other countries that may be prejudicial to the other side" and "shall have the right to join the United Nations and other international organizations and to establish normal relations with other countries."

Those involved see this proposal as a contribution to a continuing effort to develop a cross-party consensus in Taiwan. Unfortunately, it did not evoke either significant support or sustained public interest. Nevertheless, the proposal is an important non-partisan attempt to move the discussion forward and circumvent the calcified thinking in Taiwan's political parties and in the two governments. Moreover, the lack of domestic consensus is a major factor weakening Taiwan's ability to deal with challenges from China that are only likely to increase as the relative power of the two sides shifts toward China.

While Taiwan's parties fail to develop new approaches, the government seeks to institutionalize closer cross-strait ties, and the mainland continues to belittle Taiwan, a sense of exclusive Taiwan identity continues to grow. According to an important [public opinion poll](#), commissioned by the MAC and conducted by the Election Study Center at National Chengchi University since 1992, in June this year 60.4 percent of respondents self-identified as "Taiwanese only," a new high, as opposed to "Taiwanese and Chinese" (32.7 percent) and "Chinese only" (3.5 percent). Since President Ma was inaugurated in 2008, the "Taiwanese only" figure has increased steadily, passing 50 percent in 2009 and now at 60 percent. "Taiwanese and China" has decreased from 45.1 percent to 32.7. This trend indicates that policies or agreements that allow China to have a say in Taiwanese affairs will face growing resistance.

## **Arms sales issues**

There has been little said publicly about current US arms sales. This is probably a positive sign that Washington and Taipei are working constructively together. House Armed Services Committee Chairman Howard McKeon led a delegation to Taipei and elsewhere in Asia. In Taipei, he met President Ma and agreed to support technology transfer for diesel submarine construction, a current focus of Taipei's interest.

In August, there was a spate of confusing stories in Taipei concerning advanced aircraft. The stories seemed to confirm what has been apparent for some time – Taipei is no longer pressing for *F-16C/Ds*. On Aug. 11, Air Force Gen. Wang Hsuan-chou commented that what Taiwan needed was short/vertical take-off and landing aircraft with stealth technology. That is, something better than the *F-16s*. A Ministry of National Defense (MND) spokesman was quoted as saying that Taipei would eventually be interested in acquiring *F-35s*.

## **Regional economic integration**

Taiwan gained rhetorical support for its push to eventually join the Trans-Pacific Partnership (TPP) and Regional Comprehensive Economic Partnership (RCEP). In mid-June, US Trade Representative Michael Froman acknowledged Taiwan's interest in TPP, and a spokesman for Japan's Ministry of Foreign Affairs said that Taiwan's interest is a good thing and indicated that Japan welcomes it. Practical developments were a bit less positive for Taiwan. During Xi Jinping's state visit to South Korea in early July, he and President Park Geun-hye committed to completing negotiations for a bilateral free trade agreement (FTA) by the end of the year. Korea is a direct economic competitor for Taiwan, and if a China-Korea FTA is implemented, significant diversion of trade away from Taiwan is likely – especially if cross-strait agreements such as the STA and MTA are not concluded. Yu Zhengsheng said after Xi's Korea visit that China can't wait for Taiwan, and must move ahead with globalization. Tsai Ing-wen has acknowledged the importance of TPP and RCEP for Taiwan, but the DPP prefers to engage the world before China; the ruling party feels that Taiwan must go through China to secure international participation.

## **Hong Kong developments**

On June 10, Beijing published a new white paper on the One Country Two Systems in Hong Kong, which made clear that Beijing intends to keep control of the nomination process for future chief executives in Hong Kong. What little comment there was on the white paper in Taiwan was uniformly negative across the political spectrum, reflecting the long-held view in Taiwan that Beijing is not abiding by its commitments to Hong Kong. However, the June 20-29 Occupy Central-organized civic referendum in Hong Kong on public nomination of candidates for chief executive and the July 1 pro-democracy rally in Hong Kong both garnered support from DPP and Sunflower Movement leaders, who believe that Hong Kong and Taiwan share a common interest in promoting democracy in the face of PRC pressures. When the National People's Congress Standing Committee in Beijing formally decided on Aug. 30 that all nominations for

chief executive must come through the nominating committee, the MAC, along with others, expressed regret that Beijing was not providing Hong Kong true universal suffrage as promised.

## **International developments**

Following China's deployment of an oil drill in an area of the South China Sea claimed by Vietnam, riots in southern Vietnam damaged up to 200 Taiwan-owned factories, many of which employ Chinese managers and many of which were likely mistaken as Chinese-owned. The TAO suggested that it is the "common obligation of compatriots on the two sides" of the Taiwan Strait to defend China's sovereignty and territory, but in Taipei both the MAC and the Ministry of Foreign Affairs quickly stated, as they have consistently, that Taiwan will not cooperate with China in this area. Taiwan continued to enhance its presence on Taiping Island, the largest of the Spratlys, making improvements to the port there. China has not protested this move or sought to bully Taiwan, as it might with other claimants. In May, a DPP official was reported to say that the DPP is exploring a position of shifting the basis of Taiwan's claim in the South China Sea from the ROC's expansive historical claims to one more in line with the UN Convention of the Law of the Sea; this adjusted claim would include Taiping Island, and an exclusive economic zone around it.

## **Prospects for a Ma-Xi meeting?**

President Ma continued to frequently and publicly state that the November APEC Leaders Meeting in Beijing is the best venue for him to meet Xi Jinping. Although acknowledging Beijing's opposition, in an [interview](#) in June he described the importance of China to Taiwan's economy and said that "under such conditions, it should be natural for the leaders of the two areas (地區) to meet." The TAO responded to each call by stating that a meeting can be discussed, but that holding it at an international venue such as APEC is not necessary. In late May, Tsai Ing-wen said that President Ma must explain his objectives in seeking a meeting and how it would benefit Taiwan. Ma has said that he would meet Xi only if it had public support and preserved Taiwan's dignity. A public opinion [poll](#) released by Taiwan Indicators Survey Research in late June showed that public support for a Ma-Xi meeting has fallen dramatically since August 2013: 54.4 percent of respondents oppose a meeting before the end of Ma's term (compared to 36 percent last year), while only 26.5 percent support the idea (compared to 43.2 percent).

## **Looking ahead**

There is little chance the LY will make progress on cross-strait issues, particularly since Taiwan will be involved in the campaign for the local elections on Nov. 29. Nevertheless negotiations will continue on the exchange of SEF/ARATS offices and the MTA, the latter now scheduled for Sept. 10. The outcome of the local elections, widely expected to be a substantial victory for the DPP, will subsequently affect cross-strait relations in the year-plus before the presidential and LY elections in early 2016. The treatment of Taiwan's representative to the APEC Leaders Meeting in Beijing in early November will be viewed as a barometer of China's goodwill.

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

### **May – August 2014**

**May 6, 2014:** People First Party (PFP) Chairman Soong Chu-yu visits China and meets CCP General Secretary Xi Jinping in Beijing.

**May 11, 2014:** Anti-China riots in Vietnam damage Taiwanese factories.

**May 13, 2014:** Democratic Progressive Party (DPP) blocks Legislative Yuan (LY) Plenary consideration of oversight bill.

**May 15, 2014:** Taiwan's Mainland Affairs Council (MAC) and Ministry of Foreign Affairs (MOFA) reiterate that they will not cooperate with China on the South China Sea (SCS).

**May 18, 2014:** Tsai Ing-wen comments on her policy, stresses quality over quantity.

**May 18, 2014:** Ministry of Economic Affairs (MOEA) Minister Chang Chia-juch meets Ministry of Commerce (MOC) Minister Gao Hucheng at an APEC meeting in Qingdao.

**May 19, 2014:** Taiwan Health Minister Chiu Wen-ta attends World Health Assembly.

**May 22, 2014:** Minister Chiu meets Beijing's Health Vice Minister Wang Yumin at WHA.

**May 25, 2014:** Tsai Ing-wen is elected DPP chair.

**May 26, 2014:** Former Association for Relations Across the Taiwan Straits (ARATS) Chairman Chen Yunlin leads a delegation of artists to Taiwan.

**May 27, 2014:** Shih Ming-de and Su Chi release "Greater One China Framework."

**June 4, 2014:** President Ma Ying-jeou urges the mainland to pursue political reforms, democracy, and rule of law.

**June 7, 2014:** Tainan Mayor Lai Ching-te visits Shanghai.

**June 8, 2014:** President Manuel Pinto da Costa of Sao Tome-Principe, a Republic of China (ROC) ally, visits China.

**June 10, 2014:** Beijing issues a White Paper on One Country Two Systems in Hong Kong.

**June 10, 2014:** People's Bank of China (PBOC) Deputy Gov. Liu Shiyu visits Taipei for talks on a currency swap agreement.

**June 12, 2014:** Taiwan Affairs Office (TAO) and MAC announce a return visit by TAO Minister Zhang Zhijun.

**June 12, 2014:** ARATS Deputy Director Sun Yafu meets Taiwan independence advocate Koo Kuan-min at Taiwan Brain Trust.

**June 15, 2014:** Yu Zhengsheng addresses Sixth Cross-Strait Economic and Culture Forum in Fujian.

**June 16, 2014:** Sao Tome-Principe presidential aide visits Taipei.

**June 16, 2014:** US Trade Representative Michael Froman lists Taiwan as a consultative partner to the Trans-Pacific Partnership (TPP).

**June 17, 2014:** Yu Zhengsheng meets retired generals from Taiwan in Beijing for Whampoa Anniversary.

**June 18, 2014:** Japan MOFA spokesman welcomes Taiwan's interest in joining TPP.

**June 22, 2014:** Occupy Central informal referendum on democracy in Hong Kong.

**June 24, 2014:** DPP's Chao Tien-lin announces party policy on TAO Minister Zhang visit.

**June 25-28, 2014:** TAO Minister Zhang Zhijun visits Taiwan. During the visit he meets MAC Minister Wang Yu-chi, New Taipei Mayor Chu Li-lun, Kaohsiung Mayor Chen Chu, and Taichung Mayor Jason Hu.

**June 27, 2014:** Taipei Mayor Hau Lung-bin meets Yu Zhengsheng in Beijing.

**June 30, 2014:** Zhang Zhijun's post-visit press conference.

**July 1, 2014:** President Ma attends inauguration of Panama President Juan Carlos Varela.

**July 1, 2014:** Mass pro-democracy demonstration is held in Hong Kong.

**July 2, 2014:** President Ma visits El Salvador; meets US Secretary of State John Kerry.

**July 2, 2014:** Beijing's Tourism Exchange Association opens its Kaohsiung office.

**July 4, 2014:** LY special session ends without consideration of oversight bill or STA.

**July 9, 2014:** Tsai Ing-wen is interviewed by *Commonwealth Magazine*; says China will adjust to DPP policy.

**July 11, 2014:** TAO reiterates that opposition to Taiwan independence will never change

**July 15, 2014:** Preparatory meeting for sixth Cross-Strait Economic Cooperation Committee (CSECC) meeting is held.

**July 20, 2014:** DPP Annual Congress is held.

**July 21, 2014:** TAO spokesman reacts strongly to DPP Congress.

**Aug 5, 2014:** East China Sea Peace Forum is held in Taipei.

**Aug. 5, 2014:** Sixth CSECC meeting is held in Beijing.

**Aug. 6, 2014:** Asia-Pacific Parliamentary Union meeting concludes in Taipei.

**Aug. 7, 2014:** Second LY special session adjourns without reviewing oversight bill or STA.

**Aug. 7, 2014:** Cross-strait search-and-rescue exercise is held near Matsu and Mawei.

**Aug. 7, 2014:** Rep. Howard McKeon visits Taipei and meets President Ma. He supports arms sales and is denied meetings with PRC senior officials the following week.

**Aug. 16, 2014:** MAC Deputy Chang Hsien-yao's resignation is announced.

**Aug. 19, 2014:** PRC ambassador to Malaysia publicly opposes Malaysia entering into a free trade agreement (FTA) with Taipei.

**Aug 21, 2014:** Sunflower Movement student leaders hold press conference in Washington and urge US to change its one China policy.

**Aug. 22, 2014:** TAO spokesman decries unfounded speculation about Chang case.

**Aug. 25, 2014:** PRC surveillance aircraft intrude into Taiwan Air Defense Identification Zone (ADIZ) four times; PRC Ministry of Defense (MOD) later says flights were routine.

**Aug. 25, 2014:** ARATS Deputy Gong Qinggai arrives in Taiwan for a visit.

**Aug. 29, 2014:** Taiwan Ministry of National Defense (MND) releases its annual report on the Chinese military.

**Aug. 30, 2014:** SEF President Lin Join-sane meets ARATS Chairman Chen Deming in China.

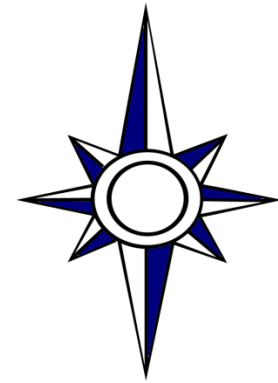
**Aug. 31, 2014:** National People's Congress (NPC) Standing Committee decides all nominations for the position of Hong Kong chief executive must come through the nominating committee for the elections in 2017.

**Aug. 31, 2014:** The MAC expresses regret over NPC decision



# Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



**South Korea-North Korea Relations:**

## **A Sporting Chance, or Playing Games?**

**Aidan Foster-Carter  
University of Leeds**

By one measure, mid-2014 was a period of progress in inter-Korean relations as the volley of tirades and insults from Pyongyang hurled at the Seoul and President Park Geun-hye began tapering off in late May. By the end of August, there were hints of hope for improving relations. First, there was an agreement to have athletes from the North participate in the 17<sup>th</sup> Asian Games in Incheon in late September, although not without some accusations of bad faith in the process. Further, after several rather clumsy attempts by both sides at outlining a mutually acceptable framework for North-South cooperation, there were initial signals that they may be getting close to finding a way to get past the “May 24 sanctions,” which have been in place since the sinking of the *Cheonan* in 2010.

### **Bad language: from foul, to merely rude – and less personal**

By one measure, mid-2014 was a period of progress in inter-Korean relations. As we noted in the last issue of *Comparative Connections*, the quadrimester began with Pyongyang directing a volley of insults – foul even by North Korean standards – against South Korea’s President Park Geun-hye. We predicted then that this uncouth brattishness would stop, and so it did – by the end of May. Having called Park a prostitute four times (and once, a comfort woman) as of when our last issue went to press, DPRK media did so twice more later in May. Once again, in a journal of record it is depressingly necessary not to overlook these vile tirades.

On May 12, the official *Korean Central News Agency (KCNA)* carried a [statement](#) by the Panmunjom Mission of the Korean People’s Army (KPA), under the headline, “U.S. Urged Not to Patronize Its Colonial Stooge’s Racket for Confrontation with Fellow Countrymen.” As this header suggests, this was mainly addressed to Washington. One can only wonder at the mindset of those tasked with concocting this propaganda. Language apart, anyone seriously wanting to drive a wedge between the two allies would surely attempt a little more subtlety. After a few of the statutory animal metaphors (“like a wolf pouncing upon its prey ... The U.S. behavior is just like birds of a feather flocking together”), we get this:

No matter how precious any alliance with the puppet forces is and no matter how valuable ‘honeymoon’ with the disgraceful political prostitute is, the U.S. should have said and behaved like a big country according to reason. If Washington pays heed only to what its stooges trumpet, it is bound to be accused of being a senile grandfather trying to stop a child from crying.

By contrast, the P-word’s final outing, for now at least, was a diatribe solely aimed at Seoul. On May 25, under the headline “Judgment of Park Geun Hye Demanded” *KCNA* [quoted](#) the

Federation of Korean Economic Workers in China – an unlikely-sounding body; it may well be fictitious – as calling for a “struggle to judge the Park Geun Hye group of murderers.”

That refers to the tragedy that for months lay heavy on South Korea: the April 16 sinking of the ferry *Sewol* when 304 died, mostly teenagers from a single school on a trip. After a single message of condolence sent from the North’s to the South’s Red Cross, North Korean media chose instead to use this as yet another stick with which to beat Park and her government. Going far beyond any legitimate mention of the system failings which this disaster exposed, the *KCNA* article speaks of “the struggle of people angered at the inhuman act of the Park Geun Hye group of hooligans which buried hundreds of students at the sea” [sic], and even calls this accident “an unprecedented massacre deliberately committed by the Park group”:

Park has not yet made sincere apology but shift the responsibilities onto her yes men. She invited her American master to visit south Korea, kowtowing to him and currying favor with him. Such prostitute, special-class traitor has to be eliminated at an early date. All overseas Koreans ... are well aware that it is not possible to expect anything as long as the venomous serpent remains in Chongwadae.

And then they stopped, or at least moderated their language. While *KCNA* criticized Park and her government almost daily during June, and slightly less often in July, there were no more personal insults. Even the usual armory of political diatribe, notably “puppet,” was applied more in general terms, or to particular ministers who said something that annoyed Pyongyang, rather than Park herself. On June 26, the General Association of Koreans in China – perhaps imaginary, again – marked the anniversary of the outbreak of the Korean War in 1950 by [denouncing](#) “the Park Geun Hye group of traitors [as] the sycophant and quisling without an equal in the world.” But this sort of talk was growing rarer. And then, someone decided to lay off Park altogether. Since Aug. 1, *KCNA* has mentioned her by name only once: on Sept. 5, in moderate terms. Sadly, this does not mean all insults have stopped. On Aug. 20, *KCNA* [called](#) ROK Foreign Minister Yun Byung-se a puppet, quisling and U.S. colonial lackey.

In North Korea, none of this happens by chance. Someone makes these decisions – about what to say and exactly how to say it, and when to switch the invective on and off. There is none of the West’s laxity, where (say) an ambitious young speechwriter can come up with his own florid phrase, such as “axis of evil,” and see it make history – for better or worse. So we must conclude that whereas in April-May Pyongyang’s propagandists saw merit (but what?) in foul insults, since early August they have found virtue in relative restraint. While glad of the latter, it is hard to discern any method or strategy in these linguistic twists and turns.

South Korea mostly showed heroic restraint in the face of such verbal goading, but there was the occasional lapse. On May 12, Defense Ministry spokesman Kim Min-seok told reporters: “The North is an abnormal state and should vanish as soon as possible.” Pyongyang of course seized the opportunity to seethe with wrath, and Kim retreated. Of course he meant the DPRK government, not the North Korean people whom he wished well. He was just frustrated at the North’s adamant denial of responsibility for three UAVs (drones) found crashed in the South in recent weeks, even though Seoul had indisputable evidence of their Northern provenance.

## Northern athletes come south for Asiad

On a broader canvas, if mid-2014 began with foul words, it ended with encouraging deeds. Just after this edition of *Comparative Connections* goes to press, the 17<sup>th</sup> Asian Games (or Asiad) are set to open in Incheon, South Korea on Sept. 19 – with a full team of North Korean athletes participating. Indeed, at this writing the first contingent have already arrived, flying directly into the South's gateway Incheon International Airport on their national carrier Air Koryo, whose livery is a rare sight indeed on the runway at Incheon nowadays – or ever.

So far so good. But getting to this point has been far from smooth, even though – as recorded in past issues of *Comparative Connections* – there is ample precedent, indeed over a decade of experience now on three separate occasions, for DPRK athletes competing in international meetings in the ROK. The first time, like now, was for the Asian Games – the 14th in 2002, when the host was South Korea's second city, Busan. That really was a breakthrough, heady with excitement. A year later the North sent a team to Daegu for the 2003 Universiade (world student games), and again in 2005 to the Asian Athletics Championships, held in Incheon like the upcoming Asiad. This history prompts two general thoughts, both somewhat depressing.

One is déjà vu. The heady days of the Sunshine Era, when all was new and hopeful, are gone. For most South Koreans it is hard now – maybe impossible – to recapture the enthusiasm and optimism that many felt a decade ago. Too much water has flowed under too many bridges, and too much of it has been dirty. Or to change the metaphor to one we have used before in these pages, inter-Korean relations now have come to resemble the board game Snakes and Ladders. These days, any progress – ascending a ladder – is not so much exciting as doubly precarious. Probably the ground being gained is not new, but had been won before – until it was lost by sliding down a big snake. And there is always the risk of more snakes ahead.

The second, more specific, comment is this. Since there is nothing new about North Korean athletes coming South, why have both sides made such heavy weather of it this time? That will be a major focus of the present article, being the quadrimester's main event – even if, strictly, the event is yet to come – and being sadly emblematic of the current state of inter-Korean relations; marred as they are by too much griping and sniping, and (in my view) a worrying lack of strategic vision on both sides. But as always, there were many other inter-Korean stories this past four months which we have no room to discuss in the main article. For an account of these, readers are urged to read the accompanying chronology as well.

There was never much doubt that North Korea wanted to come to Incheon. After some initial ambiguity, KCNA reported on May 23 that the DPRK Olympic Committee had officially told the Olympic Council of Asia that North Korea would take part in the Asiad. South Korea welcomed the news. Further hints were dropped by North Korean media. Kim Jong Un was reported as personally offering guidance to both the DPRK men's and women's soccer teams. The North announced that as well as athletes it would, as before, send some 300 cheerleaders – attractive young women, demurely clad (the US model may mislead here), who turned heads on their three previous visits. Not that those were an unalloyed success. An [incident](#) in Daegu, when their buses screeched to a halt so that the weeping girls could rescue a banner of their Leader, Kim Jong Il, raised by local Southern well-wishers, which was getting wet in the rain – oh, the

indignity!, but they didn't bother to rescue the also sodden image of ROK President Kim Dae-jung – attracted widespread negative comment. The rather scary weirdness of DPRK priorities, thus revealed, dampened South Koreans' enthusiasm for the cheerleaders.

Returning to the present, some wider Northern statements addressed to the South over the summer flagged up the Incheon games, including framing them as an opportunity to improve inter-Korean relations overall. However, not until July 17 did the two sides actually get together to discuss the modalities of the North's participation. The meeting did not go well. The North issued a scathing statement denouncing the South for duplicity and insincerity. The South did not publish an official report on what had transpired, but leaks suggested that Seoul had told Pyongyang to follow normal international practice and pay its own way, rather than expect the South to pick up its tab as on previous occasions. If that is true, one may wonder why a government whose avowed slogan is "Trustpolitik" would not simply follow precedent, however annoying it is that North Korea so often expects others to foot its bills.

Thereafter, weeks passed with no more meetings, amid concern that the North might withdraw – though with Pyongyang having publicized Kim Jong Un's personal interest, that would have been a big loss of face. Perhaps there were contacts behind the scenes. Eventually in August the two sides agreed to continue discussions by exchanging letters; a cumbersome method, but it seemed to work. However, bad blood continued. On Aug. 28 the North said it would not after all send cheerleaders, accusing the South of creating various obstacles in July's meeting. Seoul affected surprise and insisted that cheerleaders were welcome, but was then accused of disingenuity – the North said it had conveyed its final decision not to send them a week earlier.

Admittedly this is low-level bickering compared to many past inter-Korean flaming rows, and hopeful it will mar neither the Asiad nor the North's participation. At this writing the North is also not known to have reacted to another controversy. On Sept. 11 the South decided to take down the flags of all 45 competing nations from public display in the streets of Incheon and nearby Goyang, after far-right groups threatened damage to the DPRK flag – flying of which is illegal under the ROK's draconian National Security Law (NSL). The legalities aside – as oft noted, on that basis nearly all inter-Korean dialogue ever has technically broken South Korean law – the North's flag had flown without incident in Busan in 2002, Daegu 2003, and Incheon 2005. Like telling the North to pay its own way (on that front, there are hints that some sort of compromise was eventually reached), capitulation on the flag front looks like a retreat rather than an advance in inter-Korean relations. It also contrasts with the South's readiness on other fronts to deploy massive force; like the thousands of riot police who raided the compound of a church founded by the *Sewol*'s owner, and who continue to encircle protesting but peaceful bereaved relatives of the tragedy's victims in downtown Seoul. A far more modest show of strength – two policemen per DPRK flag? – would surely have nipped this in the bud.

### **Offers and rebuffs: the North's McEnroe move**

The Asiad apart, the two Koreas achieved little concrete during the past four months. This was not for want of trying, at least on the South's side. During this period Seoul proffered at least three separate (albeit inter-related) initiatives. One was to hold a fresh round of reunions of separated families around the Chuseok holiday, Korea's harvest festival which this year fell on

Sept. 8. This did not happen. In August, the South also suggested unconditional high-level talks, to discuss family reunions plus whatever agenda the North wants, as a follow-up to the round held – with scant result – in February. Here too the North has made no formal response.

North Korea too made an offer, but not really. The National Defense Commission (NDC)'s 'special proposal' of June 30 might be called a John McEnroe offer – something to which the only possible response is the former tennis champion's famous catchphrase: "You cannot be serious!" Like the so-called Open Questionnaire method which the DPRK also favors – it has sent at least three to President Park, most recently on April 23 – this is more about rhetorical point-scoring than any real will to negotiate. Yet again, one wonders what the point of this is. Why do they bother? Who do they suppose is listening or interested, much less impressed?

The NDC's long document contains just one reasonable idea: that both sides should reaffirm all previous North-South statements and agreements. Yet the very next paragraph sticks the knife in, urging "the south Korean authorities" to "totally abolish all cooperation mechanisms violating the interests of the fellow countrymen." As is made clear, that means the ROK-US alliance and all it entails, like routine annual joint military exercises. A peroration telling the South to "resolutely break with the inglorious past" cannot be a serious offer to negotiate.

Yet Pyongyang can be more positive when it chooses, or at least engage in serious discussion. On Aug. 15 – Liberation Day (from Japan in 1945), a holiday in both Koreas – both sides made proposals. President Park offered what was mostly a reprise of themes in her Dresden Declaration in March, discussed in our last issue. This time she sounded an environmental note by suggesting cross-border river and forest management projects, and inviting the North to an upcoming conference on biodiversity to be held in Pyeongchang in October. The latter is a UN conference – a jamboree really, with 20,000 attendees expected from 193 countries – so the DPRK as a UN member is surely entitled to be there in any case. At this writing it was not known whether North Korea plans to attend. In a different vein, Park suggested joint cultural events to mark the 70th anniversary in 2015 of Korea's liberation from Japanese rule in 1945. Japan-bashing always goes down well in both Koreas, but this proposal may put the North in an awkward spot in view of the recent tentative Tokyo-Pyongyang rapprochement.

President Park also mentioned aid for Northern infrastructure, but in the context of villages, in keeping with her overall ecological and grassroots theme. A few days later, though, Seoul let it be known that much larger projects are potentially on offer. On Aug. 18 the Unification Ministry (MOU) submitted its 2014 policy plan to the ROK National Assembly. This includes joint flood prevention on the Imjin River, again echoing the president. But it goes far further in also contemplating two major repair and renovation works – of the main road from Kaesong to Pyongyang, and the railway all the way up to Sinuiju – i.e., the entire length of the DPRK.

If that sounds like an offer North Korea cannot refuse, think again. The Party daily *Rodong Sinmun* was quick to comment on the speech by "South Korea's chief executive" – that term at least was polite – calling it "old-fashioned, tedious" and "incoherent." They went on, "She talked much about 'environment, public welfare and cultural progress,' something far out of [sic] the most urgent problems." That seems a fair comment. As with Park's pet project of a peace park in the DMZ – something she persists with, despite Pyongyang never having shown the slightest

interest – one may question whether on the inter-Korean front her government has got its priorities right. In part, this reprises a longstanding divide between the two Koreas on how to move forward. The South often prefers to start small and work up, whereas in the North's the big picture and overall framework need to be settled first; the details can follow.

### **Common ground?**

North Korea too marked Aug. 15, with a statement by its Committee for the Peaceful Reunification of Korea. Belying its name, the CPRK's utterances are often anything but peaceful. This one had its share of boilerplate, calling for withdrawal of US forces, and even reiterating Pyongyang's corniest and decades-old demand – that the South must pull down a “concrete wall” alleged to divide the peninsula, but which doesn't actually exist.

More reasonable was CPRK's call, echoing that of the NDC, for full implementation of all prior North-South agreements. They also complained about regime change – meaning, this time, not any hostile plans others might have against the North, but the South “peddling (sic) anything frequently whenever the regime is replaced by another.” Presumably they meant back-pedaling, and here too they have a point. As covered extensively in this journal at the time, Park's hard-right predecessor Lee Myung-bak in effect reneged on a range of planned new economic cooperation projects which his own liberal predecessor, Roh Moo-hyun, had agreed with Kim Jong Il at 2007's second inter-Korean summit in Pyongyang, by making these conditional – as they had not been – on the North's prior nuclear disarmament. After that experience, Pyongyang must be frustrated with and perhaps bemused by a problem unknown in its own tightly controlled system: democracy and all its vagaries.

But one sentence in the CPRK statement stood out, at least to this reader; though it seems not to have attracted the attention in Seoul that it was surely intended to. Ponder this: “The humanitarian work, the rejoining of railways and roads and social cooperation called for by the south Korean authorities will be satisfactorily settled if the June 15 joint declaration and the October 4 declaration are implemented as they are reflected in those declarations.”

Since this was published a few days before MOU announced its specific ideas on Northern infrastructure, the reference here is to President Park's Dresden speech – which at the time the North dismissed out of hand. Now, though, Pyongyang is surely making a concrete suggestion about how the two sides' ostensibly different agendas overlap and could be reconciled. Seoul has many skilled officials whose job is to parse every Northern statement and move minutely. It is hard to believe they have missed this one. Yet I am not aware of any response as yet.

Where then do inter-Korean relations stand as summer turns to fall, the most beautiful season (in my view) on the peninsula? They could go either way. Provided both sides are so minded and stay consistent in that resolve, the sentence quoted above shows a potential way forward.

Yet I fear this could equally become one more road not taken. As ever, most of the blame lies with the North. Its constant drumbeat of bellicose rhetoric and especially foul language in late spring; the repeated volleys of missiles fired into the East Sea/Sea of Japan, usually with no warning; and of course its continued nuclear defiance; it goes without saying that none of this

encourages South Korea or anyone else to regard North Korea as a serious or trustworthy dialogue partner who truly desires peace and reconciliation. Ignoring the South's open-ended offer of further high-level talks is also perverse, as well as rude.

And yet the South is not wholly blameless. As discussed in previous issues of *Comparative Connections*, Park Geun-hye's administration has made some false moves and questionable choices. And as outlined above, this pattern and puzzle are continuing. Why not just pay for the North's team and its cheerleaders, as previous ROK governments did? And why cave in to extremist threats and take down all public flags around the Asiad – the other 43 competing nations, caught in this Korean crossfire, won't appreciate that either – when a decade ago the DPRK flag flew at such sporting events without incident? It is hard to see how either of these petty decisions advances Park's "Trustpolitik" or helps to take inter-Korean relations forward.

This is in addition to other questions that are becoming quite widely raised in South Korea, including by some conservatives. How long will Seoul maintain the "May 24 measures" – the sanctions imposed on that date in 2010 in reprisal for the sinking of the corvette *Cheonan* (which Pyongyang persists in denying responsibility for), banning all trade with or investment in the DPRK except the Kaesong Industrial Complex (KIC)? Frustrating as the North's denial is, what purpose does the ban serve – except to help China extend its own economic influence in North Korea? Similarly, is it not time to end the now six-year old suspension of Southern tours to the North's Mount Kumgang resort, a measure that has all but bankrupted Hyundai Asan, which ran the tours and has investments in hotels and other facilities worth some \$300 million moldering away there (indeed, formally confiscated now by the DPRK)?

A wider question, broached in the last issue of *Comparative Connections*, is: what does the North make of President Park's interest in planning for reunification? The new advisory committee, which she announced in February, was named in July and held its first meeting in August. This and some other measures appear to be conceived as domestic and unilateral, rather than any kind of partnership. Viewed from Pyongyang, that must surely be unnerving.

I still wonder whether either Park Geun-hye or Kim Jong Un has got the other's measure yet, or is thinking strategically. Kim has all the time in the world – aged barely 30, he could still be in power in 2064. Democracy on the other hand imposes strict time limits, especially in South Korea where presidents only serve a single five-year term. Park has already used up almost a third of hers. With less than three and a half years left, the clock is starting to tick.

Still, Korea's political weather can change in a trice. If all goes to plan, one of the four flights that will shortly bring the rest of the North's team South for the Asiad is set to include the DPRK's newly appointed sports minister, Kim Yong Hun. That will make Kim, who is said to be close to Kim Jong Un, the most senior Northern figure to visit South Korea since 2009. It is not clear yet whom he will meet or how long he will stay. But much may be riding on what he says and does – and equally, on how South Korea treats him. May the Games commence – and may North-South relations be among the winners.



## Chronology of North Korea-South Korea Relations May – August 2014

**May 1, 2014:** Pyongyang's *official Korean Central News Agency (KCNA)* confirms what Seoul had already surmised. Choe Ryong Hae has been replaced in the key post of political director of the Korean People's Army (KPA) political director by Vice Marshal Hwang Pyong So. Both men in fact had civilian backgrounds and careers in the ruling Workers' Party of Korea (WPK); Hwang only donned the uniform in 2011.

**May 2, 2014:** KCNA again [insults](#) ROK President Park Geun-hye: "All Koreans are spitting on her as she is resorting to whorish and disgusting political prostitution only after leaving her soul or chastity violated at such old age of over 60." It also refers to "her American master reminiscent of a wicked black monkey". (Even more blatant and disgusting [racism](#) against President Obama appears at length in another *KCNA* article, published in [Korean](#) only.)

**May 3, 2014:** *Rodong Sinmun* [thunders](#): "The [South Korean] puppet authorities' moves to exchange military information with Japan are an unpardonable treacherous crime stunning the world in their danger, point of time and method." Similarly, on May 7 a *KCNA* commentary, as its own [headline](#) puts it, "Assails [the] Criminal Nexus Among S. Korea, U.S., Japan."

**May 6, 2014:** *KCNA* [commentary](#) on April 16 *Sewol* ferry disaster, in which 304 died, is headlined, "Park Geun Hye Is Wholly to Blame for Sinking of Ferry." It calls her "a depraved old lady who has neither human ethics nor conscience and the worst traitor and sycophant."

**May 7, 2014:** Poll taken late last year, but only published now, [finds](#) almost half (44.3 percent) of South Koreans unwilling to pay a cent toward unification – 31.9 percent would fork out \$50 a year, and 11.7 percent up to \$100. Only 1.2 percent would contribute over \$1,000.

**May 7, 2014:** Chairing a UN Security Council debate on weapons of mass destruction, ROK Deputy Permanent Representative to the UN Paik Ji-ah [cuts off](#) the microphone of DPRK Deputy Ambassador Ri Tong Il after he ignores two warnings and extends his allotted four minutes to 10.

**May 8, 2014:** South Korean Defense Minister Kim Kwan-jin [says](#) the North has made all its preparations for a fourth nuclear test, to be carried out "whenever it makes a decision." In the event no such test takes place during the ensuing four months.

**May 8, 2014:** WPK daily paper *Rodong Sinmun* [condemns](#) Park Geun-hye's "Doctrine of Gaining Great Opportunity of Unification" (presumably this is bonanza, *daebak*) as a "strange watchword ... fully reflect[ing] the base and ugly nature of philistinism [and] mammonism."

**May 8, 2014:** ROK Defense Ministry (MND) [says](#) that after restoring the geographical positioning system (GPS) coordinates stored in the three unmanned aerial vehicles (UAV) found near the Demilitarized Zone (DMZ) in March and April, it now has the "smoking gun" that proves that they were all launched from the DPRK.



**May 12, 2014:** MND spokesman Kim Min-seok [tells](#) a press briefing on Seoul: “The North is an abnormal state and should vanish as soon as possible.” The National Defence Commission (NDC), the DPRK’s topmost executive organ, ripostes next day: “All [our] service personnel and people ... are strongly calling for wiping the Park group out of this land.”

**May 13, 2014:** South Korea’s Unification Ministry (MOU) [reveals](#) that in March it fined a businessman 1 million won (\$977) for an unauthorized meeting with North Koreans in China last December. They discussed possible Southern participation in a project to build a high-speed railway and parallel highway the length of the DPRK, from Sinuiju to Kaesong.

**May 19, 2014:** DPRK’s Committee for the Peaceful Reunification of Korea (CPRK) [denounces](#) ROK President Park Geun-hye’s apology for April’s *Sewol* ferry disaster. CPRK calls the accident “an unprecedented deliberate murder and a massacre perpetrated by ... the Park group.”

**May 21, 2014:** Citing currently negative inter-Korean relations, Seoul [rejects](#) Pyongyang’s proposal that they jointly mark the anniversary of the first North-South summit in June.

**May 21, 2014:** At a conference in Shanghai, ROK Unification Minister Ryoo Kihl-jae [warns](#) the DPRK not to conduct a fresh unclear test, but promises support should it opt to disarm.

**May 21, 2014:** ROK’s Cardinal Andres Yeom Soo-jung [visits](#) the joint venture Kaesong Industrial Complex (KIC): the first ever visit to North Korea by a Roman Catholic cardinal.

**May 21, 2014:** *KCNA* report, [headlined](#) “KPA Will Wipe out Park Geun Hye-led Military Hooligans to Last One: Command of Southwestern Front of KPA,” accuses the ROK Navy of “firing at random at the warships of the Korean People’s Army which were on regular guard duty in the southwestern waters of the DPRK side and peaceable Chinese fishing boats.”

**May 22, 2014:** South Korea’s Joint Chiefs of Staff (JCS) [say](#) North Korea fired two artillery rounds toward an ROK warship in the West (Yellow) Sea, hence the South returned fire. The North denies this. Each side [threatens](#) “merciless punishment” if the other provokes it.

**May 23, 2014:** *KCNA* [reports](#) that the DPRK Olympic Committee has officially informed the Olympic Council of Asia that North Korea will participate in the 17th Asian Games (Asiad) in Incheon, ROK between Sept. 19 and Oct. 4. South Korea welcomes the news.

**May 23, 2014:** Talking to reporters in Seoul after her first visit to North Korea on May 19-21, Ertharin Cousin, executive director of the UN World Food Program, [says](#) WFP’s nutrition program for DPRK children and pregnant women stands at a “very crucial juncture.” WFP aid to North Korea fell from \$86.94 million in 2012 to \$26.56 million in 2013.

**May 25, 2014:** *KCNA* [quotes](#) the ‘Federation of Korean Economic Workers in China’ on Park Geun-hye: “Such prostitute, special-class traitor has to be eliminated at an early date ... it is not possible to expect anything as long as the venomous serpent remains in Chongwadae.”

**May 25, 2014:** *Yonhap* [quotes](#) ‘ROK officials’ as saying that representatives of the Catholic Bishops’ Conference of Korea and Archdiocese of Seoul met members of the DPRK Catholic Church in Shenyang, China, on May 18-19, inviting them to attend a mass to be celebrated by Pope Francis in Seoul in August. In the event no Northern Catholics come South for this.

**May 26, 2014:** *Yonhap* [headlines](#) a meeting in Seoul of the ROK and PRC foreign ministers as “S. Korea, China agree to deter N. Korea’s nuke ambitions.” The actual report has China’s Wang Yi calling for resumption of the Six-Party Talks.

**May 27, 2014:** *KCNA* [names](#) Kim Yong Hun as minister of physical culture and sports in place of Ri Jong Mu, who has served since 2012. Kim is close to leader Kim Jong Un.

**May 27, 2014:** *KCNA* [quotes](#) a KPA call for the US to stop “hostile acts seriously rattling the nerves of the other side.” This refers to a steel tower erected at Panmunjom for surveillance purposes. USFK retorts that it had notified the North, which already has its own similar tower.

**May 28, 2014:** *Rodong Sinmun* [avers](#) that “Nothing will be resolved in inter-Korean relations as long as Park [Geun-hye] remains [in power],” and demands an end to her rule.

**May 29, 2014:** South Korea’s Foreign Ministry (MOFA) [says](#) it has agreed to the UN Office of the High Commissioner for Human Rights (OHCHR) opening a field office in South Korea to monitor human rights abuses in North Korea.

**May 29, 2014:** A day after allocating 632 million won (US\$619,000) for research on the idea of a peace park in the DMZ, MOU [says](#) it will ask researchers to produce reports on how to accomplish this project – even though North Korea has rejected it.

**May 30, 2014:** In Seoul, President Park meets and [thanks](#) Justice Michael Kirby, the retired Australian judge who chaired the UN inquiry on DPRK human rights abuses.

**May 31, 2014:** *Yonhap* [quotes](#) “military sources” as saying that North Korea has been issuing fishing rights to Chinese vessels in the West Sea which include waters that are actually South Korea’s. China has been notified, and warned not to cross the Northern Limit Line (NLL).

**June 1, 2014:** President Park [appoints](#) Defense Minister Kim Kwan-jin as her national security adviser, replacing Kim Jang-soo who resigned May 22. Kim KJ’s successor at MND is ex-JCS Chairman Han Min-koo. Pyongyang media [denounce](#) Kim as a “special-class criminal ... hooligan ... diehard pro-US lackey ... worst traitor ... special-class stooge of the US ... wicked confrontation maniac” and more.

**June 3, 2014:** MOU [suggests](#) that Hwang Pyong So (see May 1) may now be a vice-chairman of the WPK’s powerful Central Military Commission (CMC). It does not cite its evidence.

**June 3, 2014:** USFK Commander Gen. Curtis Scaparrotti [tells](#) a Korea Institute for Defense Analyses (KIDA, MND’s think-tank) forum that the US is considering deploying a Terminal

High-Altitude Area Defense (THAAD) missile defense (MD) battery in South Korea so as to counter the North's growing missile threats, and that he has personally recommended this.

**June 3, 2014:** South Korea [returns](#) a Northern fisherman via Panmunjom, but not his two colleagues who asked to remain in the South. Pyongyang had demanded all three back. Their boat was found adrift with engine trouble near Ulleung-do in the East Sea three days earlier.

**June 9, 2014:** North Korea's CPRK [denounces](#) UN-OHCHR's plan to open an office in Seoul monitoring North Korean human rights as "a hideous politically-motivated provocation" and "a serious hostile act." CPRK warns: "We will strongly react against it. Needless to say, the 'office' and its staff are not excepted from being targets of this action." Earlier, on June 4, *Rodong Sinmun* [accused](#) the South of allowing this office in order to "worsen confrontation between the brother countries and achieve its ambition of forcible reunification."

**June 26, 2014:** *KCNA* quotes the General Association of Koreans in China as marking the anniversary of the outbreak of the Korean War in 1950 by [denouncing](#) "the Park Geun Hye group of traitors [as] the sycophant and quisling without an equal in the world".

**July 7, 2014:** North Korea [says](#) that it will send cheerleaders as well as athletes to the Incheon Asiad, to "melt the frozen North-South relations with the heat of national reconciliation."

**July 15, 2014:** South Korea formally [launches](#) its new Presidential Committee for Unification Preparation (PCUP). Its 50 members comprise 30 private sector experts, two lawmakers, 11 government officials and six heads of state research institutes. President Park will chair it.

**July 17, 2014:** North and South hold talks at Panmunjom on details of DPRK participation in the Asiad. Next day *KCNA* [accuses](#) Seoul of "provocations" on various issues, including cheerleaders, and threatens to "fundamentally reexamine its participation in the games."

**July 22, 2014:** A 38-strong team from the three companies – KoRail, Posco and Hyundai Merchant Marine – plus ROK government officials [returns](#) from a week-long site visit, their second, to the DPRK's Rajin port. They report that Pyongyang is "pleased" that this consortium may invest in Rajin by buying half of Russian Railways' 70 percent stake in a joint venture with North Korea to modernize rail and port facilities.

**July 23, 2014:** Noting that "Marshal Kim Jong Un personally guided a match for examining the men's football of the National Sports Team to take part in the 17<sup>th</sup> Asian Games," CPRK [urges](#) South Korea not to miss this opportunity to improve North-South relations."

**Aug. 7, 2014:** The ROK PCUP [holds](#) its first meeting. Critics [complain](#) that it only discusses "hot air" abstract topics, not immediate issues such as whether to ease sanctions.

**Aug. 11, 2014:** South Korea proposes high-level talks at Panmunjom on Aug. 19. Unification Minister Ryoo Kihl-jae says: "We want to discuss family reunions and other pending inter-Korean issues in a comprehensive manner." He adds that the North may raise any agenda it

wishes, including the South's "May 24" sanctions imposed in 2010. No reply is received by Aug. 19, or indeed thereafter.

**Aug. 14, 2014:** In a [statement](#) ahead of Liberation Day (from Japan in 1945: a holiday in both Koreas), the North's DPRK urges the South to end hostile acts, terminate US "interference," and "take practical steps to implement the already agreed north-south agreements."

**Aug. 14, 2014:** Incheon Asiad organisers [say](#) the DPRK has duly submitted the names of 150 athletes in 14 sports plus 202 coaches, referees, and staff, confirming its participation despite July's row and no subsequent meetings with the South. There is no mention of cheerleaders.

**Aug. 14, 2014:** A North Korean father and son [swim](#) to the South's Gyodong Island in the West/Yellow Sea, just south of the NLL and 1.5 miles from the DPRK coast. Though rare, this is the third successive year that defectors have succeeded in escaping by swimming.

**Aug. 15, 2014:** In her Liberation Day speech, ROK President Park [offers](#) the North a range of cooperative projects. Some reprise offers made in her Dresden Declaration in March.

**Aug. 15, 2014:** In an unscripted comment, Pope Francis during a week-long visit to South Korea [tells](#) a questioner in Seoul: "Think of your brothers in the North. They speak the same language as you, and when in a family the same language is spoken, there is a human hope."

**Aug. 16, 2014:** In a rare privilege, both Koreas allow 32 ethnic Koreans from countries of the former Soviet Union to [drive](#) their convoy of five SUVs across the DMZ from North to South. The 10,000 mile journey to mark 150 years of Korean emigration to Russia began in Moscow on July 7; they entered the DPRK via Rajin on Aug. 8. Their odyssey ends with participation in a Mass for peace and reconciliation in Seoul, celebrated by Pope Francis. Vasily Cho, the group's leader, says they hope that this venture will help improve inter-Korean relations.

**Aug. 17, 2014:** Kim Jong Un [sends](#) a wreath and telegram on the fourth anniversary of the death of Kim Dae-jung. This is delivered to Kim's son in Kaesong by Kim Yang Gon, who as head of the United Front Department of the WPK is Pyongyang's top point man on the South.

**Aug. 18, 2014:** Presenting MOU's 2014 policy plan to the National Assembly's diplomatic affairs committee, ROK Unification Minister Ryoo reiterates that "it is difficult to imagine the government unilaterally lifting" sanctions against North Korea. "If (Pyongyang) needs the May 24 sanctions to be removed, it should come to the negotiating table and discuss it there." He also calls on the North to accept the South's offer of high-level talks.

**Aug. 18, 2014:** *Ulchi Freedom Guardian (UFG)*, the annual US-ROK military exercise, begins. 50,000 ROK and 30,000 US forces participate, plus troops from 10 other nations. North Korea as usual denounces this as an invasion plan and [threatens](#) pre-emptive strikes.

**Aug. 19, 2014:** *Rodong Sinmun* [thunders](#): "We have already declared solemnly that all the aggressor forces to be involved in the UFG, military bases in south Korea and overseas, White House, Pentagon, Chongwadae and other bases of aggression and provocation would become the

targets of the strategic and tactical rockets and other high-performance ultra-modern ultra-precision fire strike means of the revolutionary armed forces of the DPRK.”

**Aug. 19, 2014:** Ryang Song Ho, dean of Pyongyang College of Physical Education, [flies](#) into Incheon International Airport heading an eight-strong DPRK delegation, which takes part in the Asiad group draw next day. Speaking at a conference in Incheon, Ryang praises Kim Jong Un for building “thousands of multifunctional sports facilities and sports parks” and other “facilities which embody the civilisation of the new era” like the new Masikryong ski resort.

**Aug. 20-21, 2014:** David Cohen, who as US Treasury under secretary for terrorism and financial intelligence oversees sanctions against North Korea, [visits](#) Seoul for consultations.

**Aug. 22, 2014:** MOU [says](#) it will start building a genetic database of families separated by the Korean War. It will also start filming 10-minute family messages to be sent to relatives in the North. Pyongyang is not known to have agreed to such messages.

**Aug. 26, 2014:** The South [sends](#) a letter to the North regarding its Asiad participation. This is not published, but reportedly its contents include permission for the DPRK team to arrive by direct flight from Pyongyang, and offers of administrative and other support.

**Aug. 26 , 2014:** The Korean Broadcasters Association (KBA), whose council comprises the ROK’s three major broadcasters (*KBS*, *MBC* and *SBS*), [says](#) it will offer North Korea rights to broadcast the Asian Games for free “in accordance with humanitarianism and sports spirit.”

**Aug. 26, 2014:** *JoongAng Ilbo* [cites](#) MOU as saying that currently less than 3 percent of KIC output is exported beyond the peninsula. In 2010 the proportion was 11.3 percent.

**Aug. 27, 2014:** Yoo Ki-june, an influential lawmaker of the South’s ruling Saenuri Party who chairs the ROK National Assembly’s foreign affairs committee, [urges](#) the lifting of sanctions against North Korea and the resumption of tourism to the North’s Mount Kumgang resort “for reduction of tension and dialogue between the two Koreas.”

**Aug. 28, 2014:** *JoongAng Ilbo* [reports](#) a survey of 116,000 school pupils. 1 in 4 view North Korea as a foe, and 1 in 5 see unification as unnecessary (53.5 percent disagree).

**Aug. 28, 2014:** ROK Supreme Court [upholds](#) an appeal court ruling acquitting Park Jong-geun, 26, of violating the NSL by retweeting North Korean materials; accepting his defense that his purpose had been to ridicule the DPRK. His original trial in Suwon in 2012 had found him guilty and imposed a 10-month jail term, suspended for two years.

**Aug. 28, 2014:** Son Kwang Ho, vice-chairman of the DPRK National Olympic Committee, [tells](#) the North’s *Korean Central Television (KCTV)* that no cheerleading squad will be sent to the Incheon Asiad after all. Blaming the South for calling the cheerleaders subversives and taking issue with the group’s size and cost, he says Seoul was informed of this decision last week. MOU belatedly confirms that the North did indeed convey that message.

**Aug. 29, 2014:** Daum, a leading South Korean web portal, [publishes](#) high-resolution views and maps of almost all North Korea except areas near the DMZ. For security reasons the very latest data available to the ROK government is not used. Daum's product is described as far more comprehensive in its coverage than Google Maps, though the latter is more up to date.

**Aug. 29, 2014:** MOU spokesman Lim Byeong-cheol [says](#), "It's very regrettable that North Korea unilaterally announced plans not to send cheerleaders [to the Incheon Asian Games], making a distorted claim that we do not want their participation."

**Aug. 30, 2014:** North Korea's Olympic Committee [repeats](#) its claim that the South is being disingenuous on the cheerleader issue.

**Sept. 1, 2014:** MOU spokesman Lim Byeong-cheol [reiterates](#) that "there is no change in the government's basic position with regard to the May 24th Measures", meaning sanctions will remain unless North Korea formally apologizes for sinking the *Cheonan* in 2010. He hopes nonetheless that the North will agree to family reunions "before it gets too cold."

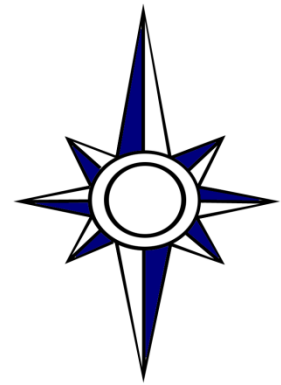
**Sept. 2, 2014:** An MOU spokesman [says](#) the South will share the cost of the North's taking part in the Asian Games, and that the gap between the two sides on who pays what is "not wide." No figures are given. He reiterates that the North is welcome to bring cheerleaders.

**Sept. 3, 2014:** MOU and two other ROK Ministries, Justice (MOJ) and Security and Public Administration (MOSPA), jointly launch an integrated database on legal issues likely to arise during and after Korea's reunification. It can be found at [www.unilaw.go.kr](http://www.unilaw.go.kr). (Korean only)

**Sept. 11, 2014:** The first group of North Korean participants in the Asian Games [flies](#) directly from Pyongyang aboard the DPRK national airline Air Koryo, landing at Incheon International Airport (IIA). This 94-strong group includes Vice Sports Minister Jang Su Myong and 38 soccer players (20 male, 18 female); the soccer tournament begins ahead of the Asiad's official opening on Sept. 19. The rest of the North's 273-strong contingent will come in four further batches, including Sports Minister Kim Yong Hun: scheduled to arrive Sept. 14, he will be the most senior Northern official to visit the South since 2009.

**Sept. 11, 2014:** MOU [confirms](#) a decision by the Asiad organizers to remove flags of all 45 competing nations from public streets, after rightwing groups threaten violence against the DPRK flag – whose display is illegal under the ROK's National Security Law. A day later it [adds](#) that Southern spectators will not be allowed to fly the Northern flag in stadiums, either.





**China-Korea Relations:  
Balancing Acts by China and South Korea**

**Scott Snyder, Council on Foreign Relations/Pacific Forum CSIS  
See-won Byun, George Washington University**

Presidents Xi Jinping and Park Geun-hye held a summit in Seoul while North Korea conducted a series of short-range missile and artillery tests. Xi became the first Chinese head of state since PRC-ROK normalization to visit South Korea without first traveling to the North, highlighting Pyongyang's increased diplomatic isolation. The summit produced a joint statement reaffirming cooperation on Korean denuclearization, but Chinese efforts to form a united front in opposition to Japan on history and collective self-defense issues were rebuffed by South Korea. Instead, they agreed to move forward on economic negotiations to establish a China-ROK free trade agreement (FTA), even going so far as to set a goal of December this year. PRC and ROK leaders reaffirmed their bilateral and regional commitments through a series of military and political exchanges following the Xi-Park summit.

Beyond the summit, China-South Korean exchanges remained focused on the North Korean nuclear issue and the question of how to revive the Six-Party Talks. ROK nuclear envoy Hwang Joon-kook met PRC counterpart Wu Dawei and Foreign Minister Wang Yi in Beijing on June 10-11, following bilateral talks with US envoy Glyn Davies on June 2 and a reported informal meeting between US and DPRK envoys in Mongolia on May 22. Yet North Korea stepped up its military activities ahead of President Xi's and Foreign Minister Wang's separate visits to South Korea, firing artillery shells into the Yellow Sea on May 22 and conducting missile launches on June 27, June 29, and July 2. Wang Yi met both ROK Foreign Minister Yun Byung-se and his newly-appointed DPRK counterpart Ri Su-yong on the sidelines of the ASEAN Regional Forum (ARF) in Myanmar in August. Pyongyang has maintained limited high-level contacts with Beijing while attempting to diversify its contacts with other political and economic partners.

**Xi Jinping visits South Korea**

Xi Jinping's visit to South Korea on July 3-4 was his first state visit to the country and fifth meeting with Park Geun-hye since they both took office in 2013. Xi's delegation included his wife Peng Liyuan, State Councilor Yang Jiechi, Director of the Communist Party of China (CPC) General Office Li Zhanshu, and Director of the CPC Policy Research Office Wang Huning. Xi met Park on July 3, and on July 4 met Parliamentary Speaker Chung Ui-hwa and Prime Minister Chung Hong-won, delivered an address at Seoul National University, and spoke with Park at a bilateral economic forum. The visit produced a joint statement and supporting agreements in diplomacy, finance, sustainable development, environmental protection, local affairs, customs, and cultural exchange. But the statement skirted or passed over a number of issues on which China and South Korea were unable to achieve agreement: there was no softening of South Korean preconditions for North Korea to return to Six-Party Talks and there

was little willingness on the part of China to join with South Korea to pressure the North. Nor was South Korea willing to cooperate with China on joint commemorations marking the 70<sup>th</sup> anniversary of the end of World War II. South Korea continues to study, but did not provide support for, China's proposal for an Asian Infrastructure Investment Bank (AIIB).

The Xi-Park summit demonstrated the increased significance of bilateral political, economic, and cultural ties as well as close personal ties between Xi and Park, highlighting what ROK Ambassador to China Kwon Young-se referred to as “deep private mutual trust” between the two presidents. But the summit also revealed serious gaps and limits between China and South Korea on political and security issues. China's Foreign Ministry spokesperson pointed to “substantive progress” in bilateral ties including “full consensus” on denuclearization, but such progress appeared limited.

In an address to a 500-member audience at Seoul National University (SNU), Xi claimed that China-South Korean relations were “at their best in history.” Xi's visit to Seoul and progress in bilateral relations were lauded in the Chinese media, highlighting tangible results in economic and cultural cooperation under the goals of expanding trade to \$300 billion in 2015 and personnel exchanges to 10 million in 2016. In a June 30 *Global Times* opinion piece, Cai Jian, vice director of Fudan University's Center for Korean Studies, even suggested a shift in China-ROK relations under the Xi and Park administrations from “cold politics and warm trade” to “warm politics and trade.”

But official South Korean assessments of the impact of the Xi-Park summit this year were more guarded and less hyperbolic. Media were skeptical about Xi's SNU speech, and its one-sided interpretation of Japan's past aggression on the peninsula that ignored China's complicated history on the peninsula. Xi's visit did not reduce the number of South Koreans who worry about the implications of China's economic and military rise in the region – two-thirds according to available polling data.

Ahead of Xi's state visit, Foreign Minister Wang Yi visited South Korea to meet President Park and Foreign Minister Yun Byung-se on May 26-27, while PRC Commerce Minister Gao Hucheng and ROK counterpart Yoon Sang-jick met on the sidelines of Asia-Pacific Economic Cooperation (APEC) ministerial talks in Qingdao on May 17-18. In late May, State Councilor Yang Jiechi and Presidential Security Advisor Kim Jang-soo also led the second China-ROK High-Level Security Dialogue in Beijing, an initiative that was launched at the first Xi-Park summit in June 2013.

### **Progress in the China-South Korean strategic partnership**

China-South Korean military and political exchanges have strengthened momentum in bilateral “strategic communication” since the Xi-Park summit. ROK Vice Defense Minister Baek Seung-joo met Deputy Chief of the PLA Staff Wang Guanzhong in Beijing on July 23 for the fourth Defense Strategic Dialogue, and met Defense Minister Chang Wanquan on July 24. Also on July 23-24, Vice Speaker of the ROK National Assembly Lee Seok-hyun led a delegation of lawmakers to Beijing for meetings with PRC Vice Foreign Minister Zhang Yesui and Liu Yunshan, member of the CPC Political Bureau Standing Committee. ROK Vice Foreign



Minister Cho Tae-yul visited China a week later on July 29-30, holding talks with Foreign Minister Wang Yi, Vice Foreign Minister Li Baodong, Vice Commerce Minister Gao Yan, and senior CCP officials.

An important outcome of the July 23 Defense Strategic Dialogue was an agreement to establish a telephone hotline between defense ministers by the end of 2014. Under discussion since the establishment of hotlines between PRC and ROK navies and air forces in 2008, the defense ministers' hotline would make China the second to have such a high-level military hotline with Seoul after the United States. More recently, the ROK Defense Ministry on Aug. 25 indicated that Seoul is also in talks with China as well as Japan and Russia to prevent accidental clashes in overlapping air defense areas with the Korean air defense identification zone (KADIZ). Seoul's expansion of the KADIZ last December was seen as a response to Beijing's declaration of its own ADIZ that included the disputed submerged rock Jeodo in the East China Sea.

Maritime security is another area where there has been apparent progress in China-South Korean strategic coordination. According to ROK media, the two sides held closed-door maritime talks on the demarcation of respective exclusive economic zones (EEZs) on June 13 ahead of the Xi-Park summit, and held the fifth round of fisheries talks in Ningbo on June 26. Following a meeting with PRC counterparts in Weihai in late July, the ROK Ministry of Oceans and Fisheries announced the planned inauguration of joint surveillance operations against illegal fishing in shared waters in the Yellow Sea in October, with inspection tours to be implemented from 2015. Seoul issued a formal complaint to Beijing in May on a recent increase in illegal Chinese fishing, but the official number of Chinese fishing boats in ROK waters actually declined by 60 percent year-over-year in January-May. However, South Korean concerns over maritime issues reemerged in early August when the PRC Foreign Ministry's Deputy Director General of Boundary and Ocean Affairs Yi Xianliang stressed China's "freedom of navigation" in the Yellow Sea at a Chinese state media conference. Yi also noted the absence of Sino-ROK maritime boundaries in the East China Sea despite an annual bilateral fisheries arrangement and EEZ negotiations that have been in place since 1996.

### **DPRK denuclearization and Sino-South Korean regional security priorities**

Xi's state visit to South Korea occurred in the wake of a new round of military provocations by North Korea, where Pyongyang renewed its threat to conduct a fourth nuclear test in a *Rodong Sinmun* commentary on May 10 and again in August in response to planned US-ROK military exercises. In the area of Korean security, Presidents Xi and Park reached consensus in four areas, according to the PRC Foreign Ministry: (1) Korean Peninsula denuclearization, stability, and dialogue; (2) implementation of the Six-Party Talks September 2005 Joint Statement and UN Security Council resolutions; (3) promotion of the six-party process and bilateral and multilateral coordination; and (4) creation of conditions for the resumption of Six-Party Talks.

Such consensus, however, masked differences over the specific conditions for restarting multilateral denuclearization talks. Ahead of the Xi-Park summit, State Councilor Yang Jiechi at the 2014 World Peace Forum in Beijing on June 21 pledged China's "unrelenting efforts" on Korean security while also pressing six-party members to approach the resumption of talks with a "larger picture" in mind. Assistant Foreign Minister Liu Jianchao at a briefing with Korean

reporters in Beijing on June 19 similarly urged the parties to adopt a “flexible attitude” toward restarting dialogue. China-South Korean differences on the North Korean nuclear issue resurfaced when PRC Vice Foreign Minister Zhang’s met ROK lawmakers on July 23 and reportedly criticized Washington’s “high threshold” for the resumption of the Six-Party Talks.

As Beijing’s response to Pyongyang’s recent military threats has failed to meet South Korean expectations, ROK leaders have sought to consolidate international pressure. In talks with Lassina Zerbo, the executive secretary of the Comprehensive Nuclear Test Ban Treaty Organization (CTBTO), in Seoul on Aug. 13, Foreign Minister Yun Byung-se warned Pyongyang of further UN sanctions in the event of another nuclear test, which he had referred to in response to North Korean threats the previous April as a “gamechanger.” Yun also called for international condemnation of Pyongyang at the ARF, which convened key officials of all six-party states. He also met separately with US and Japanese counterparts John Kerry and Fumio Kishida on Aug. 10 on the sidelines.

### **Chinese and South Korean responses to Japan’s “remilitarization”**

In addition to Pyongyang’s belligerence, discussions during Xi’s visit to South Korea were framed by Prime Minister Abe’s announcement that Japan would adopt a new constitutional interpretation to exercise the right to collective self-defense. Chinese leaders continued to use exchanges with South Korean counterparts to voice their opposition to Tokyo’s actions based on shared history and territorial disputes. According to the PRC Foreign Ministry, during his state visit Xi proposed a joint commemoration of the 70<sup>th</sup> anniversary next year of Korea’s liberation from Japanese colonial rule and “victory of the War of Resistance against Japanese Aggression.” At Seoul National University, Xi sought public support by the shared experience as victims of Japanese aggression, noting that “Japanese militarists conducted barbaric wars of invasion against China and Korea.” China’s state-run CCTV also featured an interview with President Park on the eve of summit in which she criticized Japan’s attitude toward its wartime atrocities.

However, while the historical experience of Japanese militarism has prevented Seoul from joining the US in supporting the changes to Japan’s pacifist constitution, ROK officials have firmly dismissed any move to join China in criticism of Japan. During talks with President Xi, Parliamentary Speaker Chung Ui-hwa instead proposed the creation of a trilateral committee with Japan for the joint study of shared history. Seoul’s press statement on Vice Defense Minister Baek Seung-joo’s July 23 talks with PLA Deputy Chief of Staff Wang Guanzhong quoted Wang’s concerns over the “‘right-wing’ political tide of the Shinzo Abe administration,” but did not include Baek’s remarks on Japan. The ROK Foreign Ministry spokesperson was quick to dismiss emerging views of a Xi-Park “united front” against Tokyo in July, stating that the approach to Japan “depends on each country’s own stance and judgment.”

Nevertheless, there is some recent indication of a decline in South Korean threat perceptions of China and a growing perception of Japan as the major security threat. In a joint survey by South Korea’s East Asia Institute and Japan’s Genron NPO conducted in May-June, Japan was identified as the biggest military threat among 46.3 percent of South Korean respondents, second behind North Korea, which was selected by 83.4 percent of respondents. Japan replaced China’s position in a similar survey conducted in May of 2013 which ranked Japan as third (43.9 percent)

after North Korea (86.7 percent) and China (47.8 percent). Another survey commissioned by South Korea's Asan Institute for Policy Studies in May also suggested a slight decline in South Korean threat perceptions of China: 66.4 percent of respondents viewed China's rise as a military threat to South Korea while 19.1 percent saw it as not a military threat, compared to 73.2 percent and 23.6 percent respectively in a similar survey last year.

### **Strained China-DPRK friendship**

Xi's breaking of the longstanding diplomatic tradition of having Chinese leaders visit Pyongyang before Seoul reflects a major shift in China's Korea policy in favor of the South. While Xi last visited Pyongyang in 2008 as vice president, the last PRC-DPRK summit was in May 2011 between Hu Jintao and Kim Jong Il. Although North Korea's chief nuclear envoy Ri Yong Ho reportedly visited Beijing on May 20 en route to a third country, a day ahead of PRC Foreign Minister Wang Yi's visit to South Korea, recent PRC-DPRK contacts appear limited to non-security issues. In June, Ma Won Chun, director of the DPRK National Defense Commission's Design Department and deputy director of the Workers' Party of Korea's Finance and Accounting Department, led a delegation of 21 North Korean officials to Beijing, where they toured Beijing Polytechnic College. Vice Minister of the DPRK Ministry of Land and Environmental Protection Pak Ho Yong also visited Beijing in July to discuss anti-river pollution cooperation with PRC counterpart Li Ganjie.

The first major meeting in recent months occurred between PRC and DPRK Foreign Ministers Wang Yi and Ri Su Yong at the August ARF in Myanmar, where Wang claimed that there have been "normal exchanges between China and North Korea in terms of every aspect." In a June 19 press conference with Korean reporters in Beijing, Assistant Foreign Minister Liu Jianchao rejected any relationship between Xi's visits to North and South Korea, delinking the timing of Xi's visit to Seoul from Pyongyang's aggression and nuclear ambitions under Kim Jong Un. Similarly, China's Foreign Ministry spokesperson denied any connection between Xi's visit and North Korea's short-range projectiles launches on the eve of his visit, widely perceived as Pyongyang's message of disapproval to China.

Yet, other trends in the bilateral friendship suggest a more enduring strain in China-DPRK relations. In another departure from tradition, Pyongyang did not publish its annual celebratory message on the July 11 anniversary of the 1961 Friendship Treaty, and senior military officials at the DPRK Embassy in Beijing reportedly did not participate in the commemoration of the PLA's founding on Aug. 1. South Korean experts foresee limited improvement in PRC-DPRK ties as Pyongyang is expected to escalate tensions ahead of US midterm elections in November, while others suggest that Kim Jong Un is instead reaching out to Russia and Japan. Some interpreted the *Korean Central News Agency (KCNA)*'s July 21 statement on "some backbone-lacking countries" joining US and South Korean condemnation of Pyongyang's military provocations as a clear reference to China.

China's Korea policy remains an issue of debate among Chinese scholars, who recognize Beijing's mounting North Korea challenge while questioning China's influence over Pyongyang. At a June forum hosted by Tsinghua University and the Asan Institute for Policy Studies, Chu Shulong of Tsinghua University claimed that North Korea has brought China "more trouble than

benefit.” However, in an interview with the *Global Times* on May 7, Director of Yanbian University’s Asia Studies Center Jin Qiangyi suggested that Beijing’s “tough stance” against a fourth nuclear test would only prompt further North Korean provocation, arguing that “Beijing’s role has been overestimated.” According to Jin, Pyongyang continues to pursue nuclear weapons by exploiting Beijing’s “weak points,” including the desire to maintain stability on China’s northeastern borders. In a May 14 interview with the *Global Times*, Yang Xiyu of the China Institute of International Studies, former director of Korean Peninsula affairs at the Foreign Ministry, even called Park’s proposed German model of Korean unification as “completely untenable” given “scant possibility that Pyongyang will collapse” as well as “some positive signs of development” in North Korea.

### **China-DPRK trade and investment and Pyongyang’s growth drive**

China-DPRK trade declined by 2.1 percent to \$2.89 billion in the first half of 2014 compared to the same period last year according to the Korea Trade-Investment Promotion Agency (KOTRA). The Korea International Trade Association (KITA) reported that North Korea’s grain imports from China fell by 47 percent in January-June this year. Chinese Customs figures in August further showed that China exported no crude oil to the North since January, but there has been no official explanation regarding whether oil exports have been suspended or instead have been recategorized as aid. China officially supplied 578,000 metric tons of crude oil to North Korea in 2013, 10.5 percent more than it did in 2012. Although a suspension of Chinese oil shipments to North Korea was similarly reported after North Korea’s second nuclear test in 2009, China’s official trade figures do not include crude oil provisions in the form of grant aid.

Despite much uncertainty over the future development of Rason Special Economic Zone since the establishment of the joint management committee in October 2012, Committee Director Wang Yonggang and Yanbian University President Park Young Ho signed an agreement on June 7 under which the university is to provide human resources and technological and legal support for Rason’s development. Jilin authorities on May 27 confirmed that construction has started on the Chinese-funded Tumen River Bridge after approval by China’s central government earlier that month, with a total investment of 137 million RMB (\$21.93 million). In a meeting between DPRK Vice Foreign Minister Pak Myong Guk and PRC Ambassador Liu Hongcai in Pyongyang on June 27, China and North Korea agreed to jointly build and manage a new bridge over the Tumen River between Quanhe and Wonjong.

Economic development zones remain at the center of Pyongyang’s growth strategy under Kim Jong Un’s two-pronged *byungjin* policy of simultaneous economic and nuclear development. KCNA identified six additional zones on July 23 following the initial designation of 13 zones last November. Chinese experts such as Jin Qiangyi of Yanbian University remain skeptical about the prospects for the zones given limited investor interest. Still, Chinese official sources show a rapid expansion in China’s direct investment in the North in recent years, from \$5.86 million in 2009 to \$109.46 million in 2012. Joint promotion of cross-border trade and investment will continue in the run-up to the third China-DPRK Economic, Trade, Culture and Tourism Expo in Dandong from Oct. 16, as agreed in a meeting between Dandong Mayor Shi Guang and Vice Chairman of the People’s Committee of Pyongan province Hong Gil Nam in June.

South Korean sources speculate that Pyongyang is diversifying its foreign trade from China to other partners such as Russia and emerging economies. A recent point of South Korean concern is Pyongyang's expansion of its joint fishery area with China beyond the Northern Limit Line (NLL) in the Yellow Sea, where an increase in illegal Chinese fishing activity was reported in May. ROK military officials see this move as Pyongyang's attempt to nullify the disputed maritime border while simultaneously earning foreign currency. North Korea has increased its tourism promotion efforts with China, including the easing of border crossing procedures since May and the opening of new travel services from China's northeastern cities. According to local Chinese officials in June, North Korea plans to resume Chinese tours of Mount Baekdu, which had been suspended following the North's 2013 nuclear test.

### **Xi and Park push for FTA**

Amid slowing Chinese growth, ROK officials in July announced that Seoul is drawing up measures to revive exports to China, which have stagnated despite a surge in overall ROK exports earlier this year. According to the ROK Commerce Ministry, exports to China in January-June amounted to \$65.7 billion, representing 24.8 percent of South Korea's total exports. China-ROK trade in 2013 reached \$229 billion based on South Korean data, greater than South Korea's trade with the United States and Japan combined, and exceeded \$270 billion based on Chinese figures, an annual increase of 7 percent. The proposed bilateral FTA is expected to boost bilateral trade to \$300 billion in 2015.

Promotion of the China-ROK FTA was featured heavily in the July summit between Xi and Park, who pledged to conclude negotiations by the end of this year. In an interview with China's *CCTV* on July 2, Park stressed the significance of the FTA's conclusion for deepening the strategic cooperative partnership. At a bilateral economic forum on July 4, the two presidents were joined by major business leaders such as the head of the Korea Chamber of Commerce and Industry Park Yong-maan, Bank of China chairman Tian Guoli, director of the PRC Commerce Ministry's trade promotion office Liu Dianxun, and Alibaba Group and Baidu founders Jack Ma and Li Yanhong. Xi's state visit produced a series of new trade and currency agreements regarded as a foundation for the FTA, most notably a Memorandum of Understanding between central banks to facilitate direct trading of the RMB against the Won and establish an 80 billion RMB (\$13 billion) investment quota for ROK institutional investors.

Other agreements were forged between ROK industry giants such as POSCO and SK Telecom, and Chinese counterparts Chongqing Iron & Steel Co. and Zhengwe Group, respectively. Xi and Park also agreed to promote cooperation in emerging industries like new energy, environmental protection, and the high-tech sector in advance of the conclusion of the FTA. As part of Seoul's bid to boost exports by small and medium-size enterprises (SMEs), Park further called for Alibaba's support for South Korean SMEs in China's e-commerce market during talks with Jack Ma in Seoul on Aug. 18.

The 11<sup>th</sup> and 12<sup>th</sup> rounds of FTA talks were held in Sichuan on May 26-30 and Daegu on July 14-18. Chinese officials voiced strong support for the FTA during the Xi-Park summit, "the most important aspect of Xi's visit" according to Mei Xinyu of China's Commerce Ministry. Zhang Jianping of the National Development and Reform Commission's foreign economic

research institute claimed that high-level talks would help address the sensitive issues (manufacturing for China, agriculture for South Korea) that have impeded negotiations since May 2012. The *China Daily* featured an interview with ROK Ambassador Kwon Young-se on June 24, similarly raising expectations that high-level talks would accelerate FTA talks. Although both sides have reported “progress” in some areas, South Korean assessments remain less optimistic than those of their Chinese counterparts. The latest round of talks drew protest from over 5,000 Korean farmers in Seoul’s financial district of Yeouido on July 10. Ambassador Kwon reiterated South Korea’s calls for progress in a July 19 interview with *Xinhua* after the FTA talks failed to reconcile differences in sensitive sectors. After meeting PRC officials in Beijing, ROK Vice Foreign Minister Cho Tae-yul on July 30 urged China to exercise “political will” to reach the planned conclusion of FTA talks by the end of 2014, which was already regarded as an ambitious target.

### **The China-ROK partnership and regional integration**

In addition to the bilateral strategic partnership, the China-ROK FTA has taken center stage in Beijing and Seoul’s respective strategies for regional integration. At the July 4 economic forum, President Park called for consolidating her Eurasia Initiative with Xi’s New Silk Road Initiative. Promotion of Park’s Northeast Asian Peace and Cooperation Initiative was also a focus of ROK Vice Foreign Minister Cho Tae-yul’s two-day visit to China on July 29-30. ROK Finance Minister Hyun Oh-seok at a May 15 meeting with ROK policymakers identified the FTA with China as an important factor in advancing Seoul’s role in talks on the ASEAN-led Regional Comprehensive Economic Partnership (RCEP) and other regional initiatives. Chinese experts such as Wei Zhijiang, director of Sun Yat-sen University’s ROK Research Institute, similarly see the China-ROK FTA as a potential driver of China’s other trade partnerships under negotiation including the China-Japan-ROK FTA, for which a trilateral investment agreement in May was a positive step. While current political disputes with Tokyo remain a clear obstacle, the three sides have resumed trilateral FTA talks that were launched in November 2012, opening the fifth round of talks in Beijing on Aug. 30.

Another issue of debate is Seoul’s place in China’s plans for creating an Asia Infrastructure Investment Bank (AIIB), a \$50 billion multilateral bank designed to fund infrastructure projects in the region. Xi formally proposed that Seoul join the AIIB at the July summit. Although the initiative was further raised in meetings between ROK Vice Foreign Minister Cho and Chinese leaders in July and between Foreign Ministers Wang Yi and Yun Byung-se on the sidelines of the ARF in August, South Korea did not participate in working-level multilateral talks in Beijing in August. ROK officials point to their absence as an indication of Seoul’s reluctance, citing concerns over such issues as the bank’s planned governance structure and Washington’s response to the initiative, which the ROK media has labeled a “counterbalance” to the US and Japan-led Asian Development Bank.

Potential China-South Korean differences over the future regional order are also apparent on the security front. An ongoing source of Chinese concern is the potential deployment of US Terminal High-Altitude Area Defense (THAAD) missile defense system in South Korea. While Xi reportedly urged cautious handling of the issue during talks with Park, Seoul has remained hesitant toward Washington’s proposition given its perceived role in countering China as well as

Japan's participation. The PRC Foreign Ministry spokesperson on May 28 voiced Beijing's opposition to the initiative ahead of trilateral talks between US, ROK, and Japanese defense ministers in Singapore. Vice Foreign Minister Liu Zhenmin reiterated such concerns ahead of the Xi-Park summit and ROK Vice Defense Minister Baek Seung-joo's subsequent visit to China in July. The ROK Defense Ministry spokesperson on July 21 emphasized the THAAD system's primary aim of detecting North Korean missile launches in an apparent dismissal of Chinese concerns, reinforcing similar affirmations by US Forces Korea (USFK) Commander Gen. Curtis Scaparrotti in Seoul in early June. Xi visited South Korea days after calling for a new security framework for Asia at a conference in Beijing marking the 60<sup>th</sup> anniversary of the "Five Principles of Peaceful Coexistence," a framework he also promoted in Shanghai at the Conference on Interaction and Confidence Building Measures in Asia (CICA), a body consisting of 26 Asian countries that includes South Korea but not the US and Japan, which are observers.

### **Conclusion: China and South Korea's "balancing acts"**

The Xi-Park summit in July may have been an important turning point in the development of China-Korean relations, providing further momentum to the relationship in the economic area while exposing clear gaps in perception between Beijing and Seoul that ultimately represent serious obstacles to consolidation of the relationship. Chinese officials expressed optimism about the further development of the relationship, but the summit also exposed differing priorities on how to manage North Korea and Japan as well as tensions between US-ROK defense/security priorities and Chinese preferences on issues such as missile defense. South Korea found itself continuously rejecting many Chinese initiatives that created pressure on South Korea to choose between the US-ROK alliance and better relations with China.

Chinese experts such as Fudan University's Cai Jian see Park engaged in a "balancing act" of pursuing good relations with both China and the United States. Specifically, Park seeks to maintain a "balance between Beijing and Washington to mitigate China's misgivings," while also treading the middle ground between her predecessors' policies of "confrontation" and "Sunshine" toward North Korea. But for Cai, China-ROK relations remain constrained by US-China "great power relations," where a confrontation would present a "severe dilemma" for South Korea as a US ally.

At the same time, China faces its own dilemma of how to balance Xi's "peripheral diplomacy" of engaging neighbors against China's physical assertions of vital interests in the Asia-Pacific. Heightened territorial disputes with Japan, Vietnam, and the Philippines appear to challenge the success of Xi's regional outreach showcased by his recent visit to South Korea, as well as China's current efforts to build a new relationship with Washington.

## **Chronology of China-Korea Relations May – August 2014**

**May 1, 2014:** Asiana Airlines announces the launching of two weekly flights between Incheon and Jinan from May 2.

**May 2, 2014:** 35 Chinese tourists take a new cross-border bicycle tour to North Korea from Tumen to Namyang.

**May 5, 2014:** People's Republic of China (PRC) state media report that China and North Korea have simplified border-crossing procedures for Chinese tourists.

**May 5, 2014:** Delegation of the China Institute of Contemporary International Relations led by Vice President Fu Mengzi arrives in Pyongyang.

**May 6, 2014:** PRC Foreign Ministry spokesperson denies May 3 *Kyodo News* reports that the Chinese military has drawn up contingency plans for potential regime collapse in North Korea.

**May 8, 2014:** South Korea's top music agency SM Entertainment and China's biggest search engine Baidu sign an agreement to jointly promote legal music downloads.

**May 9, 2014:** Kim Jong Un sends messages to foreign leaders including Xi Jinping in response to congratulatory messages on Kim's re-election as First Chairman of the DPRK National Defense Commission.

**May 9, 2014:** Korean Airlines announces it will resume flights between Incheon and Urumuqi from May 27 to Oct. 11.

**May 10, 2014:** PRC delegation arrives in Pyongyang for the 17<sup>th</sup> Pyongyang Spring International Trade Fair.

**May 12, 2014:** PRC Foreign Ministry spokesperson announces completion of the construction of a memorial stone at the former barracks of the Korean Liberation Army in Xi'an.

**May 13, 2014:** ROK officials announce that South Korea has lodged a complaint with Beijing against a recent increase in Chinese illegal fishing in ROK waters.

**May 15, 2014:** PRC Ambassador to the DPRK Liu Hongcai pays a courtesy call on DPRK Foreign Minister Ri Su Yong.

**May 17, 2014:** China-ROK-Japan Agreement for Promotion, Facilitation and Protection of Investment comes into effect.

**May 17-18, 2014:** ROK Trade Minister Yoon Sang-jick attends APEC meeting of commerce ministers in Qingdao and meets PRC Commerce Minister Gao Hucheng on the sidelines.

**May 19, 2014:** DPRK delegation of the Journalists Union of Korea led by Jon Il Gwang, vice chairman of the Central Broadcasting Committee of Korea, leaves Pyongyang to visit China.

**May 19, 2014:** Chinese media report that Jilin province and North Korea's Air Koryo have agreed to launch a tourist charter flight from July.



**May 20, 2014:** South Korean media report that North Korea's chief nuclear envoy Ri Yong Ho has arrived in Beijing.

**May 20, 2014:** PRC Foreign Ministry spokesperson extends condolences to victims of the apartment building collapse in Pyongyang.

**May 20-21, 2014:** ROK Unification Minister Ryoo Kihl-jae delivers a speech at Conference on Interaction and Confidence Building Measures in Asia (CICA) in Shanghai.

**May 21-23, 2014:** ROK Minister of Gender Equality and Family Cho Yoon-sun visits Beijing to attend the APEC Women and the Economy Forum.

**May 23, 2014:** PRC Foreign Ministry spokesperson calls for restraint after North Korea's reported artillery shelling into the Yellow Sea.

**May 23, 2014:** PRC Foreign Ministry spokesperson welcomes North Korea's decision to participate in the 2014 Asian Games in South Korea.

**May 23, 2014:** DPRK Premier Pak Pong Ju sends a message of sympathy to Premier Li Keqiang on a bombing attack in Urumuqi.

**May 26-27, 2014:** PRC Foreign Minister Wang Yi visits South Korea and meets President Park Geun-hye and ROK counterpart Yun Byung-se.

**May 26-30, 2014:** The 11<sup>th</sup> round of China-ROK FTA talks are held in Sichuan, led by Assistant Commerce Ministers Wang Shouwen and Woo Tae-hee.

**May 27, 2014:** Jilin authorities confirm that construction has started on a bridge over Tumen River linking China and North Korea.

**May 28, 2014:** PRC Foreign Ministry spokesperson expresses China's opposition to potential deployment of a US missile defense system in South Korea.

**May 29, 2014:** China unveils a monument honoring Korean soldiers who fought for Korea's liberation from Japanese colonial rule (1910-45).

**May 30, 2014:** ROK Ministry of Land, Infrastructure and Transport reports that South Korea has expanded flights to China as its carriers received new rights.

**May 30, 2014:** Bank of Korea says that Chinese importers have tapped won-currency loans for the first time from the bilateral currency swap line.

**May 31, 2014:** ROK military officials claim that North Korea included part of ROK's territorial waters near the inter-Korean western sea border when selling fishing rights to China.

**June 3, 2014:** Chinese tourists take the first bus tour of Heoryong City in North Korea.

**June 4, 2014:** *KCNA* reports that 226 Chinese tourists visited North Korea in June 2-4.

**June 4, 2014:** Local authorities say that North Korea will reopen its part of Mt Baekdu in June to Chinese tourists.

**June 5, 2014:** Chongqing Mayor Huang Qifan meets ROK Ambassador to China Kwon Young-se in Beijing.

**June 6, 2014:** PRC Ministry of Commerce announces another five-year extension of anti-dumping tax on chemical imports from South Korea, Japan, Singapore and Taiwan.

**June 6, 2014:** Local officials in Dandong announce plans to develop tours of the Hwanggumphyong Island economic zone.

**June 7, 2014:** Yanbian University announces it has signed an agreement to provide technical assistance for developing North Korea's Rason economic zone.

**June 9, 2014:** Hyundai Steel Co. and Dongkuk Steel Mill Co. file an anti-dumping petition against Chinese H-Steel.

**June 10-11 2014:** ROK nuclear envoy Hwang Joon-kook meets PRC counterpart Wu Dawei and Foreign Minister Wang Yi in Beijing.

**June 12, 2014:** North Korean sources report that North Korea is expanding passenger train routes to China and Russia.

**June 12, 2014:** China-ROK Agriculture Cooperation Meeting opens in Lianyungang, China.

**June 13, 2014:** ROK media report China and South Korea hold closed-door maritime talks.

**June 13, 2014:** Chinese state media report that two Chinese travel firms have launched tour packages to North Korea with temporary charter flights from Shanghai.

**June 16, 2014:** Sixth China-ROK Media High-Level Dialogue is held in Seoul.

**June 17, 2014:** China Southern Airlines launches first direct flight between Urumqi and Seoul.

**June 19, 2014:** PRC Foreign Ministry spokesperson dismisses UN concerns over DPRK defectors in China.

**June 26, 2014:** China and South Korea hold talks in Ningbo on fishery issues.

**June 27, 2014:** PRC Ambassador to DPRK Liu Hongcai and DPRK Vice Foreign Minister Pak Myong Guk sign agreement in Pyongyang to build a new Wonjong-Quanhe cross-border bridge.

**June 30, 2014:** PRC Foreign Ministry spokesperson calls for stability on the Korean Peninsula after DPRK missile launches on June 27 and June 29.

**June 30, 2014:** First Yanji-Mt. Kumgang international tourist group arrives in Pyongyang.

**July 2, 2014:** PRC Foreign Ministry spokesperson calls for stability on the Korean Peninsula after North Korea fires two short-range projectiles into its eastern waters.

**July 3-4, 2014:** Xi Jinping visits South Korea for a summit with Park Geun-hye.

**July 9, 2014:** PRC Foreign Ministry spokesperson calls for stability on the Korean Peninsula after North Korea fires two short-range missiles into its eastern waters.

**July 10, 2014:** South Korean farmers protest in Seoul against China-ROK FTA talks.

**July 14-18, 2014:** The 12<sup>th</sup> round of China-ROK FTA talks are held in Daegu, South Korea.

**July 15, 2014:** PRC Vice Minister of Environmental Protection Li Ganjie and Pak Ho Yong, vice minister of the DPRK Ministry of Land and Environmental Protection, meet in Beijing.

**July 21, 2014:** ROK Defense Ministry spokesperson remarks that the possible deployment of an advanced US missile defense system is unrelated to China.

**July 23, 2014:** Wang Guanzhong, deputy chief of staff of the PLA, and ROK Vice Defense Minister Baek Seung-joo meet in Beijing.

**July 23, 2014:** PRC Vice Foreign Minister Zhang Yesui meets a delegation of ROK lawmakers led by Vice Speaker of the National Assembly Rep. Lee Seok-hyun of the main opposition New Politics Alliance for Democracy.

**July 24, 2014:** PRC Defense Minister Chang Wanquan meets ROK Vice Defense Minister Baek Seung-joo in Beijing.

**July 24, 2014:** Liu Yunshan, member of the Standing Committee of the CPC Central Committee Political Bureau, meets in Beijing a delegation of ROK National Assembly members led by Vice Speaker Lee Seok-hyun.

**July 24, 2014:** South Korea's Trade Commission launches an investigation of alleged antidumping by two Chinese suppliers of steel beams.

**July 27, 2014:** ROK Ministry of Oceans and Fisheries announces plans to launch the first joint surveillance with China against illegal fishing after a meeting in Weihai with PRC counterparts.

**July 28, 2014:** Jeju Air announces plans to double its Chinese destinations from August.

**July 29-30, 2014:** ROK Vice Foreign Minister Cho Tae-yul visits China to meet Foreign Minister Wang Yi, Vice Foreign Minister Li Baodong, and senior CCP officials.

**Aug. 4, 2014:** Yanji tourism authorities announce opening of a direct bus tour service to Rason.

**Aug. 6-7, 2014:** Three South Koreans and one North Korean are executed in China in separate drug offenses.

**Aug. 8, 2014:** PRC and ROK Foreign Ministers Wang Yi and Yun Byung-se meet on the sidelines of the ARF in Myanmar.

**Aug. 10, 2014:** PRC and DPRK Foreign Ministers Wang Yi and Ri Su Yong meet on the sidelines of the ARF in Myanmar.

**Aug. 12, 2014:** Chinese military arrests North Korean defectors near the China-Laos border.

**Aug. 13, 2014:** PRC Foreign Ministry expresses support for Seoul's Aug. 11 proposal for high-level talks with North Korea.

**Aug. 18, 2014:** President Park and Alibaba's Executive Chairman Jack Ma meet in Seoul.

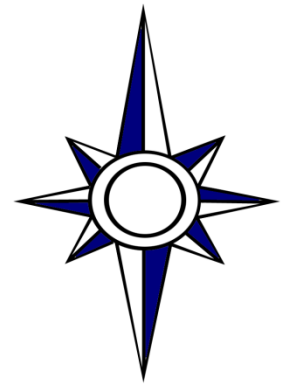
**Aug. 25, 2014:** South Korea's new Saenuri Party leader Kim Moo-sung meets PRC Ambassador Qiu Guohong in Seoul.

**Aug. 25, 2014:** South Korea's Defense Ministry spokesperson indicates that South Korea is in talks with China, Japan, and Russia to prevent accidental clashes in overlapping air defense areas with the expanded KADIZ.

**Aug. 30, 2014:** Fifth round of China-ROK-Japan FTA talks begin in Beijing.

# Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



## Japan-China Relations: Searching for a Summit

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Japan spent the summer months pressing for a summit with China. In remarks to the Diet, press conferences, and public speeches Prime Minister Abe made clear his quest for a summit, without preconditions, with President Xi during the upcoming November APEC meeting in Beijing. A parade of Japanese political figures, including former Prime Minister Fukuda, explored the possibility of a summit during visits to China. Beijing's answer continued to point to obstacles in the way – Abe's visit to Yasukuni Shrine and Japan's failure to recognize the existence of a dispute over the Diaoyu/Senkaku Islands. Meanwhile, incursions by China's Coast Guard into Japan's territorial waters continued and two mid-air incidents heightened security concerns. Japanese investment in China plunged over 40 percent in the first half of the year, and history – the 77<sup>th</sup> anniversary of the Marco Polo Bridge Incident – remained ever present.

### The search for a summit

When Prime Minister Abe Shinzo addressed a meeting of the North Atlantic Council in Brussels in early May, he called specific attention to China's diplomacy and its lack of transparency regarding its expanding military budget – over 10 percent increases in a 26-year span – and observed that these are “issues of concern to the international community.” He called on China to respond to Japan's initiative for an air-sea communications mechanism. He also called on Europe to maintain “strict control on the export of weapons and sensitive general-purpose equipment” to China to avoid destabilizing the Asia-Pacific region.

At a May 7 press conference, Abe reiterated his position on relations with China. He said that relations should be developed from a “comprehensive perspective, returning to the starting point ... of a mutually beneficial strategic relationship.” Accordingly, “both countries should openly discuss issues without preconditions.” He also reiterated that “I have always kept the door open for dialogue with China. I hope the Chinese side will take the same stance.”

China's Foreign Ministry spokesperson Hua Chunying delivered Beijing's reply, stating that “internally the Japanese leader is busy taking perverse action on historical issues and pressing ahead with constitutional amendment and military expansion under the cloak of proactive pacifism. Internationally, the Japanese leader is busy spreading maliciously the China threat theory, launching verbal attacks against China and defaming China wherever he goes.” Hua cast

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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.

Abe and his visit to the Yasukuni Shrine as being “among a group of people in Japan who attempt to deny or even glorify the history of aggression and colonial rule by Japan’s militarism and negate the just trial of Japanese fascism by the International Military Tribunal for the Far East.” Hua also accused Japan of “stirring up troubles on issues concerning territorial disputes with neighbors and ratcheting up tensions.”

At the end of May, in his address at the Shangri-La Dialogue in Singapore titled “Peace and Prosperity in Asia Forevermore,” the prime minister emphasized freedom of the seas and freedom of overflight, the rule of law, avoidance of coercion to advance claims, peaceful resolution of disputes, and human rights. Abe referred to the 2007 agreement between himself and then Premier Wen Jiabao to set up “a maritime and air communication mechanism to prevent unexpected situations between Japan and China” and expressed regret that it had yet to become operational. Finally, Abe explained the purpose behind his government’s reconsideration of the existing constitutional interpretation of the exercise of the right of collective self-defense as necessary to allow Japan to make a “Proactive Contribution to Peace.”

In a Q&A after his address, a Chinese military officer asked how Abe could explain his visit to the Yasukuni Shrine – did he express the same sentiments toward to “millions and millions of people in China, Korea and many countries in this region that have been killed by the Japanese Army?” Abe replied that he had frequently made clear his deep remorse for those who had lost their lives during the war and for the victims of the war. Postwar Japan had “created a peaceful, free and democratic nation .... We protect human rights and respect that law.” The Japanese press and the *Washington Post* noted that Abe’s reply earned applause from the audience.

In a July 5 interview with the *Yomiuri Shimbun*, Abe reiterated his call for a meeting, without preconditions, with President Xi during the November APEC meeting in Beijing. Abe again raised the idea of a meeting with Xi in remarks before the Lower House Budget Committee on July 14 and in an address delivered in Shimonoseki City on July 19, noting that because there are problems in the relationship that leaders should meet to resolve differences.

During a July 9 appearance on a BS-Fuji program, Chief Cabinet Secretary Suga Yoshihide expressed his hopes for an Abe-Xi summit during the APEC meeting, finding such a meeting only natural. Replying to Suga’s comment, China’s Foreign Ministry spokesperson Qin referenced Abe’s visit to Yasukuni and the Diaoyu Islands dispute, saying that “the relevant remarks from the Japanese side attempt to force China to swallow the bitter pills of hurt feelings and impaired sovereignty.” As for the prospects for a summit, Qin cited a Chinese saying to the effect of “don’t even bother to approach me if you are not absolutely sincere,” unless Japan takes steps “to correct its attitude and take concrete actions, there is no way for China to improve their relations.”

The July 14 *Sankei Shimbun* reported that during his May visit to Beijing, Liberal Democratic Party (LDP) Vice President Komura Masahiko had expressed his opinion that Abe would not pay homage at the Yasukuni Shrine if not going to the shrine would result in a meeting with President Xi. That same day in a *Mainichi Shimbun* interview, when asked about Komura’s statement, Abe replied “that is Mr. Komura’s opinion. I don’t know anything about it.”

In a *Sankei* public opinion poll released July 22, respondents were asked if Japan should “hurry for a summit meeting with China;” 47 percent responded “yes;” 43.4 percent responded “no.” Asked which country was more responsible for the failure to hold a leadership meeting, 3.8 percent responded “Japan,” 38.4 percent responded “China,” and 53.8 percent responded “both.” In an Aug. 11 *Sankei* poll asking the same question, 54 percent responded that Japan should hurry to arrange a summit meeting with China; 38.9 percent relied that Japan should not hurry.

During his visit to Brazil, Abe told an Aug. 2 press conference in Sao Paolo that “it is important for each of us to make quiet efforts” toward the realization of a meeting. The following day, Japanese media reported that former Prime Minister Fukuda Yasuo had visited Beijing at the end of July (27-29) and secretly met President Xi to whom he conveyed a message from Abe expressing his desire for a meeting. An aide to the prime minister told the *Nikkei Shimbun* that the Prime Minister’s Office was responsible for the Fukuda initiative and, in the process, had cut out the Ministry of Foreign Affairs. The *Sankei Shimbun* reported that during the Fukuda visit, Xi told him that China is uncertain how Abe “wants to interact with China.” Fukuda reportedly told associates that Xi is agonizing on ways to improve the Japan-China relationship. Chief Cabinet Secretary Suga told an Aug. 4 press conference that “There should be no preconditions for engaging in dialogue. Dialogue should be held precisely because there are issues.” Abe reiterated his summit plea at an Aug. 6 press conference, observing “because issues of concern exist, we need to have a frank dialogue.”

### **Looking for a political opening: high-level meetings**

In early May, LDP Vice President Komura Masahiko led a supra-party delegation of the Japan-China Friendship Commission to Beijing where it met former State Councilor Tang Jiaxuan, head of the China-Japan Friendship Commission. Tang stressed the importance attached to the Komura visit by China’s leadership, but also expressed concern with possible changes in Japan’s security policy. Komura said Japan does not regard China as a threat and expressed Japan’s interest in improving relations and returning to a “Mutually Beneficial Strategic Relationship.” He also raised the possibility of an Abe-Xi meeting during the APEC meeting.

The Komura delegation also met Zhang Dejiang, the third ranking member of the CCP. While they agreed on the necessity of improving relations, their different perspectives on history and the Senkakus/Diaoyus revealed deep differences. Zhang told the delegation that the responsibility for improving relations rested with Japan. He wanted Japan “to take concrete actions to show that you are committed to eliminating problems.” Afterward, Komura characterized the exchanges as “extremely frank and rigorous.” Back in Tokyo, Komura told reporters that he had raised the possibility of an Abe-Xi meeting at APEC and that Zhang had committed to informing China’s leadership of the request. After briefing Abe on his meetings, Komura told reporters there was “no reason not to be hopeful” regarding an Abe-Xi meeting.

A delegation of the Asia-Africa Study Group, led by former Prime Minister Noda Yoshihiko, followed Komura to Beijing and met Yu Zhengsheng, the CCP’s fourth ranking member. Yu welcomed the visitors, saying that he was one person who has continuously attached importance to friendly relations between the two countries. However, according to former Minister of Finance Koga, who attended the meeting, Yu said that the path to improving relations depended

on Abe ceasing visits to Yasukuni and to recognizing that a dispute existed over the Senkaku/Diaoyu Islands. As Abe himself had caused the present difficulties, were he to change his perspective, China would have no choice but to respond favorably. At the same time, Yu expressed the importance of continuing cultural exchanges and the Chinese leaderships' high regard for the contribution Japanese industry has made to China's economic development. On May 13, the Noda group briefed Abe on their visit.

The New Japan China 21<sup>st</sup> Century Commission met in Nagasaki on June 5-6, the first meeting of the group in nearly two years. Former State Councilor Tang Jiaxuan led the Chinese delegation and is reported to have said that as a result of Abe's visit to Yasukuni and the Diaoyu dispute, China-Japan relations are "in an unprecedentedly dangerous state." Chief Cabinet Secretary Suga complained that Tang's comments "as always are one-sided explanations."

The parade of Japanese politicians continued at the end of June, when a delegation, led by Socialist Democratic Party Chairman Yoshida Tadamoto visited Beijing and met Yu Zhengsheng and later with Wang Jiarui, head of the CCP's International Department. Yu told the delegation that to realize a summit in November Abe would have to change his positions on Yasukuni and the Diaoyu Islands. Wang noted the importance of creating an "environment for mutual concessions" to realize an Abe-Xi meeting. However, Wang was reported as saying that it is incumbent on Abe to make clear his agenda and that "there is no point in holding a meeting between the two leaders if the prime minister maintains his wrong position toward China."

Japan's Minister of Transportation Ota Akihiro arrived in Beijing on June 26, the first Japanese minister to visit Beijing since the advent of the Abe government in December 2012. Ota met Vice Premier Liu Yandong, head of the National Tourism Administration Shao Qiwei, and Tang Jiaxuan. Liu noted the significance of Ota's visit in the present difficult state of affairs and said that people-to-people exchanges could build a feeling of friendship. The *Sankei Shimbun* regarded the Ota visit as a sign of China softening its stance toward Japan.

Director General for Asian and Oceanic Affairs Ihara Junichi met his Chinese counterpart in Beijing in early July. Discussions focused on bilateral relations and explored the possibility of an Abe-Xi summit. Several political figures followed Ihara to Beijing. On July 16, the DPJ's Kaieda Banri met Liu Yunshan, the fifth ranking member of China's leadership. Liu commented favorably on the DPJ's understanding of history. However the two leaders failed to agree on Liu's call to shelve the Diaoyu/Senkaku dispute. In response to Liu's concerns about Japan's exercise of the right of collective self-defense, Kaieda defended the Abe government's decision as a domestic political issue. On July 23, former LDP Vice President Yamasaki Taku met Tang Jiaxuan. Yamasaki is reported to have told Tang that he thought Abe would not visit the Yasukuni Shrine because doing so would not be in Japan's national interest. As for the Senkakus, there was no mistaking that the islands belong to Japan; any concession on the issue could lead to Abe's resignation. Tang replied that under the present conditions realizing a summit would be "difficult."

Arriving in Nay Pyi Taw, Myanmar for the ASEAN Foreign Ministers Meeting, Wang Yi told reporters that he hoped Japan would take practical steps to improve relations but, thus far, Japan had not sent clear signals of its intentions to improve relations and so again China must study the



signals it is receiving. On Aug. 9 Foreign Minister Kishida Fumio met for approximately one hour with Wang. Afterward, Kishida told reporters that the two wanted to use the opportunity to advance relations and were able to exchange views in a straight-forward manner. The meeting of Japanese and Chinese foreign ministers was the first in nearly two years.

On Aug. 18, Vice President Li Yuanchao met a delegation of the Japan-China Committee for Next Generation Exchange. Li emphasized the importance of both countries putting aside “minor disagreements for the sake of common interests.” He called attention to the downturn in economic relations and found rising popular mistrust “most serious,” a result of “insufficient strategic mutual trust.” As for the prospects of a summit, he observed that “it is necessary to create an environment and atmosphere for removing political obstacles.”

### **Business and economics**

In mid-May, Japan’s Foreign Ministry released visa issuance statistics for 2013. Overall the number of visas issued to Chinese nationals fell by 12.7 percent to an estimated 972,000 over 2012, with tourist visas experiencing a near 20 percent decline to 540,000. Meanwhile statistics compiled by the Japanese embassy and consulates in China indicated that as of Oct. 1, 2013, the number of Japanese nationals residing in China fell to an estimated 135,000 with Shanghai experiencing a 17 percent decline and Beijing a 14 percent drop.

Between January and April, direct Japanese investment in China plunged 46.8 percent over the same period in 2013. The *Asahi Shimbun* reported that Beijing, while maintaining a strong line toward the Abe government, has shifted toward a line of “separating politics and economics.” On June 17, the Chinese Ministry of Commerce released statistics for the January-May period, during which Japanese investment fell 42.2 percent over 2013. On July 15, China’s Ministry of Commerce announced that Japan’s indirect investment in China for the period January-June was off 48.8 percent, or \$2.4 billion, over 2013.

On May 17, Japan’s Minister of Trade, Industry and Technology Motegi Toshimitsu met China’s Minister of Commerce Gao Huncheng on the sidelines of the APEC Trade Ministers Meeting in Qingdao, the first meeting of between Cabinet ministers in China since the autumn of 2012. Ten days later Keidanren Chairman Yonekura Hiromasa met Tang Jiaxuan in Beijing. During the meeting Tang observed that it is possible to advance mutually beneficial economic cooperation. On May 28, Yonekura met Vice President Li Yuanchao.

Jin Liqun, the official in charge of setting up China’s proposed Asia Infrastructure Development Bank visited Tokyo in late June and met Vice Finance Minister for International Affairs Furusawa Mitsuhiro to discuss Japan’s interest in supporting the initiative. According to Japanese sources, Furusawa told Jin that, because the Asian Development Bank has worked well so far, “Japan is ‘not convinced’ of the necessity of setting up a new international institution.”

On Aug. 20, China’s National Development and Reform Commission hit eight Japanese auto parts and four Japanese bearing makers with fines in the range of \$200 million for price fixing violations. The *New York Times* reported that “The fines, a record for China, are also notable for being levied exclusively against Japanese companies.”

## History

In early June, the Chinese government applied to UNESCO to include in the Memory of the World Register documents relating to the Nanjing Massacre and the recruitment of comfort women. Chief Cabinet Secretary Suga found Beijing's actions – using one period in the two countries' long history for political purposes – to be “extremely regrettable.” In reply, Foreign Ministry Spokesperson Hua said that China would “not accept Japan's unjustifiable representations and ... will not withdraw its application.” Hua continued “Japan's irresponsible remarks which reflect its erroneous concept of history are used to cover up its guilty conscience. The Nanjing Massacre and Japan's forced recruitment of the “comfort women” are grave crimes committed by Japanese militarism in the war of aggression against China....”

From June 30 leading up to July 7, the 77<sup>th</sup> anniversary of the Marco Polo Bridge Incident, the city of Beijing initiated patriotic activities to commemorate the event. Through the end of October an estimated 40 related events are being planned. Looking ahead, President XI has designated 2015 as commemorating the 70<sup>th</sup> anniversary of the Victory over Fascism. On July 7, Premier Li Keqiang, at a joint press conference during the visit of Germany's Chancellor Angela Merkel, emphasized the importance of learning the lessons of history as a guide to the future. Speaking on the 77<sup>th</sup> anniversary of the Marco Polo Bridge Incident, Li noted the day as marking the beginning of Japan's all-out invasion of China and the Chinese people's eight years of struggle and resistance.

During his July summit with ROK President Park Geun-hye, Xi used his remarks at Seoul National University to remind his Korean audience of early 20<sup>th</sup> century Japanese militarism and Japan's invasion of Korea and China and of waging “aggressive war.” Xi referred to the two occasions when China had helped Korea repel earlier Japanese invasions. He made no mention of China's numerous invasions of Korea, most recently during the Korean War.

In early July, the *Chongqing Youth News* published an edition with a full-page ad under the headline “Japan Wants a New War” in both Chinese and English. The headline ran across a map of Japan with mushroom clouds appearing over both Hiroshima and Nagasaki. On July 8, Foreign Minister Kishida, speaking as a politician from Hiroshima, responded that he found the display “completely unacceptable” and “imprudent.” The following day, Chief Cabinet Secretary Suga told reporters that the government, through the embassy in Beijing, had issued a strong protest to China's Foreign Ministry and that similar protest had been lodged with the Chongqing government through the Japanese consulate.

A supra-party delegation of 84 Diet members paid homage at the Yasukuni Shrine on Aug. 15. Prime Minister Abe did not participate, sending instead a sakaki offering. China's Foreign Ministry spokesperson Hua blasted the shrine as a place that “whitewashes Japan's war of aggression, and the visit as demonstrating “the Japanese government's wrongful attitude toward historical issues.” The *Yomiuri Shimbun* reported that in contrast to last year, when the Chinese Foreign Ministry called in the Japanese ambassador to protest Abe's offering, this year the protest was lodged by a phone call to the Japanese embassy.

On Aug. 27, Japanese media reported that Prime Minister Abe had sent a letter to an April 29 Buddhist memorial service commemorating Japan's Class A, B, and C war criminals, including the 14 Class A war criminals enshrined at Yasukuni. In his letter, Abe hailed the former imperial military officers as having "staked their souls to become the foundation of their nation." Chief Cabinet Secretary Suga endeavored to calm the storm by noting that Abe had signed the letter in his private capacity as president of the LDP. Not convinced of the distinction, Foreign Ministry spokesperson Qin urged Japan to "make a clean break with militarism."

## **Senkakus/Diaoyus**

Over the summer, Chinese Coast Guard vessels regularly entered Japan's contiguous zone and territorial waters in the Senkaku/Diaoyu region. A summary of the incidents is provided in the chronology. When challenged by Japanese Coast Guard patrols, the nearly scripted response was that the Chinese ships were patrolling under Chinese law and could not accept Japan's assertions that they were operating in Japanese controlled waters.

In mid-August, the *Nikkei Shimbun*, citing government sources, reported that the frequency of Chinese incursions into Japanese territorial waters in the Senkakus had fallen off significantly in the first six months of 2014. In contrast to 2013, when 94 incursions were recorded, the number had fallen to 40 in 2014. Also, the time spent in Japan's territorial waters had lessened from an average of four hours in 2013 to two-three hours in 2014.

## **Security: air engagements – Act 1**

The summer also saw activity between Japanese and Chinese air patrols over the East China Sea. On May 24, in the airspace where the Chinese and Japanese ADIZs overlap, two Chinese *SU-27* aircraft flew within close proximity (between 30-50 meters) to two Air Self-Defense Force (ASDF) aircraft, a *YS11EB* and an *OP3C*, that were observing a joint Chinese-Russian naval exercise. Vice Foreign Minister Saiki Akitaki called China's Ambassador Cheng Yonghua on May 26 to protest the Chinese actions and request that steps be taken to prevent a reoccurrence. After the meeting, Cheng told reporters that he had protested Japan's dangerous intelligence activities, expressing his great dissatisfaction with the ASDF actions. In turn, Saiki told reporters that Japan could not at all accept China's protestations of dangerous ASDF actions as obstructing the joint exercise. Chief Cabinet Secretary Suga told a press conference that such dangerous actions on the part of China could result in accidents and was truly regrettable. To avoid unanticipated accidents, he asked China to exercise self-restraint and act responsibly. Minister of Defense Onodera Itsunori told the Upper House Budget Committee that the ASDF had not obstructed the Chinese-Russian exercise. To avoid such incidents in the future, Onodera stressed the importance of establishing a military hotline.

Asked to comment on a pending resolution in the Foreign Affairs Committee, Foreign Ministry spokesperson Hong Lei said that he found the resolution to be "extremely irresponsible," while accusing Japan of carrying out "interruptive activities over the drill" and of using the issue to "to deliberately hype up the 'China threat.'"

## **Security: air engagements – Act 2**

On June 11, two Chinese military aircraft flew within meters of two JASDF aircraft over the East China Sea. In Beijing, Japanese Deputy Chief of Mission Horiuchi called at the Foreign Ministry to protest. On June 12, Chief Cabinet Secretary Suga cast the Chinese actions as “extremely regrettable and unacceptable,” pointing out that such dangerous actions could lead to unanticipated incidents. Vice Foreign Minister Saiki called Chinese Ambassador Cheng to the Foreign Ministry to protest. Cheng said that he could not accept the protest and asserted that the Japanese planes had approached the Chinese aircraft. Cheng, however, did advocate the setting up of a communications mechanism. After the meeting, Saiki told reporters the fact a second incident had taken place was deeply felt by the Japanese government. Cheng took the position that rather than Japan protesting to China, China should protest to Japan.

China’s Ministry of Defense accused Japan of acting to create an “up roar,” while “hyping a China threat” and “slinging mud on the image of the PLA.” According to the ministry’s description of the event, China’s aircraft were operating within China’s ADIZ, when the Japanese aircraft approached; in contrast to the Chinese aircraft, which acted with exemplary restraint, the actions of the Japanese planes were dangerous and provocative.

At the Foreign Ministry’s press briefing, spokesperson Hua accused the Japanese aircraft of taking “a dangerous action” and making ‘unfounded countercharges against China in disregard of facts and slung mud at China ....” Hua also charged Japan with attempting to shift the blame to others, noting that “The Japanese side has long been supervising and disturbing China’s aircraft at close range, posing a threat to the security of China’s aircraft. This is the root cause ....” Beijing released photos and a video of the incident.

Meeting with reporters on June 13, JASDF Chief Saito Hirokazu addressed the Chinese description of the two Japanese *F-15* aircraft closely approaching the Chinese planes. He pointed out the Chinese video was shot with a zoom lens. Setting aside the approaches of the Chinese aircraft, Saito said that Japanese video footage showed the *F-15*s following the Chinese aircraft at a distance of 30 meters and following accepted procedures for a scramble. Later Chief Cabinet Secretary Suga told a press conference that the ASDF had acted in accordance with ASDF law and appropriately in accordance with international law. The Chinese statements that the ASDF aircraft had approached the Chinese aircraft were “without foundation in fact.” Defense Minister Onodera called for the creation of an air-sea communications mechanism to prevent future incidents from developing.

## **Security: collective self-defense**

On July 1, the Abe Cabinet announced its decision to reinterpret the constitution to allow for the exercise of collective self-defense. Asked to comment, Foreign Ministry spokesperson Hong Lei noted that “Japan’s political moves in the military and security field have long been watched by its Asian neighbors and the international community. Recently, Japan’s ruling authority has been stirring up troubles on historical issues on the one hand, and taking unprecedented measures in the military and security field ... bringing great changes to Japan’s military and security policies. People cannot but question whether Japan is deviating from the path of peaceful

development ....” China urges Japan “to earnestly respect the legitimate security concerns of Asian neighbors and prudently deal with sensitive issues. It must not undermine China’s sovereignty and security interests, nor shall it harm regional peace and stability.”

On Aug. 5, the Abe Cabinet approved Japan’s *2014 Defense White Paper*. Echoing the *2013 National Security Strategy*, the white paper found Japan’s security environment becoming “increasingly severe.” The document found an increasing number of “gray-zone situations, neighboring states actively engaged in modernizing military capabilities and intensifying military activities. Like the security strategy, the white paper expressed the hope that China would “comply with international norms and play an active role in a more cooperative manner on regional and global issues.”

At the same time, it noted that China is “enhancing its asymmetric military capabilities to deter military forces of other countries from approaching and advancing into China’s surrounding region;” that it is continuing to modernize its forces across the board, noting that China’s defense budget “has grown approximately 40-fold over the past 26 years and almost quadrupled in size over the past ten years;” “expanding and intensifying its activities in the seas and airspace including the East China Sea and South China Sea;” adopting “so-called assertive measure, including attempts to alter the status by coercive measures, especially for issues involving conflicting maritime interests.” Added to a lack of transparency in its military budget, these issues are matters of concern to Japan, the region and the international community.

China’s *Xinhua* blasted the document as “hyping the China threat debate” and using China as an excuse to abandon its peace constitution and return to seeking a role as a regional military power. The Ministry of National Defense followed by accusing Japan of holding wrong positions and propagandizing a China threat.

## Outlook

A *pas de deux* toward a November Abe-Xi meeting in Beijing is being scripted. China has conditioned a high-level meeting on Japan’s recognition of a dispute over the Diaoyu Islands and Abe’s not going to the Yasukuni Shrine, while Japan has called for a meeting without preconditions. Yet both sides recognize the importance of a high-level meeting to bettering ties. Neither Beijing nor Tokyo will realize their maximalist positions. While sending an offering to the Yasukuni Shrine on Aug. 15, Abe did not personally pay homage as he did in December 2013. Interestingly, China’s protest – a phone call to the Japanese embassy – was at a lower level than in August 2013, when the Japanese ambassador was summoned to the Foreign Ministry. At the same time, China’s incursions into Japanese territorial waters in the Senkakus have fallen off significantly in the first six months of 2014. And so the score is being written.

## Chronology of Japan – China Relations May – August 2014

**May 1-6, 2014:** Chinese Coast Guard ships *Haijian 2102*, *2166* and *2401* are found operating in Japan’s contiguous zone. On May 2, the ships enter Japanese territorial waters. Warned by the

Japanese Coast Guard against entering Japan's territorial waters, the Chinese ships reply that they were patrolling under Chinese law.

**May 4, 2014:** Liberal Democratic Party (LDP) Vice President Komura Masahiko meets former State Councilor Tang Jiaxuan in Beijing. He raises the possibility of an Abe-Xi meeting at APEC Leaders Meeting in November.

**May 5, 2014:** LDP Vice President Komura meets third ranking member of Chinese leadership, Zhang Dejiang, who tells him responsibility for improving bilateral relations rests with Japan.

**May 6, 2014:** Prime Minister Abe Shinzo addresses the North Atlantic Council and states that China's continuing military build-up and lack of transparency are issues of concern within the international community.

**May 7, 2014:** PM Abe calls for dialogue with China without preconditions.

**May 7-9, 2014:** Chinese Coast Guard ships *Haijian 2101 and 2113* are found operating in Japan's contiguous zone in the Senkakus. When challenged by Japanese Coast Guard, they again asserted they were operating in Chinese waters under Chinese law.

**May 9, 2014:** Delegation of Japan's Asia-Africa Study Group meets in Beijing with fourth ranking member of China's leadership Yu Zhengsheng.

**May 17, 2014:** Japan's Minister of Trade, Technology and Industry, Moteji Toshimitsu meets China's Minister of Communications Gao Huncheng on the sidelines of APEC Trade Ministers Meeting, marking the first meeting of Cabinet ministers since nationalization of the Senkakus.

**May 24, 2014:** PLA Air Force (PLAAF) and Japan Air Self-Defense Force (JASDF) aircraft approach each other over the East China Sea.

**May 26, 2014:** Vice Foreign Minister Saiki Akitaka calls in Chinese Ambassador Cheng Yonghua to protest PLAAF actions.

**May 26-31:** Chinese Coast Guard ships *Haijian 2146 and 2151* enter Japanese territorial waters in the Senkakus. Chinese ships do not reply when asked to leave by the Japanese Coast Guard.

**May 27, 2014:** Keidanren Chairman Yonekura Hiromasa meets former State Councilor Tang in Beijing. Tang emphasizes economic cooperation.

**May 28, 2014:** Chairman Yonekura meets Vice President Li Yuanchao in Beijing.

**May 30, 2014:** PM Abe delivers keynote address at Shangri-La Dialogue in Singapore. His remarks emphasize rule of law, freedom of seas and overflight, and peaceful resolution of disputes. He calls for China to respond to 2007 agreement to establish maritime and air communications mechanism.

**May 31, 2014:** Chinese Coast Guard ships enter Japanese territorial waters in the Senkakus.

**June 5-6, 2014:** New Japan-China 21<sup>st</sup> Century Commission meets in Nagasaki, marking the first meeting of the group in two years.

**June 11, 2014:** PLAAF and JASDF aircraft have a close encounter over the East China Sea.

**June 12, 2014:** Vice Foreign Minister Saiki calls in Ambassador Cheng to protest PLAAF action. Chief Cabinet Secretary Suga finds actions extremely regrettable and unacceptable.

**June 13, 2014:** Six members of the Chinese Coast Guard ship *Haijian 2101* board a Chinese fishing boat, operating within Japan's EEZ.

**June 16-22, 2014:** Chinese Coast Guard ships *Haijian 2102* and *2146* are found operating in Japan's contiguous zone in the Senkakus area. On June 20, the Chinese ships enter Japanese territorial waters.

**June 24, 2014:** Social Democratic Party delegation led Chairman Yoshida Tadamoto meets Yu Zhengsheng in Beijing.

**June 26, 2014:** Chairman Tadamoto meets Wang Jiarui, head of the CCP's International Department. Wang echoes Yu's talking points and adds that there is no point in holding a summit if Abe continues to hold his wrong positions toward China.

**June 26, 2014:** Japan's Minister of Transportation Ota Akihiro arrives in Beijing, marking the first visit of a Cabinet Minister to Beijing since nationalization of the Senkakus. He meets Vice Premier Liu Yandong.

**June 29-July 1, 2014:** Chinese Coast Guard ships *Haijian 2102*, and *2146* are found operating in Japan's contiguous zone; they enter Japan's territorial waters on June 30.

**June 30, 2014:** Beijing city begins week-long patriotic activities leading to the July 7 anniversary of the Marco Polo Bridge Incident.

**July 1, 2014:** Director General for Asian and Oceanic Affairs Ihara meets his Chinese counterpart in Beijing to explore the possibility of an Abe-Xi meeting.

**July 1, 2014:** Abe Cabinet announces decision to reinterpret Japan's constitution to allow for the exercise of the right of collective self-defense. China's Foreign Ministry questions whether Japan is moving from the path of peaceful development.

**July 4, 2014:** President Xi Jinping in remarks at Seoul National University reminds the audience of Japan's 20<sup>th</sup> century militarism.

**July 5, 2014:** PM Abe in a *Yomiuri Shimbun* interview calls for a meeting with President Xi without preconditions during APEC meeting in November.

**July 5, 2014:** Chinese Coast Guard ships *Haijian 2101* and *2151* enter Japan's territorial waters near the Senkakus. Challenged by the Japanese Coast Guard to withdraw, the Chinese ships reply that Diaoyu Island and related islands are historically part of China.

**July 7, 2014:** China marks 77<sup>th</sup> anniversary of the Marco Polo Bridge Incident.

**July 7, 2014:** Premier Li Keqiang in joint press conference with German Chancellor Angela Merkel calls attention to the importance of future generations learning the lessons of history.

**July 9, 2014:** Chief Cabinet Secretary Suga on television news program expresses hope for an Abe-Xi meeting at APEC in November.

**July 10-21, 2014:** Chinese Coast Guard ships *Haijian 2012*, *2113*, and *2146* are found operating in Japan's contiguous zone near the Senkakus.

**July 12, 2014:** Chinese Coast Guard ships *Haijin 2101* and *2151* enter Japanese territorial waters near the Senkakus.

**July 14, 2014:** PM Abe in remarks before Upper House Budget Committee calls for meeting with President Xi.

**July 19, 2014:** PM Abe in speech at Shimonoseki calls for meeting with President Xi during APEC meeting in Beijing.

**July 23, 2014:** Former LDP Vice President Yamasaki Taku meets former Councilor Tang in Beijing. Yamasaki explores possibility of Abe-Xi meeting and Tang replies that under current conditions such a meeting would be difficult to realize.

**July 27-29, 2014:** Former Prime Minister Fukuda makes a secret visit to Beijing; he meets President Xi and relays Abe's interest in an Abe-Xi meeting.

**Aug. 1, 2014:** China marks 120<sup>th</sup> anniversary of the 1894-95 Sino-Japanese War.

**Aug. 1, 2014:** Japan announces names for 158 uninhabited islands including five in the Senkakus; China protests action as undermining Chinese sovereignty.

**Aug. 2, 2014:** PM Abe tells press conference in Sao Paulo that it is important for both Japan and China to make quiet efforts toward the realization of a summit.

**Aug. 9, 2014:** Foreign Ministers Kishida Fumio and Wang Yi meet during ASEAN Foreign Ministers meeting in Myanmar, marking the first meeting between Chinese and Japanese foreign ministers in close to two years.

**Aug. 9, 2014:** PM Abe in *Sankei Shimbun* interview speaks to the importance of Japan-China relations and of the need for both countries to make efforts to improve ties.



**Aug. 9-13, 2014:** Chinese Coast Guard ships enter Japan's contiguous zone near the Senkakus. On Aug. 12, three ships enter Japan's territorial waters and patrol for four hours.

**Aug. 12, 2014:** *Yomiuri Shimbun* reports the LDP will likely submit legislation to autumn Diet session to designate remote but inhabited islands, close to national borders as "special border remote islands," authorizing infrastructure construction/SDF facilities on the designated islands.

**Aug. 15, 2014:** PM Abe does not pay homage at the Yasukuni Shrine, making a *sakaki* offering instead. However, 84 members of the Diet, a supra-party delegation and three Cabinet-level officials visit the shrine.

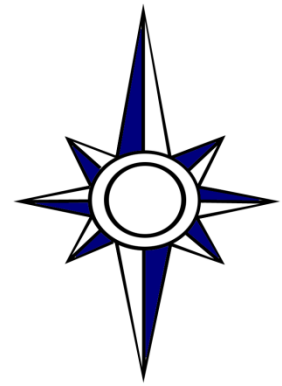
**Aug. 20, 2014:** China hits Japanese auto parts makers with approximately \$200 million fines for alleged price fixing.

**Aug. 24, 2014:** *Haijian 2101, 2113, 2146, and 2305* enter Japan's territorial waters.

**Aug. 26, 2014:** *Mainichi Shimbun* reports Li Xiaolin, head of Chinese People's Association for Friendship with Foreign Countries and confidant of President Xi, is considering a visit to Japan late September or early October.

**Aug. 29, 2014:** Japan's Ministry of Defense announces ¥3.5 trillion budget request for FY 2015, a 3.5 percent increase.





**Japan-Korea Relations:  
The Best of Times, the Worst of Times?**

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

Relations between Japan and the two Koreas were relatively calm through the middle four months of 2014. The most significant events centered on domestic issues that had implications for relations among the countries, with Japan's reconsideration of the Kono Statement being the most notable. In all, relations remained frozen. In particular, ROK-Japan political relations remained "the worst of times." But, so far these troubles have not had a significant impact on economic relations. Meanwhile, the DPRK and Japan have begun tentative moves to repair their relationship, which could have major consequences for regional security if they are sustained. While "the best of times" may be a bit of an exaggeration, it is worth noting that even though political relations are not deeply peaceful across East Asia, deadly conflict – or even economic sanctioning – is relatively rare, with the exception of North Korea. Disputes between other countries remain confined to the rhetorical and diplomatic spheres, and economic cooperation continues to grow in many sectors and across many borders.

**A different entourage, peripatetic leaders, and a whole lotta lawsuits**

There was a growing recognition of various alignments or "cliques" forming in Northeast Asia – some placing emphasis on deteriorating China-North Korea relations, others on the toasty China-South Korea relationship, and still others on a warming Japan-North Korea dyad. Of course, one commonality was that none seemed to be placing Tokyo and Seoul on the same axis. In an [editorial](#) in the *Huffington Post*, Park Jin, Wilson Center global fellow and professor at the Graduate School of International and Area Studies at Hankuk University, claimed that "We are in the middle of a Hobbesian transformation of the post-Cold War regional order in Northeast Asia." His editorial started by welcoming Chinese President Xi Jinping's latest visit to Seoul. Some chose to interpret Xi's visit as a sign of [cooling relations between China and North Korea](#). The implication for Tokyo-Seoul relations was that the two states harbored much of the sentiment from early-2014: a Not-In-My-Backyard (NIMBY) type of diplomacy, focusing on diplomacy in far-flung places rather than with immediate neighbors.

Nowhere was this more evident than in Japanese Prime Minister Abe's itinerary for the months of May to August. In particular, his meeting with Israeli Prime Minister Benjamin Netanyahu in mid-May was notable given that this was the first visit by an Israeli leader to Tokyo in six years (no Japanese prime minister has visited Israel since 2006). After acknowledging "common challenges" stemming from nuclear proliferation (i.e., Iran and North Korea) and reaffirming greater economic cooperation, [Netanyahu apparently stated](#) that "We are turning east, and we want you also to turn in the direction of Israel. Your technological cake is worth more if it is topped with an Israeli cherry." There were some awkward moments in early July during a photo

opportunity with Australia's Prime Minister Tony Abbott, when they posed next to a haulage truck tire at an iron ore mine in West Australia, with some calling the shot "[cringe-worthy](#)." *The Washington Post* laid out [a picture of a peripatetic leader](#) in reporting on Abe's 10-day, five-nation tour of Latin America and the Caribbean, noting that Abe had visited 47 countries since being elected in 2012.

It seemed unfortunate that Korea could not make it into the list of 47 countries, amidst continued reports of a bilateral summit being rebuffed on the part of Seoul. President Park Geun-hye did meet the governor of Tokyo (and envoy of Prime Minister Abe) in late July at the Blue House – the first ranking Japanese official to be greeted since Park's inauguration. Also, director-general level talks aimed at discussing the sexual enslavement of Korean women by the Japanese Imperial Army during World War II resumed in May (three rounds were held by the end of July). Nevertheless, the decision by the Abe Cabinet to review the landmark 1993 Kono Statement, which included an acknowledgement of the forced recruitment of Korean women as wartime sex slaves, instigated much anger from Seoul, despite Tokyo's final verdict in June to respect the initial statement. Moreover, by the end of the month, the Korean media have reported plans by the Seoul government to release a three-volume white paper by July 2015 based on Japan's wartime sexual enslavement of Korean women. The issue started expanding into different platforms once revelations surfaced in early August of factual errors in reporting on the so-called "comfort women" by *Asahi Shimbun*, which relied on unsound testimonies made by Yoshida Seiji (deceased). This sparked other newspaper outlets based in Japan to [call for a more thorough look](#) at the coverage.

In fact, some outlets were busy dealing with their own complications: Sankei's Seoul bureau chief, Kato Tatsuya, became the defendant in a defamation suit filed by a conservative South Korean civic organization in early August, for an article that had run in the online edition of the paper. The article allegedly put forth a claim that the seven-hour period in which President Park was unaccounted for on the day of the tragic sinking of the *Sewol* ferry in April was due to her clandestine meeting with a divorced former aide. Given the lingering doubts within South Korea about the crisis management skills of its government, combined with calls by both Japanese and foreign correspondents in describing Seoul's latest move as an [attack on free speech](#), it will be interesting to track the eventual fate of Kato.

The Japanese media also did not pass up the opportunity to liken Seoul's actions to the pot calling the kettle black, referring to the lawsuit filed against the Korean government by 122 South Korean "comfort women" who served US troops during the 1960s and '70s. Given the strong association of the label "comfort women" with the Japanese Imperial Army, the recent lawsuit lodged with the Seoul District Court on June 25 represents a rather awkward development on the part of Seoul in dealing with not only Japan, but also the US. The Korean Ministry of Gender Equality and Family has declined to comment on the lawsuit, while the US military in Korea only confirmed awareness of the suit. What is perhaps most disconcerting here is that a journal article [Katharine H.S. Moon, "South Korean Movements against Militarized Sexual Labor," *Asian Survey*, Vol. 39, no. 2 (Mar/Apr. 1999): 310-27] written more than a decade ago still seems as if it was written yesterday. In the piece, the author analyzes two movements: the *Chongsindae* Movement (CM) and the *Kijich'on* Movement (KM), the former referring to those Korean women demanding reparation and an apology from the Japanese government for

their sexual enslavement during World War II, and the latter involving the group of women and men who have sought to publicize their (mis)treatment as prostitutes in US military camp towns (*kijich'on*). Despite the parallels between the two movements, they have had widely differing successes in garnering international recognition for their cause, which the author attributes to ideological disparities regarding sexual norms, nationalism, and the level of political activism by the two movements. Moon sums up nicely the asymmetric response to the two groups in the following way:

If the moral and legal burden of the *chongsindae* system falls on the Japanese people and government, then the moral and legal burden of the *kijich'on* system falls on Koreans, the Korean government, and the U.S. military. Owing partly to these differences, the KM's understanding of nationalism is more complicated. For the KM leaders and staffers, it is not only a foreign government (military) that serves as the oppressor of women but also the Korean government, especially the former military regimes, that sought U.S. protection and tutelage (p. 321).

The KM movement is an undeniable, yet often silenced victim of South Korea's feud with Japan; at the same time, one that provides Japan with more ammunition to attack the Seoul government for its "duplicitous" behavior of only highlighting the wrongdoings of the Tokyo government. The sad reality is that any negative news concerning Japan is almost always over-reported by the Korean media. A case in point is the coverage in mid-June of the group of women that applied for a court injunction to ban sales of a book written by Park Yu-ha, a Japanese language professor at Sejong University, which apparently depicts women who were forced into sexual slavery during Japan's colonial rule as "prostitutes" and "collaborators" of Japan. Nevertheless, the June lawsuit filed by the 122 women is something to keep an eye on.

### **The enemy of your enemy is my friend**

The stalemate between Tokyo and Seoul did not deter the warming of relations between Japan and North Korea. Official talks started in May when Ihara Junichi, director general of the Asian and Oceanian Affairs Bureau at the Japanese Foreign Ministry, met Song Il Ho, North Korea's ambassador for talks to normalize relations with Japan, in Stockholm. Shortly thereafter, North Korea announced that it would open a new investigation into the abduction of Japanese citizens, reversing its earlier position that the case had been closed. In July, the two met again in Beijing, which received rare mention by the *Korean Central News Agency* (KCNA).

Amidst reports of Xi Jinping's visit to South Korea and speculation that Xi's decision to visit Seoul ahead of Pyongyang was a signal of cooling China-DPRK relations, Prime Minister Abe announced that Japan will ease partial sanctions levied on the North. The decision was made with the understanding that Pyongyang would set up a special entity to investigate the status of Japanese abductees, which would eventually lead to lifting travel bans, loosening Japanese oversight of remittances, and allowing port calls by North Korean ships for humanitarian purposes. Despite memories of a similar pledge by the North falling through in 2008, the Tokyo government was hopeful, with Chief Cabinet Secretary Suga Yoshihide claiming that Japan expected to receive an initial report from Pyongyang on the abduction issue by the end of the summer. Current speculation is that the report will be released sometime in September.

Alongside the inter-governmental track, sports diplomacy has also made a comeback with news in early July that Japanese wrestler-turned-politician Kanji “Antonio” Inoki was collaborating with Chang Ung, North Korea’s official International Olympic Committee member to organize an international wrestling exhibition for Aug. 30-31 in Pyongyang. It was reported that the event would bring together at least 21 competitors from Japan, the US, France, Brazil, China, and the Netherlands. It is difficult to completely forget the event a couple months earlier when Dennis Rodman held a basketball tournament in Pyongyang – something that left lingering questions as to whether the event was a testament to the limits of sports diplomacy in general or the charms of one sports personality in particular. The *Washington Post* [story](#) on the topic quoted Joseph Nye, who remarked that “When it comes to North Korea, I tend to be a little bit skeptical about these sorts of things.” The *Japan Times* [article](#) highlighted previous successes on the part of Inoki, like his efforts to secure the release of 41 Japanese hostages in Iraq during the Gulf War back in 1990, after meeting with Saddam Hussein’s son and hosting a wrestling show in Baghdad. Inoki allegedly also converted to Islam that same year in hopes that this would facilitate a more congenial condition for negotiations with the Iraqi leaders. In contrast to these potentially positive developments between Japan and North Korea, the Korea Football Association (KFA) announced in mid-July that there will be no friendly match this year between South Korea and Japan, once again, showing a diverging mood across the two dyads.

For Japan, the euphoria that comes with any (unilateral) headway in negotiations with Pyongyang is almost always weighed against the concerns that directly follow from its neighbor (South Korea) and ally (US). Sure enough, *Kyodo News* reported in mid-July that US Secretary of State John Kerry had been on the phone with Japanese Foreign Minister Kishida Fumio to relay US concern over the potential impacts the Tokyo-Pyongyang bilateral track could have on US-Japan-South Korea trilateral cooperation on the denuclearization front. Earlier in May, the US had indicated that its support for an improvement in the Japan-North Korea relations was conditioned on progress made in denuclearizing the North. Similarly, Seoul also warned of the possible negative implications of placing the abduction issue on center stage while sidelining other items. The mood was certainly not helped by North Korea’s decision to continue testing ballistic missiles – one in late June, and another in early July. Nevertheless, a looming “disjointedness” was placated to some extent by tripartite defense ministerial talks on the sidelines of the Shangri-La Dialogue in Singapore on May 31, and trilateral military talks on the sidelines of the *Rim of the Pacific (RIMPAC)* exercise in Hawaii the following month.

### **When trade follows the flag**

A recurring theme in both the empirics of the Japan-Korea dyad as well as some discourses within academia is: what impact does politics have on economic relations (or does trade follow the flag)? For the most part, the economic cog in the Tokyo-Seoul relationship wheel has turned regardless of sordid news in the political sphere. It is unsettling then, that there were reports during May-August of troubling developments.

The first concerned results of a [Thomson Reuters/INSEAD Asia Business Sentiment Survey](#) released in June. The survey constructs a quarterly index based on responses from 200 top companies in 11 economies based in the Asia-Pacific, with a reading above 50 indicating a positive outlook/sentiment by the businesses in the region. Both Japan’s and South Korea’s index

fell in June, from 59 to 56 and 67 to 50, respectively. Companies in both regions had mutual concerns about rising costs, with fewer reports of higher employment. Another [poll](#) conducted for *Reuters* by Nikkei Research found that one-third of Japanese business executives (that took part in the survey) believed that diplomatic tensions with China and South Korea hurt business, leading to a decrease in sales and procurement and moving forward with deals, due to communication issues.

In late August, another [Reuters poll](#) highlighted some trends in corporate Japan (but have unmistakable parallels to South Korea) that may make conditions harder for firms, and thereby also have consequences on bilateral relations. For instance, the poll found that roughly 60 percent of Japanese firms are hard hit by labor shortages, which is pushing up hiring costs and affecting profits. The backdrop of an aging society combined with limited immigration has frequently been documented. But in the case of Japan, labor shortages are particularly poignant since the country's need for workers in the post-2011 earthquake and tsunami along with preparations for the 2020 Olympics is high. A similar story could be told for its neighbor, where the Seoul government announced on Aug. 26 that the country had recorded its lowest birthrate to date since 1970, with 8.6 babies per 1,000 South Koreans being born in 2013. This came shortly after results of a simulation commissioned by the South Korean National Assembly, which warned that South Korea may face natural extinction by 2750 given the current birth rate. A *Wall Street Journal* [blogpost](#) on the simulation cites some caveats that were obviously left out of the simulation, such as potential rebounds. Although the post mentions the success of Park Chung-hee's national family planning campaign during the '60s, it ends quite ominously, stating that "Park's oldest child, current President Park Geun-hye, has no offspring."

There are also concerns about Japanese growing dominance in Korea's savings market, though this is a relatively newer field than Japan's traditional control in the lending market. Reports surfaced that Standard Chartered Korea had agreed to sell two of its units – SC Savings Bank and SC Capital—to J Trust, a Japanese-based finance company. J Trust previously acquired Mirae (Chinae) Savings Bank in 2012, including other small- and mid-sized payday loan providers such as KJI Capital and Hi Capital. The lending market (and perhaps the newly emerging savings realm) is an interesting case as it has rarely been charged with nationalistic sentiments despite the clear Japanese presence in the loan industry and the ease with which a foreign country could [squeeze the lifeline of one's citizens](#).

On July 2, Korea's Financial Supervisory Service (FSS) announced that it had approved the acquisition of Yeju Savings Bank and Yenarae Savings Bank by the Japanese company A&P Financial, which runs the leading private lending brand Rush N Cash. A&P Financial opened its savings bank the same month under the name of "OK," short for "Original Korean." A&P Financial has been a mainstay in Korea's private lending market, with Rush N Cash taking the top position in profits. The comparative figures provided in the table below, which were released by the FSS in March (for the accounting period of July 2012 to June 2013), is well worth a look as it clearly shows the strength of the Japanese firms in the Korean market.

Currency: won

Korean Firms	7/2012-06/2013	Japanese Firms
32.8 billion	Net Profit	296.5 billion
3.2974 trillion	Total Debit Balance	4.4377 trillion
2.6406 trillion	Unsecured Loans	4.3550 trillion
656.8 billion	Secured Loans	82.8 billion
754,985	Number of Customers	1,491,439
37.80%	Interest Rate (Average)	28.90%
6.30%	Delinquency Rate	9.50%

There is no indication yet that political tensions have any noticeable impact on the progress of Japanese firms in either the Korean lending or savings market, which is certainly a welcome counter to the purported dim business sentiments.

### **Autumn 2014**

The last four months of 2014 may see some improvement in ROK-Japan relations, although it would be wise not to be too optimistic. There is an internal sense among the South Korean leadership that improving relations with Japan should be a priority. Whether the desire to move forward translates into any type of meeting remains to be seen, but at least such discussions are quietly beginning in Seoul. As for DPRK-Japan relations, although the steps forward appear clear, the real question is whether it is possible for the North Korean leadership to provide any more clarity on the abductee situation. If, against all expectations, the DPRK can make significant steps to resolving the abductee situation, it is quite likely that the Japanese will respond positively. However, if history is any guide, this is unlikely to happen. In short, the most likely scenario for the near term is more of the same.

## **Chronology of Japan-Korea Relations**

### **May – August 2014**

**May 12, 2014:** Japan's Toyo Engineering Corporation (TOYO) announces that a consortium including TOYO and three South Korean companies has won a contract worth \$3 billion to build a large gas chemical complex in western Turkmenistan.

**May 15, 2014:** Japan and South Korea hold director-general level talks in Tokyo regarding the Japanese Army's sexual enslavement of Korean women during World War II.

**May 26, 2014:** Ihara Junichi, director general of the Asian and Oceanian Affairs Bureau at the Japanese Foreign Ministry, and Song Il-ho, North Korea's ambassador for talks to normalize relations with Japan, meet in the Swedish capital of Stockholm.

**May 29, 2014:** As a result of negotiations in Stockholm, North Korea agrees to open a new investigation into the abduction of Japanese citizens, reversing Pyongyang's earlier insistence that the abduction issue had already been settled.



**May 29, 2014:** *Yonhap News* reports that Seoul and Washington's support for improvement in Japan-North Korea relations is conditioned on progress in denuclearizing North Korea.

**May 31, 2014:** Japan Defense Minister Onodera Itsunori, South Korea Defense Minister Kim Kwan-jin, and US Secretary of Defense Chuck Hagel meet on the sidelines of the Shangri-La Dialogue in Singapore.

**June 4, 2014:** Letter to the US White House endorsed by Senators Tim Johnson (D-SD), Martin Heinrich (D-NM), and Mark Begich (D-AK) urges President Barack Obama to increase efforts to address the issue of Japan's sexual enslavement of women during World War II.

**June 8, 2014:** Bae Chun-hee, a former South Korean "comfort woman" or "sexual slave" for the Japanese Imperial Army during World War 2 passes away at the age of 91. Her death leaves 54 Korean "sexual slave" survivors, from an initial 237 that were registered on the government list.

**June 15, 2014:** *Korea Times* reports the Japanese embassy rejected all South Korean female applicants 26 years or older for working holiday visas in Japan, in a bid to curb prostitution.

**June 16, 2014:** *Korea Herald* reports that Standard Chartered Korea has agreed to sell two of its units – SC Savings Bank and SC Capital – to a Japan-based finance company, J Trust. Pending approval from financial regulators in both Japan and Korea, this will mark the first acquisition of a Korean-based savings bank by a Japanese lender.

**June 17, 2014:** During his confirmation hearing in the US Senate, Mark Lippert, nominee for US ambassador to South Korea, expresses his intention to work to enhancing dialogue between Seoul and Tokyo.

**June 20, 2014:** South Korean Navy holds live-fire drills near Dokdo/Takeshima Islands. Japan's Chief Cabinet Secretary Suga Yoshihide denounces the exercises.

**June 20, 2014:** Abe administration announces the decision to uphold the 1993 Kono Statement that includes an apology for sexual enslavement of women by the Japanese imperial army during World War II. The finding that there were multiple consultations between Tokyo and Seoul over the wording of the statement sparks outcry from the South Korean government.

**June 23, 2014:** In an interview with the *Korea Times*, CEO of the Korea Tourism Organization (KTO), Byun Choo-suk, cites the need to reduce dependence on foreign visitors from China and Japan, and to diversify the targets of Korean tourism.

**June 23, 2014:** South Korea's Vice Foreign Minister Cho Tae-Yong summons Japanese ambassador to protest Japan's review of the Kono statement.

**June 24, 2014:** South Korea's Vice Foreign Minister Cho Tae-yong meets US Deputy Secretary of State William Burns in Washington to relay Seoul's concerns regarding Japan's review of the Kono Statement.

**June 25, 2014:** *Japan Times* reports on the “embarrassing distraction” for the South Korean government of a lawsuit brought on by its own nationals – 122 Korean survivors or “comfort women” who are claiming that the South Korean government abused them as prostitutes for US troops stationed in Korea during the 1960s and ‘70s.

**June 30, 2014:** South Korean National Assembly’s Foreign Affairs Committee adopts resolution denouncing Japan’s review of the Kono Statement.

**July 1, 2014:** Abe Cabinet adopts a resolution lifting the ban on exercising collective self-defense and outlines a shift that relaxes restrictions placed on Japan’s Self-Defense Forces (SDF) to aid an ally under attack along with activities in UN-led peacekeeping operations.

**July 1, 2014:** US state of Virginia’s law regarding the use of “East Sea” alongside “Sea of Japan” in all new public school textbooks goes into effect.

**July 1, 2014:** Trilateral military talks take place in Hawaii among Gen. Iwasaki Shigeru from Japan, Adm. Choi Yun-hee from South Korea, and Gen. Martin Dempsey from the US during *Rim of the Pacific (RIMPAC)* military exercises.

**July 3, 2014:** *Korean Central News Agency (KCNA)* reports on inter-governmental talks between Japan and North Korea in Beijing.

**July 4, 2014:** *Asahi Shimbun* reports that Prime Minister Abe has announced that sanctions regulating travel and money transactions involving North Korea will be lifted.

**July 4, 2014:** In an address at the Seoul National University, Chinese President Xi Jinping stresses the joint suffering of China and South Korea under Japanese colonial rule. According to *The Japan Times*, Chief Cabinet Secretary Suga Yoshihide reportedly said that “Any attempt by China and South Korea to coordinate in picking apart past history unnecessarily and making it an international issue is utterly unhelpful for building peace and cooperation in the region.”

**July 7, 2014:** Japanese wrestler-turned-politician Kanji “Antonio” Inoki announces that he and Chang Ung, North Korea’s official International Olympic Committee member, will organize an international wrestling exhibition on Aug. 30-31 in Pyongyang.

**July 10, 2014:** *Bloomberg News* reports that Kyocera has filed a suit with the Tokyo District Court against the Japanese arm of the South Korean conglomerate Hanwha Group – Hanwha Q Cells – for patent infringement on its solar panels technology.

**July 11, 2014:** South Korean National Assembly’s Foreign Affairs Committee passes resolution denouncing latest moves by the Abe administration to expand the role of its military.

**July 15, 2014:** Heads of the Japanese and South Korean delegations to the six-party talks, Ihara Junichi and Hwang Joon-kook, meet in Tokyo for talks regarding North Korea.

**July 16, 2014:** Korea Football Association (KFA) announces that there will be no friendly match this year between South Korea and Japan.

**July 16, 2014:** According to *Kyodo News*, US Secretary of State John Kerry warned Japanese Foreign Minister Kishida Fumio via phone that trilateral cooperation among the US, Japan, and South Korea could be disrupted if Japan-North Korea relations progress along separate tracks.

**July 17, 2014:** Poll conducted for *Reuters* by Nikkei Research reveals one-third of Japanese firms believe their business is hurt by political tensions with China and South Korea.

**July 17, 2014:** Poll conducted by the Genron NPO and the East Asia Institute shows percentage of Japanese that hold a negative impression of South Korea increased from 37.3 percent in 2013 to 54.4 percent in 2014, while those with a positive impression fell from 31.1 to 20.56 percent.

**July 17, 2014:** South Korean Ministry of Gender Equality and Family announces that it plans to apply for UNESCO designation for documents regarding those women forced into sexual slavery under the Japanese Imperial Army during World War II.

**July 17, 2014:** UN Human Rights Committee tells Japan to adopt the phrase “enforced sex slaves” in reference to those who were forced into military brothels during the Pacific War, resulting in disapproval by the Japanese delegates at the meeting in Geneva, Switzerland.

**July 22, 2014:** Seoul Administrative Court orders the government to disclose the negotiation process involved in the Japan-Korea military information sharing deal that fell through in 2012.

**July 23, 2014:** Officials from Japan and South Korea meet for the third round of high-level talks in Seoul, on the subject of sexual slavery or “comfort women.”

**July 25, 2014:** *Korea Times* states that President Park has rebuffed proposals for meetings put forth by Prime Minister Abe including the scheduling of a bilateral summit.

**July 25, 2014:** President Park meets Masuzoe Yoichi, the governor of Tokyo and Prime Minister Abe’s envoy, at the Blue House in Seoul.

**July 28, 2014:** Citing data released by the Financial Supervisory Service (FSS), *Yonhap News* reports Japanese leasing companies are gaining more ground in the Korean secondary financial market through acquisition of local savings banks.

**Aug. 3, 2014:** *Kyodo News* reports that the Japanese Coast Guard rescued four North Korean fishermen that had drifted into Japanese waters due to engine failure.

**Aug. 4, 2014:** Lawsuit filed by a group of Japanese-Americans with the US federal court to have the “comfort women” statue removed from Glendale, California, is dismissed.

**Aug. 5, 2014:** *Asahi Shimbun* retracts some earlier reports on the “comfort women,” admitting that there were factual errors concerning testimonies by Yoshida Seiji (deceased).

**Aug. 9, 2014:** Japanese Foreign Minister Kishida meets South Korean counterpart Yun Byung-se on the sidelines of the ASEAN Regional Forum (ARF) in Myanmar.

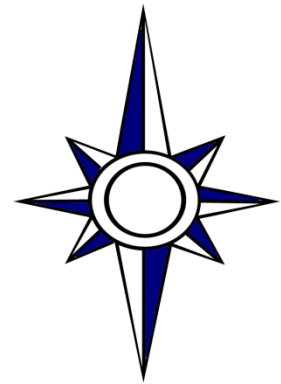
**Aug. 10, 2014:** Foreign Minister Kishida holds informal meeting with North Korean counterpart Ri Su Yong on the sidelines of the ARF.

**Aug. 15, 2014:** In a liberation day speech, President Park urges Japan to make efforts to resolve ongoing history issues.

**Aug. 15, 2014:** Prime Minister Abe sends ritual offering to Yasukuni Shrine, but opts not to visit in person.

**Aug. 18, 2014:** *Sankei Shimbun*'s Seoul bureau chief appears at the Seoul Central District Prosecutor's office for questioning regarding the alleged defamation of President Park.

**Aug. 23, 2014:** The newly-appointed South Korean Ambassador to Japan Yoo Heung-soo assumes his post in Tokyo.



**Yu Bin**  
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**China-Russia Relations:  
Navigating through the Ukraine Storm**

Against the backdrop of escalating violence in Ukraine, Sino-Russian relations were on the fast track over the past four months in three broad areas: strategic coordination, economics, and military relations. This was particularly evident during President Putin's state visit to China in late May when the two countries inked a 30-year, \$400 billion gas deal after 20 years of hard negotiation. Meanwhile, the two navies were drilling off the East China Sea coast and the Conference on Interaction and Confidence Building Measures in Asia (CICA) was being held in Shanghai. Beyond this, Moscow and Beijing were instrumental in pushing the creation of the \$50 billion BRICS development bank and a \$100 billion reserve fund after years of frustrated waiting for a bigger voice for the developing world in the IMF and World Bank.

**Putin in Shanghai for state visit and more**

President Vladimir Putin traveled to Shanghai on May 20-21 to meet Chinese counterpart Xi Jinping. This was the seventh time they have met since March 2013 when Xi assumed the presidency in China. The trip was made against a backdrop of a deepening crisis in Ukraine: 42 pro-Russian activists were killed in the Odessa fire on May 2 and pro-Russian separatists in Donetsk and Luhansk declared independence on May 11. Four days after Putin's China trip, the Ukrainian Army unveiled its "anti-terrorist operations," and on July 17 Malaysia Airlines Flight MH17 was downed. At the end of July, the EU and US announced new sanctions against Russia with a focus on the oil and defense sectors. By the end of August, Germany warned that the crisis in eastern Ukraine was "slipping out of control" and needed to be reined in to avoid direct military confrontation between Ukraine and Russia. Meanwhile, Russia was reviewing its military strategy in anticipation of NATO's decision to deploy a 4,000-person rapid reaction force in Eastern Europe. President Putin went so far as to declare, "I want to remind you that Russia is one of the most powerful nuclear nations," and "[T]his is a reality, not just words."

Putin had three immediate goals in mind for the Shanghai summit with Xi: upgrade Russia's relations with China, finalize a huge gas deal with China after 20 years of negotiations, and attend the Conference on Interaction and Confidence Building Measures in Asia (CICA). All were scheduled long before the Ukraine crisis, particularly the CICA conference. The Ukraine factor, however, added urgency to the goal of closer coordination between Moscow and Beijing. Indeed, Putin's trip to Shanghai was just a few days before Ukraine's presidential election on May 25. China's support, or at least its understanding, seemed particularly desirable at this point.

While there were plenty signs of Russia's eagerness for closer relations with China, the two sides also seemed to side-step the Ukraine issue. In an article in the official *People's Daily* just two

days before Russian Foreign Minister Sergey Lavrov's working visit to Beijing, a leading Chinese Russia expert, Feng Yujun, director of the Institute of Russian Studies at the China Institutes of Contemporary International Relations, indicated that the Ukraine crisis "will be mentioned, but it will not be a key topic." Russian Ambassador to China Andrey Ivanovich Denisov also believed that the Ukraine crisis would not "steal the show," particularly against the backdrop of the CICA conference where most participants were from Asian countries. In an interview with the Chinese media prior to his visit, President Putin did not discuss the Ukraine issue except at the end when he mentioned the neo-Nazis in Ukraine. Most of the published versions of this interview in the Chinese press, however, did not even mention Ukraine. There was no question that relations between China and Russia were far beyond the Ukraine issue. Both sides, however, understood that the Ukraine factor was in the background.

Foreign Minister Lavrov made his one-day "working visit" to Beijing on April 15 to size up China's willingness and ability to support Russia, publicly or not, in the Ukraine crisis. What exactly was talked about between Lavrov and his Chinese hosts remains undisclosed. Nevertheless, two things stood out: he was received by President Xi, a sign that the Chinese continued to attach great importance to relations with Russia, and Lavrov seemed to be deeply satisfied with the outcome. In his press conference after the talks, Lavrov expressed "gratitude for the objective, considered and responsible position" taken by China on Ukraine. Meanwhile the Russian Foreign Ministry described relations with China as "the best they've ever been." Putin himself echoed this point, saying to Chinese reporters on the eve of his Shanghai trip that Russia's cooperation with China had reached its all-time best and that the two sides were ready to expand ties in numerous spheres.

Putin's talks with Xi in Shanghai focused on economic cooperation and foreign policy coordination for both global and regional issues. In the economic area, the focus was on financial coordination to expand the scope of direct national-currency settlements in trade, investment, and loans. These steps were imperative for Russia as it has suffered from huge capital flight. In the first quarter of 2014 alone, \$51 billion left Russia. In 2013, Russia's capital outflow was \$62.7 billion. Already in the first quarter of 2014, Russian enterprises borrowed \$13.16 billion from China, a huge rise from \$32 million in the first quarter of 2013.

In Shanghai, Xi and Putin also pushed for "practical cooperation" (务实合作). The joint communiqué after the talks called for more growth in mutual capital investments, including in transport infrastructure, projects for the integrated development of fields of mineral resources, energy production, building affordable housing in Russia, and military-technical cooperation. For China, this "new stage" of strategic partnership relations was, and perhaps should be, the economic base, which had been the weakest link. Although China has been Russia's largest trading partner for some time, it represents only a fraction of China's total trade volume. With the first round of Western economic sanctions against Russia explicitly focused in the financial area, Moscow will turn to China, at least for the time being, for more financial and economic inputs. The two sides were also determined to work on joint projects in the areas of aerospace, nuclear energy, health care, agriculture, regional development, and the environment.

In the area of international security, the two emphasized their coordination in the fight against terrorism and cross-border criminal activities, cyber security, missile proliferation, peaceful use

of outer space, multilateralism, dialogue between civilizations, and peaceful resolution of regional issues such as Libya, Syria, Palestine, Korea, Iran, Afghanistan, and Ukraine. In this context, global, regional, and multilateral dialogues and cooperation mechanisms were viewed as the preferred solution for problems. Among those forums, the G-20 and BRICS were seen as vital for sustained and fair global economic development. Other projects either jointly or singly managed by Moscow and Beijing – such as the Shanghai Cooperation Organization (SCO), Eurasian integration, Russian-China-Indian trilateral dialogue, New Silk Road Economic Belt – were also discussed. The two also would work together in other multilateral forums such as the East Asian Summit, ASEAN Regional Forum, APEC, and CICA.

With these goals and measures in mind, Xi and Putin officially unveiled in Shanghai a “new stage” for the current “comprehensive partnership relations of strategic coordination” (中俄全面战略协作伙伴关系新阶段). Many of the issues and declared goals were “routine” for leaders of the two countries whenever they have met in the past. Yet, the Ukraine crisis seemed to add some urgency. For this, they would maintain and deepen the current dialogue and cooperation mechanism, and “create new venues of coordination if necessary.” As a final touch to their joint effort for regional and global stability, the history issue was also prominently featured. As the 70<sup>th</sup> anniversary of the end of World War II was approaching (in 2015), Xi and Putin emphasized in their joint statement that “Russia and China will hold joint events to celebrate the 70<sup>th</sup> anniversary of victory over German fascism and Japanese militarism ... and continue to resolutely deter the attempts to falsify history and to disrupt the post-war world order.”

### **From Russia, with gas**

Putin’s real business in China was business, though he doubled-down and made a state visit prior to the CICA meeting. In this first foreign visit since the Ukraine crisis, Putin focused on economics. Prior to the trip, the Russia side revealed that as many as 43 documents were being prepared for Putin’s state visit to China and “98 percent” of the 30-year gas deal was finished before the summit. The \$400 billion contract signed in Shanghai would supply China, beginning in 2018, with 38 billion cubic meters of natural gas per year (bcm/y) for 30 years. Some speculated that in 10 years Russia may send Asia as much gas as it currently exports to the European market (about 162 bcm/y), which is of strategic significance by itself.

Like the Sino-Russian oil pipeline project, it took nearly 20 years for Moscow and Beijing to reach the final deal. In 1994, China and Russia signed the first of many memorandums of understanding (MOU) to build a natural gas pipeline to China. Negotiations were on-and-off over the next 15 years. In a 1999 agreement of intent, Russia asked for \$180 per 1,000 cubic meters, China was willing to pay \$165. The dramatic increase in energy price over the next few years made the reference price irrelevant. In March 2006, the two sides signed another MOU, in which Russia committed to building both eastern and western pipelines to China with an annual capacity of 600-800 bcm starting from 2011. To coordinate the talks, China and Russia set up a regular dialogue mechanism at the level of deputy prime ministers in 2008 with a new \$300-vs-\$200 baseline. The talks progressed against the backdrop of the 2008 financial crises. By June 2009, the two sides agreed to supply China 700 bcm annually starting from 2014 or 2015. In the next two years, there was little, if any, real progress in moving beyond the signed documents. The talks were “deadlocked” during the 16<sup>th</sup> annual prime ministerial meeting in October 2011

as the two sides seriously disagreed about the pricing of the gas deal. Putin's June 2012's visit to China resumed the negotiations. In December 2012, the two sides started talking about a western natural gas pipeline project. The real momentum came during Xi's first Russia visit in March 2013 when China National Petroleum Corporation signed an initial agreement with Gazprom.

The Ukraine crisis seemed to provide Russia with strong impetus to compromise on the pricing gap that had prevented closing the deal. Both sides, however, denied the "Ukraine factor" in reaching the agreement. Two days after the contract was signed in Shanghai, Putin told Chinese Vice President Li Yuanchao at the St. Petersburg Economic Forum that our Chinese negotiators "drank quite a bit of our blood during the negotiations." It is not clear how serious Putin was. His half-joking tone was clearly an indication that the Russian side softened its position in Shanghai. "The Chinese are very serious negotiators. But they are also reliable partners who seek to reach agreement, listen to their counteragents, listen to their friends, work towards compromise and find it, and this is extremely important," remarked Putin to Li. Russian scholars indicated that the Ukraine crisis did affect the final leg of the negotiation but not as much as some in the media speculated. Professor He Maochun of Qinghua University in Beijing disclosed that the final price agreement is still above Russia's bottom line.

The marathon deliberation and negotiation process seems to be the norm for major Russian-China energy projects over the past two decades. The idea of an oil pipeline from Russia's East Siberia to China was first proposed by then Russian President Yeltsin in the mid-1990s. It took nearly a decade for the Russians to finalize an internal decision for a 4,857-km (3,018 mile) Eastern Siberia-Pacific Ocean oil pipeline (ESPO). A 64 km (40 miles) branch line to China's northeastern Heilongjiang province was finally completed in September 2010 and Russian oil began to flow to China in January 2011. In comparison, the 2,228 km (1,384 mile) China-Kazakhstan oil pipeline was completed between 1997 and 2003. Several gas lines between China and Central Asia took even less time to complete.

Thus far, the pace of implementing the 30-year deal seems much faster. On Sept. 1, while visiting Russia for the 11<sup>th</sup> Meeting of China-Russia Energy Cooperation Committee, Chinese Vice Premier Zhang Gaoli flew to Siberia to view welding of the first roll of tubes on the east route of the China-Russia natural gas pipeline being extended from the Kovyktin and Chayandinsk gas fields in east Siberia to China's northeastern provinces. The heightened crisis in Ukraine and uncertain future of Russia's energy exports to Europe were apparently stimulus for the gas line construction, observed an analysis in the official *Xinhua* News Service.

### ***Joint Sea-2014 and Peace Mission-2014***

Since Xi Jinping assumed the presidency, there has been a military component to his meetings with President Putin. In March 2013 during his first trip to Russia as China's president, Xi visited Russian military's Strategic Defense Command headquarters. This was the first time the top secret Russian command facility was ever opened to a foreign leader. In Xi's meeting with Putin in February 2014 (Sochi Olympics), the two held a joint video conference with Chinese and Russian naval captains whose ships were escorting Syrian chemical weapons in the Mediterranean Sea. In Shanghai while attending CICA, Putin and Xi presided over the opening ceremony of the joint naval drill *Joint Sea-2014*.



China and Russia held two large military exercises between May and August 2014. Although this was far less frequent than those exercises between the US and its allies, they have become quite routine and regular in the past 10 years (see Table 1). Both *Joint Sea-2014* in May and *Peace Mission-2014* in August were held in China. Although the timing of these drills was decided long before the Ukraine crisis, the turmoil faraway seemed to have a subtle effect on the execution of these drills.

**Table 1: China-Russia Joint Military Exercises, 2003-2014**

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		*	July 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	April 22-27	Qingdao, China	25 warships
Peace Mission-2012	*		June 8-14	Tajikistan	2,000
Joint Sea-2013		n	July 5-12	Peter the Great Gulf, Russ	19 warships
Peace Mission-2013		*	July 27-Aug. 15	Chebarkul, Russia	1,500
Joint Sea-2014		n	May 20-26	East China Sea	16 warships
Peace Mission-2014	*		Aug. 24-29	Zhurihe Drill Base, China	7,000

\* = Infantry with aerial support

n = naval

*Joint Sea-2014* was launched on the same day of the CICA's fourth summit in Shanghai on May 20 and ended on May 26. It was the third joint drill of the two navies since April 2012 and was perhaps the most inter-operational and realistic activity in the history of joint Russian-Chinese naval exercises. A total of 14 surface ships, two submarines, 9 fixed-wing warplanes, six shipboard helicopters and two operational detachment-alphas (ODAs) joined the drill off the coast of Shanghai. Russia's Pacific Fleet dispatched its missile cruiser *Varyag*, the destroyer *Admiral Panteleyev*, the large landing ship *Admiral Nevelskoy*, the torpedo boat *Bystry*, the tanker *Ilim* and the oceanic tugboat *Kalar*. The Chinese dispatched 8 surface vessels, two submarines, 9 fixed-wing aircraft (*Su-30s* and *J-10s*), six helicopters, and two Special Forces units. It was also the first time that all three Chinese fleets – North Sea, East Sea, and South Sea Fleets – participated in the drills. Russian was the language for communication between the two navies. Chinese Navy Commander Adm. Wu Shengli and Russian Navy Commander Gen. Viktor Chirkov were present throughout the drill.

The scenario for the exercise was sea lane protection and was divided into four stages: pre-action preparations, joint action planning, joint action execution, and summing up and comments. All Chinese and Russian vessels were mixed into three different groups. Commanded by both Chinese and Russian commanders, these formations conducted nine joint drills: anchorage defense, assault on targets at sea, antisubmarine operations, escort action, inspection and identification, air defense, rescue of kidnapped ships, search and rescue, and using actual weapons at sea. The mixed formation required unprecedented data sharing and exchange

between the two navies. The two sides did not set pre-determined scenarios but mainly conducted self-determined force-on-force drills in a “back-on-back” pattern. This raised the difficulty of the exercise to a new level.

The two navies had not previously drilled in this part of the East China Sea where China and Japan dispute over the Diaoyu/Senkaku Islands. Chinese naval expert Li Jie was quoted as saying that the choice of drilling areas allowed the Russian Navy to become familiar with the environment, currents, and weather “in order to meet future needs.” Although Chinese and Russian navies conduct drills on annual basis, joint air target identification and air defense were added to the drills, a clear indication of Russia’s support of China’s move to set up its Air Defense Identification Zone (ADIZ) earlier this year, according to Wu Dahui, a Russia expert at Qinghua University in Beijing.

Putin and Xi presided over the opening of the joint naval exercises, which was unprecedented in the history of joint military exercises, said *Ming Bao* in Hong Kong. In his speech to the sailors of the two navies, Xi Jinping said that the exercise indicated a new level of mutual trust between the two countries, and more exercises would be conducted in 2014-15 period. In his speech, Putin expressed support for further strengthening mil-mil relations with Russia. “President Xi was the first foreign head of state ever to visit the command-and-control center of the Russia’s military,” remarked the Russian president. He also reminded his audience that China and Russia were allies in World War II. “Our countries were allies in the WWII years and jointly resisted the aggressor. The heroic feat of our peoples will be an eternal example of bravery, patriotism and fortitude,” said Putin. “Russia was sincerely grateful to the Chinese partners for cherishing the memory of thousands of Russian compatriots who died liberating northeastern China.”

\*

*Peace Mission-2014* was the fifth Shanghai Cooperation Organization (SCO) joint multinational exercise and the largest since *Peace Mission-2005*. It was also part of the SCO Cooperation Plan for 2014-15 developed by the defence ministerial meeting. On Aug. 24-29, more than 7,000 troops from five SCO member states, including 2,200 from outside China, conducted the week-long exercise in Zhurihe training base in Inner Mongolia. This was the first time Chinese units conducted training with foreign units in China’s most advanced training base, which has facilities to simulate various battlefield scenarios including digitized and electronic warfare. Among the participating units were ground and air forces, special operations, and others tasked with electronic countermeasures, reconnaissance, mapping, and positioning. The Chinese even dispatched an all-female Special Forces unit. According to the Chinese, *Peace Mission 2014* was the first time the exercise operation was commanded by a Chinese general and it was also the first time when the chiefs of the six SCO general staff met during the exercise.

The drill focused on joint multilateral decision-making and action, with intelligence sharing between the SCO members. The exercise scenario involved a separatist organization, supported by an international terrorist organization, plotting terrorist incidents and hatching a coup plot to divide the country. The SCO then dispatched military forces to put down the insurrection and restore stability at the request of the country’s government. Deputy chiefs of the general staffs from China, Kazakhstan, Kyrgyzstan, and Tajikistan, along with the deputy commander of Russia’s Eastern Military Command, participated in the opening ceremony on Aug. 24.

The exercise was divided into two phases: the campaign preparation phase from Aug. 24-28 and campaign execution phase on Aug. 29. During the first phase, the SCO units conducted three rehearsals. The Russian unit consisted of a motorized-rifle battalion with *BMP-2* infantry fighting vehicles, a reinforced tank company with *T-72s*, a battery of *SAU 2S3 Akatsiya* self-propelled guns, an air-defense platoon with the *ZSU-23-4 Shilka*, a battery of *BM-21 Grad* multiple-launch rockets, a platoon of marksmen, and a mortar battery. About 100 assets were exercising, including four *Su-25* ground-attack aircraft and 8 *Mi-8AMTSh* helicopters. The bulk of the Chinese force came from the elite 38<sup>th</sup> Group Army of the Beijing Military Region, which is part of the PLA's strategic reserves. For decades, the 38<sup>th</sup> Group Army was trained with the Soviet military as its target. *Peace Mission-2014* was the first time that the units worked with Russian as friendly forces. Although both China and other SCO countries insisted that the exercise was for anti-terror purposes, one wonders about the implication for employing strategic forces such as the 38<sup>th</sup> Army equipped with China's most advanced *ZTZ-99* main battle tanks and *ZBD-86* APCs, as well as the use of *J-10* and *J-11* jet fighters.

### **Laying “BRICS” for a brave new world of international finance?**

The BRICS (Brazil, Russia, India, China, South Africa) nations held their sixth annual summit in Fortaleza, Brazil on July 15. The highlight of the meeting was the unveiling of a plan to establish its \$50 billion New Development Bank (NBD) and a \$100 billion Contingency Reserve Arrangement (CRA). In a few years, the development bank may reach a financing capacity of up to \$350 billion, according to *Asia Times online*.

The five BRICS members are the largest economies outside the OECD (Organization for Economic Cooperation and Development). They account for more than 43 percent of the world's population, 21 percent of the world's GDP, and 17 percent of global trade. The most striking sign of the BRICS' significance to the world economy is their share of global foreign-exchange reserves (\$4.4 trillion by the end of 2013). Four of the five BRICS countries are among the top 10 foreign exchange holders, and China's share (\$4 trillion) is bigger than the next six holdings combined (Japan \$1.28 tril.; EU \$0.74 tril.; Saudi Arabia \$0.55 tril.; Russia \$0.47 tril.; and Switzerland \$0.53 tril.).

Despite this clout, the BRICS countries have been largely marginalized in the Western-dominated global financial institutions such as the International Monetary Fund (IMF) and the World Bank. China, for example, has less voting power in the IMF and World Bank than Belgium, the Netherlands, and Luxembourg combined. Although the IMF committed itself in 2010 to reforming the representation deficit for developing countries (increasing it to 6 percent), Washington alone has 17 percent of the voting weight. Some European countries and the US Congress have been either unwilling or unable to take any meaningful actions to “modernize” these aging, if not outdated, global institutions (70 years since their founding in 1944). The BRICS members therefore “remain disappointed and seriously concerned with the current non-implementation of the 2010 International Monetary Fund (IMF) reforms, which negatively impacts on the IMF's legitimacy, credibility and effectiveness,” said the [Fortaleza Declaration](#) issued immediately after the summit. From China's perspective, the creation of the BRICS' own bank and reserve pool was “compelled” by the West's indifference and inaction.

As a country undergoing Western sanctions because of the Ukraine crisis, Russia's financial sector has been hit hard. Putin therefore had a more urgent need for a non-Western financial institution as an option to the West-dominated international financial system:

In the BRICS case we see a whole set of coinciding strategic interests. First of all, this is the common intention to reform the international monetary and financial system. In the present form it is unjust to the BRICS countries and to new economies in general. We should take a more active part in the IMF and the World Bank's decision-making system. The international monetary system itself depends a lot on the US dollar, or, to be precise, on the monetary and financial policy of the US authorities. The BRICS countries want to change this.

One day after Putin's remarks on the BRICS financial institutions, the US imposed a new round of sanctions against Russia. The next day, MH17 was downed in east Ukraine, killing all 298 people on board. It seems likely the Ukraine crises will only deepen in the coming months.

### **Beijing's "neutrality" and "reluctant alliance" with Moscow**

Beijing declared neutrality from the beginning of the Ukraine crisis for the basic fact that China has had good relations with both Russia and Ukraine coupled with the fact that China has had nothing to do with any of these crises (the ouster of President Yanukovich, the Crimea takeover, and the downing of MH17). Given the still escalating confrontation between Russia and the EU/US, neutrality is perhaps the only rational, or least harmful, choice for Beijing. Furthermore, there is little China could do to defuse the crises. From time to time, Beijing is described as the "biggest winner" in the Ukraine crisis. In actuality, China's interests have been seriously undermined by the crisis. By the end of February 2014 when President Yanukovych was toppled, what was seen as an opportunity for China in late 2013 (Yanukovich's visit to China and \$8 billion loan package to Ukraine) was fast evaporating. So were China's extensive interactions in the areas of military-technological connections, a major source of China's military modernization that was not particularly liked by Russia.

Despite China's neutrality, a "strategic opportunity" (战略机遇) – meaning the US strategic attention is directed to places other than China, as expected by some in China in the early phase of the Ukraine crisis — seems remote. Instead of reposturing to Central Europe after Russia's takeover in Crimea, the Obama administration has actually intensified its rebalancing actions around China's peripheries as reflected in President Obama's travel to Japan, Korea, and the Philippines in April. Worse still, some critics of the US Ukraine policy went so far as to argue that Russia be ignored so that the US would be able to concentrate on the rising China.

With the deepening of the Ukraine crisis, there has been talk in both Russia and China about elevating the current strategic partnership into an alliance. President Putin, however, said many times this year that Russia would not pursue an alliance with China. Other top Russian officials were also wary about the compulsory and intrusive nature of a formal alliance. In his July visit to China, Russian Presidential Administration Head Sergei Ivanov stated several times that Russia and China had no plan to build a military alliance, and Russian-Chinese mutual trust has nothing to do with Ukraine. In a press interview in late April, Putin said that Russia and China had no plan whatsoever to build any type of military and political alliance. This was because such an

alliance had become outdated. He reiterated this in his talk to Russian diplomats at the seventh conference of Russian ambassadors on July 1. Ten days later, Ivanov told reporters in Beijing that despite fruitful cooperation with China, “I do not see any significance for a new military alliance with China, and China, too, also does not see any significance,” and “Russia and China “are alliance partners without alliance responsibilities.” Speaking about the SCO, Ivanov insisted that “nobody would ever propose such a goal.”

Despite these official denials, pundits in China have been debating the pros and cons of allying with Russia, and the scope of such an alliance. While some argue China should not get too close to Moscow lest it alarm the West, the general consensus is that the current state of strategic partnership with Russia – short of a formal alliance – is just right. Beijing’s *Global Times*, for example, commented that the Sino-Russian strategic partnership is constructed not for dealing with the US and the West, but driven by their respective interests. In fact, better bilateral relations have rarely affected their respective relations with the US in the recent past. Western pressure, nevertheless, makes such a convergence of interests more valuable and stronger ties with Moscow would enhance their respective relations with the West. That said, the *Global Times* suggested that a healthy and enduring Sino-Russian relationship actually needs certain doses of “calm and indifference” (一份坦然和淡定) and that some distance between the two is perhaps more comfortable for both Beijing and Moscow. Within such a construct, China should be ready to protect its own interests in managing the growth of bilateral relations; Sino-Russian friendship should have space for interstate competition for interests; and interstate friendship should be nurtured, but not spoiled. The *Global Times* published these words when Xi and Putin were meeting in Shanghai, and while their oilmen were bargaining to the small hours of May 21 over the final draft of the gas agreement.

Russian scholars, too, do not see any real prospect for a tight military alliance such as NATO or the Warsaw Pact in the Cold War. “Russia will not fight for China in the Taiwan Strait nor in the Sea of Japan. And China won’t engage in combat in Crimea for Russia, either,” said Alexei Arbatov, head of the Center for International Security at the Institute of World Economy and International Relations of the Russian Academy of Sciences. “One key reason for this is that China’s trade volume with America and EU is five to six times larger than that with Russia,” added Arbatov.

Despite opposition to a Sino-Russian alliance, Russian and Chinese pundits are actually talking about several different types of alliances such as political, strategic, or military. What Beijing and Moscow seemed to be trying to avoid is reference to a military alliance. Meanwhile, the two countries are moving toward a de facto political and strategic alliance. In early May, China released its first national security report. In a news conference about the report, analysts called for “allying with Russia” while “reaching out to Europe and stabilizing relations with US.” They proposed a “political alliance” with Russia, which they said was being sought by President Putin. This was the case despite the fact that the report itself does not have any explicit wording about an alliance with Moscow. The press conference was nine days before Foreign Minister Lavrov’s working visit to Beijing. The press conference’s additional “alliance component” seemed to indicate some added emphasis by those in China favoring closer strategic relations with Russia.

In the final analysis, a tight alliance between Moscow and Beijing, similar to NATO and other US-led alliances, is neither likely nor necessary in the short- or medium-term, unless the core interests of both are perceived to be in jeopardy. For better or worse, the current policies of the Obama administration – punishing Russia and hedging against China with a largely militarized Asia pivot – are driving Russia and China into each other’s arms.

## **Chronology of China-Russia Relations**

### **May – August 2014**

**May 8, 2014:** Russian First Deputy Prime Minister Igor Shuvalov visits Beijing and meets Vice Premier Zhang Gaoli. They focus on bilateral investment and practical cooperation in the financial area.

**May 14, 2014:** Foreign Minister Sergei Lavrov speaks by telephone to Chinese counterpart Wang Yi. They discuss President Putin’s upcoming China visit and the Syria issue. They are ready to “closely coordinate their actions in the United Nations Security Council.”

**May 19, 2014:** Chinese Vice Premier Wang Yang and Russian Deputy Prime Minister Dmitry Rogozin chair the Regular Prime Ministers Meetings of China and Russia in Beijing.

**May 20-21, 2014:** President Vladimir Putin visits China at the invitation of Chinese counterpart Xi Jinping. They meet in Shanghai prior to the fourth summit of the Conference on Interaction and Confidence Building Measures in Asia (CICA).

**May 20-26, 2014:** China and Russia hold the *Joint Sea-2014* naval exercise in the northern part of the East China.

**May 22, 2014:** Russia and China veto a draft resolution to refer the Syrian civil war to the International Criminal Court (ICC). This is the fourth time Russia and China use the right to veto draft resolutions against Syria.

**May 23, 2014:** President Putin meets Vice President Li Yuanchao on the sidelines of the St Petersburg International Economic Forum.

**June 4-6, 2014:** Russian Security Council Secretary Nikolai Patrushev travels to Beijing for the first meeting of a cooperative mechanism on security and law enforcement with Meng Jianzhu, head of the Commission for Political and Legal Affairs of the Communist Party, and co-chairs the 10th round of China-Russia strategic security consultation with Yang Jie

**June 24, 2014:** Chinese State Councilor Yang Jiechi visits Moscow and meets Chairperson of the Russian Federation Council Matviyenko. They discuss issues related to the joint development of Russia’s Volga River region and China’s Yangtze River valley.

**June 25-26, 2014:** Shanghai Cooperation Organization (SCO) holds its third meeting of the heads of the border services in Qayroqqum, Tajikistan. They discuss a draft plan of joint

measures in anticipation of the withdrawal of the International Security Assistance Force from Afghanistan, and evaluate the status of the joint border operation *Vostok-2014* by the border services of the SCO member states.

**July 9-11, 2014:** Russian Presidential Administration Chief Sergei Ivanov visits China.

**July 14-19, 2014:** First Deputy Chairman of the State Duma Ivan Melnikov (Communist Party) leads a group of parliamentarians on a visit to China.

**July 15, 2014:** Presidents Putin and Xi meet on the sidelines of the sixth BRICS Summit in Fortaleza, Brazil.

**July 22-28, 2014:** Three Chinese *Su-30* fighter jets participate in Russia's "Aviation Dart-2014" international aviators' race in the Russian cities of Lipetsk and Voronezh. Pilots from various countries compete over flying abilities and air-to-surface combat skills.

**July 30-31, 2014:** Annual SCO Foreign Ministers Meeting is held in Dushanbe, Tajikistan. They call for an open, fair, and independent investigation into the MH17 downing incident. They also discuss other issues of common concern including UN's role, Iran nuclear issue, WWII anniversary, etc., and approve the draft guidelines for granting SCO member status.

**Aug. 21, 2014:** President Xi Jinping visits Mongolia and voices support for Mongolia's proposal to hold a trilateral summit with Russia to further strengthen consultation and cooperation among the three neighbors.

**Aug. 24-29, 2014:** SCO stages its *Peace Mission-2014* anti-terrorist military drill in China's Zhurihe training base in Inner Mongolia.

**Aug. 27-29, 2014:** Russian Chief of the General Staff Gen. Valery Gerasimov visits Beijing to meet Chinese counterpart Col. Gen. Fang Fenghui and Central Military Commission Vice-Chairman Fan Changlong. Gerasimov also attends the SCO Meeting of General Staff Chiefs.

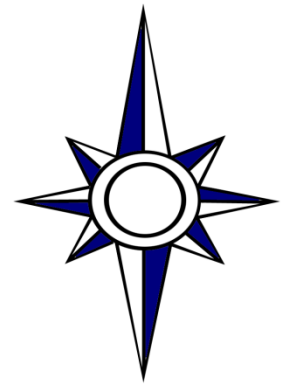
**Aug. 29-Sept. 1, 2014:** Vice Premier Zhang Gaoli visits Russia to co-chair in Moscow the 11<sup>th</sup> Meeting of China-Russia Energy Cooperation Committee with Russian Deputy Prime Minister Arkady Dvorkovich. He then flies to Siberia to view the welding of the first roll of tubes on the east route of China-Russia natural gas pipeline.





# Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



**Australia-East Asia/US Relations:**

## **China Bumps, Indonesia Breach, Japan as Ally**

**Graeme Dobell**

**Australian Strategic Policy Institute**

On the first anniversary of its election on Sept. 7, the Australian Coalition government's foreign policy report card showed excellent relations with the US and Japan, a major diplomatic blow-up with Indonesia, and bumps with China. Tony Abbott's government is completing the withdrawal of Australian forces from Afghanistan, but the alliance and humanitarian arguments are drawing Australia back toward Iraq. The US rebalance to Asia is seeing more Marines rotate through northern Australia, and the US has similar plans for its ships and planes. The growth of the US-Japan-Australia trilateral has prompted one former prime minister to argue that Australia has more to fear from provocative actions by its trilateral partners than from China. For Australia today, to discuss the alliance is also to talk about China.

### **The US alliance**

One of the essential international rituals for a new Australian leader is the visit to the White House. Tony Abbott had his Oval Office moment with Barack Obama in June and the language of alliance flowed. The US president knew the required lines: "Aussies know how to fight, and I like having them in a foxhole if we're in trouble." Tony Abbott stuck to the established script: "I want to assure the President that Australia will be an utterly dependable ally of the United States." The headline out of the meeting was the security crisis in Iraq and Abbott's promise that Australia would support US action. The "announceable" was the two leaders giving the nod to a more detailed agreement covering US military training in northern Australia, plus further military cooperation on maritime security, disaster relief, and cyber security.

Two months later, the Force Posture Agreement was signed in Sydney at the annual Australia-United States Ministerial consultations, held on AUSMIN's 29<sup>th</sup> anniversary. The force agreement provides a 25-year policy and legal framework – and financial principles on who will pay – for the rebalance initiatives announced in 2011 when Obama visited Canberra. The signature element of the policy is the annual Marine deployment through Darwin (Marine Rotational Force –Darwin) now in its third year, exercising during the Northern Territory's six 'dry' months. The 2014 exercises involved 1,150 US Marines, up from 250 in 2013. The rotation is to rise to a 2,500-person Marine Air Ground Task Force by 2016-2017. The Sydney agreement foreshadowed enhanced aircraft cooperation and additional naval cooperation with the US promising a "significant, wide-ranging series of port visits planned for 2015." Just as the Marines rotate through Australia for extended periods, so could US ships and planes.

The evolution of the alliance builds on an Australian attachment to the US that is reflected in opinion polls. The 2014 Lowy Institute survey of Australian views on international affairs found

that the world leader Australians most admire is Barack Obama, followed by Hillary Clinton (ahead of Aung San Suu Kyi, Tony Abbott, and Angela Merkel). The poll showed Australia's support for the alliance remains strong, with 78 percent saying the alliance was very or fairly important for Australia's security (in the mid-2000s, under George W. Bush's presidency, support dropped as low as 63 percent). The survey questioned how much Australia could rely on the alliance in the future. It found a "very convincing" 85 percent believed Australia would still be able to rely on the US security guarantee in five years' time; 78 percent thought it would be reliable in 10 years; and 66 percent were confident in the alliance's worth in 20 years' time. Such alliance sentiment is the context for Australia's decision to turn back to Iraq, even as it exits Afghanistan.

## **Afghanistan and Iraq**

On Oct. 28, 2013, seven weeks after Australia's federal election, new Prime Minister Tony Abbott and new opposition leader Bill Shorten arrived in Afghanistan – as always an unannounced visit – to declare an end to Australia's longest war. The message from Abbott and Shorten was of a job well done, yet after 12 years of military effort the "mission accomplished" language was hesitant. "Australia's longest war is ending, not with victory, not with defeat, but with, we hope, an Afghanistan that is better for our presence here," Abbott told assembled troops at the Tarin Kowt base. From 2002, 41 Australians were killed on operations in Afghanistan – 40 with the Australian Defence Force and one serving with the British Army. More than 200 personnel were wounded and 26,000 service personnel rotated through the country.

"Not a victory, not a defeat, we did our best," is a cautious epitaph for a dozen years of fighting and the expenditure of A\$8 billion. One achievement that can be measured is the bipartisan unanimity that marked Australian politics at every stage of the Afghanistan saga. Australia's commitment spanned four prime ministers and eight opposition leaders – and all these leaders agreed on the war. The consensus between Labor and the Liberal-National Coalition – the two sides that form governments in Australia – was notable for never publicly wavering. Only the smaller Greens Party opposed Australia's role in the war.

Afghanistan joins the two World Wars and Korea as conflicts that did not see Australia's big political parties at war over the war. Afghanistan, indeed, saw broad unity in Canberra on how the war should be fought as well as the agreement that it was worth fighting. By contrast, the Labor Party opposed the Howard government's commitment to Iraq and withdrawal from Iraq was part of the policy that helped Labor win the 2007 election. The unusual joint visit by Abbott and Shorten expressed the political reality that Labor and the Coalition both supported an Australian military role in Afghanistan all the way through; the Coalition and Labor owned the war in government and neither deviated when in opposition.

The Australian Defence Force mission in Uruzgan concluded on Dec. 15, 2013, after a decade of operating in the province. The infrastructure at the multinational base at Tarin Kot was handed to the Afghan government, marking the conclusion of the International Security Assistance Force's primary mission in Uruzgan. In 2014, Australia's military numbers in Afghanistan are down to about 400 personnel who are training and advising the Afghan National Security Forces in Kabul and Kandahar.

Having withdrawn from operations in Afghanistan, Australia has turned back toward Iraq, the country the ADF departed from in 2008 after a five-year presence. Acting on the promise of support Abbott gave Obama at their White House meeting, the Australian Air Force has started to fly humanitarian missions in Iraq and to supply weapons to forces fighting the Islamic State forces. On Sept. 1, Abbott told Parliament that Australia had responded to requests from the US and Iraq:

So far, there has been no request for military action itself. Should such a request come from the Obama administration and supported by the government of Iraq, it would be considered against these criteria: is there a clear and achievable overall objective? Is there a clear and proportionate role for Australian forces? Have all the risks been properly assessed? And is there an overall humanitarian objective in accordance with Australia's national interests? Like President Obama, Australia has no intention to commit combat troops on the ground. But we're not inclined to stand by in the face of preventable genocide either.

A key domestic audience is Australia's Muslim population of nearly half a million people. David Irvine, director-general of the domestic counter-terrorist body, the Australian Security Intelligence Organisation, says a "tiny number of violent extremists" in the Muslim community are part of a "recurring nightmare" about the possibility of a terrorist attack on Australian soil. He told the National Press Club in August that the past two years of conflict in Syria and Iraq has radically complicated the threat, adding energy and allure to the extremist Islamic narrative:

The draw of foreign fighters to Syria and Iraq is significant and includes more Australians than all other previous extremist conflicts put together. The number of Australians of potential security concern to ASIO has increased substantially. ASIO believes there are about 60 Australians fighting with the two extremist al-Qa'ida derivatives, Jahabat-al-Nusra and the Islamic State in Syria or Iraq. We believe fifteen Australians have been killed in the current conflicts, including two young Australian suicide bombers. Another hundred people here in Australia are actively supporting these extremist groups, recruiting new fighters (and grooming new suicide bombing candidates), providing funding and equipment.

### **Japan as bilateral and trilateral ally**

According to Tony Abbot, Japan is Australia's "best friend in Asia" and Japan is a "strong ally" of Australia. Both remarks constitute a heightened calibration or elevation of the language about the Japan relationship. Abbott made the friendship pledge at his first meeting as Prime Minister with Abe Shinzo in October 2013: "As far as I'm concerned, Japan is Australia's best friend in Asia and we want to keep it a very strong friendship." The off-the-cuff greeting as the camera's recorded the start of the talks made Australian diplomats flinch but it is an accurate reflection of Abbott's thinking and the actions of his new government.

The prime minister proclaimed Japan a "strong ally" in November when responding to China's declaration of an air defense identification zone over the East China Sea. The "ally" tag is a shift from the usual Canberra description of a strategic partnership with Tokyo. Appearing before a Senate committee in February, Secretary of the Foreign Affairs Department Peter Varghese loyally supported the prime minister's description of Japan as an ally, but made a distinction

between “capital A” and “small a” allies: “The term ‘ally’ can be used in a precise way and it can be used in a generalized way. It can be used with a capital ‘A’ or a small ‘a.’ Japan is not a capital ‘A’ ally because we do not have a security agreement with Japan in the way that we have with the United States. Japan is a very close economic and strategic partner.” The definitional dance reflects changes over the previous two decades as Japan has quietly risen to become a defense partner for Australia that ranks beside New Zealand and Britain. Thus, Japan as a “small a” ally sits on the second tier, with the traditional Anglo allies, below the peak where the US presides as the principal and paramount ally.

In Prime Minister Abe’s Shangri-La Dialogue speech in Singapore in May on Japan’s greater future role in Asia’s security, he referred to Abbott’s visit to Tokyo the previous month and the partnership aims: “We clearly articulated to people both at home and abroad our intention to elevate the strategic partnership between Japan and Australia to a new special relationship.”

When Abe addressed Australia’s Parliament in July, he called for “a truly new basis for our relations.” He was stating a security ambition for Japan, but building on a military foundation already in place. The key fact of the existing structure was in this sentence: “There are many things Japan and Australia can do together by each of us joining hands with the United States, an ally for both our nations.” Australia and Japan can reach toward alliance without a formal when-the-shooting-starts-bilateral-pact because of the trilateral structure that expresses their two alliances with the US.

The US-Japan-Australia trilateral has grown rapidly in less than 15 years. The China dimension of this was expressed in Abbott’s speech to Parliament on Abe’s visit: “Australia welcomes Japan’s recent decision to be a more capable strategic partner in our region. I stress: ours is not a partnership against anyone; it is a partnership for peace, for prosperity and for the rule of law. Our objective is engagement, and we both welcome the greater trust and openness in our region that is exemplified by China’s participation in this year’s *RIMPAC* naval exercises.”

Once the trilateral that was the foundation for Australian defense thinking had New Zealand as the third leg – now it is Japan. Defense cooperation can be a function of military capability, and this is where Australia and Japan have much to share. Both are buying *F-35s* and the new defense agreement for sharing equipment and technology signed during the Abe visit means Australia’s future submarine can be driven by Japan. The deal opens the possibility that the next-generation Australian submarine could have a Japanese diesel-electric drive chain and a US weapons system.

Placing Japan beside Britain and New Zealand as a security partner is not to say that Tokyo and Canberra have achieved the intelligence-sharing intimacy of the Anglo club. But a lot is being shared and, again, this is driven by a trilateral dynamic with a Chinese flavor. The way things have shifted in the seven years since the signing of the Japan-Australia Joint Declaration on Security Cooperation in 2007 means Tokyo has risen in the hierarchy of Australia’s defense interests. The 2007 Declaration signed by John Howard and Abe Shinzo, in his first stint as leader, expressed an important security partnership that has continued to expand. The Joint Declaration does *not* amount to a formal alliance (much less an Alliance); it’s not a treaty to be invoked if ships clash and missiles fly. Yet, increasingly, Australia and Japan embrace the

trilateral and bilateral dimensions to work together from cyber to submarines to Asia's future, and to link their relationship to the twin alliances with the US.

### **China bumps and business**

It's hard to overstate the importance and the strength of Australia's relationship with China.... As liberalization spreads from the economy into other elements of Chinese life, I am confident that Australia will be a valued friend and strategic partner, as well as a rock-solid-reliable economic partner, to the Chinese people and government."

- Tony Abbott before his April visit to China

Not too far back in Australian history and not too deep in the national psyche, large amounts of anger and angst would have arisen if Chinese warships had conducted exercises in Australia's maritime approaches. For the first time, China's Navy has done just that. Two Chinese destroyers and a landing ship carried out the exercise in February – between Christmas Island and Java, before heading out into the Indian Ocean. The exercises were legal, if unannounced, but little wonder the Australian Air Force 'scrambled' and did some surveillance. No concern was expressed by Canberra but there was a twinge of low-level angst.

The public anger moment had been in November, when China announced an Air Defense Identification Zone in the East China Sea. Australia called in China's ambassador to Canberra to protest the action. Abbott said that in protesting to China, Australia had acted on its alliance relationships, its values and interests:

I think it's important for Australia to stand up for its values. We have to be reasonable and proportionate about these things and have to treat other countries and their leaders with respect and with courtesy but where we think Australia's values and interests have been compromised I think it's important to speak our mind and we believe in freedom of navigation – navigation of the seas, navigation of the air – and I think there is a significant issue here, and that's why it was important to call in the Chinese Ambassador and put a point of view to him.

In so joining values and interests in the one phrase, Abbott was breaking the rule repeatedly preached by the political master who made him, John Howard. The Howard mantra was always about the need to focus on the interests that united China and Australia, keeping these separate from their differing values. The mantra was that interests should bring Australia and China together, while too much about values could drive them apart. At the same press conference, Abbott added alliance to the mix, referring to the US as a strong ally and Japan as a strong ally. This was Abbott's response to the obvious follow-up question to his values-interests statement: Prime Minister, are you concerned about China's reaction? Do you think it could damage our trade with that country?

China trades with us because it is in China's interest to trade with us. We have good products, we have good reliability as a supplier, we can supply at competitive prices and I hope that is always the case. I expect China to be a strong and valuable economic partner of ours because it is in China's interest to be a strong and valuable economic partner of ours. I think China fully understands that on some issues we are going to take a different position to them. We are a strong ally of the United States, we are a strong ally of Japan, we have a very strong view that international disputes should be settled peacefully and in accordance with the rule of law and

where we think that is not happening, or it is not happening appropriately, we will speak our mind.

Also in November, the new Coalition government reconfirmed the previous Labor government's 2011 decision to ban the Chinese telecommunications giant, Huawei, from any role in building Australia's National Broadband Network. Labor shut out Huawei on the grounds of "national security." The Abbott government did the same, citing advice from its security and signals agencies. Huawei said it was "mystified" and "disappointed" by the decision, and a Chinese Foreign Ministry official said: "We always oppose countries using national security as a reason or an excuse to interfere in the economy and normal trade cooperation."

When Foreign Minister Julie Bishop visited Beijing in December for a strategic dialogue, she was given what Australian diplomats later described to a Senate hearing as rude and robust treatment by China's Foreign Minister Wang Yi. When reporters and cameras were present for the picture moment before the start of talks, Wang lashed out at Australia for its criticism of China's new ADIZ in the East China Sea: "I have to point out that what Australia has said and done with regard to China's establishment of the air defence identification zone in the East China Sea has jeopardised bilateral mutual trust and affected the sound growth of bilateral relations." Wang said the Chinese people were "deeply dissatisfied" with Australia's comments. Bishop told Wang that Australia respected "China's right to speak out on issues." She hoped China would respect Australia's right to "speak out on actions that affect a region of critical security importance to Australia." It took "no position on the Diaoyu Islands in the East China Sea, but we take decisions in our national interest," Bishop said. "We urge that there be no unilateral actions nor coercive actions but that both sides act in accordance with international law."

In an interview with *Fairfax* newspapers' John Garnaut in mid-2014, Bishop said Australia had lost nothing by having these exchanges with Beijing, because "China doesn't respect weakness." She said the Abbott government would be pragmatic and realistic in dealing with China: "We know that the optimum is deeper engagement ... but we're also clear-eyed about what could go wrong. And so you have to hope for the best but manage for the worst."

When Tony Abbott toured Northeast Asia in April, the focus was all on business, not on bumps. The prime minister was accompanied by 600 Australian business leaders as he visited Japan, South Korea, and China. Arriving at the Boao Forum in southern China, he declared: "Team Australia is here in China to help build the Asian Century. China, after all, has taken to heart Deng Xiaoping's advice that to get rich is glorious." Australia was not in China to do a deal, but to be a friend: "We don't just visit because we need to, but because we want to. Our region and our world need peace and understanding based on international law and mutual respect."

The cross currents in Australian thinking about China showed in the Lowy survey of Australian opinion on international affairs. The poll found China with 31 percent of votes just beat Japan (28 percent) in a question about Australia's best friend in Asia. However, nearly half those surveyed (48 percent) thought it likely that China would become a military threat to Australia in the next 20 years. And 56 percent thought the government allowed too much Chinese investment in Australia.

A similar foreign policy survey by the Australian National University found more than half of those polled viewed China as an economic threat to Australia, but only three in 10 saw China as a military threat. The ANU put Australian support for the US alliance at 81 percent. Respondents were almost evenly divided when asked to choose between the United States and China as the most important priority for Australia. The US scored 32 percent compared to 29 percent for China, while 35 percent saw the US and China as equal.

### **Australia intelligence, Indonesia, and Edward Snowden**

The massive release of US intelligence material by National Security Agency employee Edward Snowden sparked a diplomatic breach between Indonesia and Australia, causing the creation of a code of conduct on how the two countries spy on each other. In November, The *Guardian* newspaper and the *Australian Broadcasting Corporation* said documents showed Australian intelligence attempted to listen to telephone conversations of Indonesia's President Susilo Bambang Yudhoyono on at least one occasion and tracked activity on his mobile phone for 15 days in August 2009. Equally as explosive was the revelation that Australia had also targeted the mobile phone of the president's wife. The spying had taken place under the previous Labor government, but it was the new Coalition government that had to handle the controversy. In Parliament, Abbot refused to detail Australian intelligence operations or to apologize for them. In response, Indonesia broke off military cooperation, including help with Australian operations against people-smuggling, suspended intelligence cooperation, and withdrew its ambassador from Canberra for six months.

To resolve the issue, Indonesia called for a code of conduct on spy activity. Getting this deal took nine months. The wrangle over language and coverage is reflected in the title, which marries the Australian preference for an understanding with the Indonesian demand for a code, producing "The Joint Understanding on a Code of Conduct." The brief document signed by the two foreign ministers in Bali on Aug. 28 has two provisions for Australia and Indonesia:

1. The Parties will not use any of their intelligence, including surveillance capacities, or other resources, in ways that would harm the interests of the Parties.
2. The Parties will promote intelligence cooperation between relevant institutions and agencies in accordance with their respective national laws and regulations.

President Yudhoyono had achieved his aim of mending relations before leaving office in October. Indonesia's Foreign Minister Marty Natalegawa said intelligence cooperation would be restored in full and military contacts would resume: "I have every confidence, and here I am speaking personally and officially as well, that Indonesia-Australia relations will get back to where it has been. Not only are we going to get back to where it has been but actually, as a matter of fact, it would be even more enhanced in the future between both of us."

As Australia was starting to negotiate with Indonesia in January on the wording of the code, President Obama announced the outcomes of the review of US signals intelligence activities, following the Snowden revelations. Prime Minister Abbott released a statement on the US review that reflected the frame Canberra used in approaching the agreement with Jakarta. Abbott said Australia had some of the strongest intelligence oversight arrangements in the world,

striking the proper balance between maintaining security and protecting privacy. He expressed satisfaction with Australian intelligence work and related it to the US findings:

The President's statement highlighted the vital role played by intelligence in maintaining security and defeating threats such as terrorism, cyber attacks and proliferation of weapons of mass destruction. It also underlined the continuing importance of intelligence sharing among like-minded nations. Intelligence cooperation is a central pillar of Australia's alliance with the United States, and US officials have consulted Australia closely throughout the review process. President Obama and I have discussed the review and our close cooperation on intelligence. The United States' review addresses the particular circumstances of the United States. Each country makes its own decisions about the legal and policy frameworks best suited to its needs. Australia's intelligence activities play a vital part in safeguarding Australians, our national security and Australia's interests. They also benefit our allies, friends and neighbours.

### **Trade negotiations**

The Abbott government took office proclaiming that Australia was open for business and has stressed economic diplomacy. Trade Minister Andrew Robb was tasked with completing three bilateral free trade negotiations this year – with South Korea, Japan, and China. He has delivered on two of those goals, securing agreement with South Korea in a negotiation that started in 2009, and getting a deal with Japan in a negotiation that started in 2007. The Free Trade Agreement signed in April with South Korea – Australia's fourth largest trading partner – covers five percent of Australia's trade. The Economic Partnership Agreement signed in July with Japan – Australia's second largest trading partner – covers 11 percent of Australia's total trade. Canberra calls it "by far the most liberalising trade agreement Japan has ever concluded."

Robb says Australia had to catch up with the US in getting a bilateral deal with South Korea, but in the Economic Partnership Agreement with Tokyo, Canberra broke new ground: "No other country has managed to negotiate such an ambitious agreement with Japan. No other country! For once Australia is ahead of the curve. We needed the Korea Free Trade Agreement to help level the playing field given the advantage the US and the EU had because of their deals with Korea. We were playing catch-up. Under the Japan Australia EPA, Australian exporters will have the advantage."

The remaining target is an FTA with China, in a negotiation that is in its tenth year. China is Australia's biggest trading partner with two-way trade approaching A\$150 billion, representing more 20 percent of total trade. Robb's aim is get a deal that can be announced when China's President Xi Jinping visits in November to attend the G-20 Summit in Brisbane and address Parliament in Canberra.

The length of time involved in these bilateral efforts shows why the 12-nation negotiations for the Trans-Pacific Partnership, launched in 2008, involve an ever-shifting finish line. The Obama administration argues that achieving a high standard, meaningful TPP is the economic pillar of the rebalance to Asia. Former Secretary of State Hillary Clinton called the TPP a "strategic initiative" that would show Asia "the benefits of a rule-based order and greater cooperation with the US." From Canberra's perspective, however, the entry of Japan into the TPP process has unbalanced the Obama effort to create the economic pillar of the rebalance. The TPP



negotiations are being driven by issues between Japan and the US; on bad days, the trade wonks think the economic third arrow of “market opening” promised by Abe is going to be fired at the US rather than at Japanese farmers.

### **An Ex-PM and Ex-FM on alliance and China**

For decades, when Australia talked about China it was often thinking about the US. The say-Beijing-think-Washington syndrome explains much about the refusal to recognize China until 1972, and was a continuing component of Canberra cogitation for decades after. Now, the reverse applies. When talking about the US, often Australia is thinking about China. See this in action in books by former Prime Minister Malcolm Fraser and the previous Foreign Minister Bob Carr. Fraser was a Liberal, Carr Labor, but their arguments reverse any understanding of Australian politics that sees the Liberals as the conservatives and Labor as the party of change. In this debate, Fraser is the radical and Carr prefers the status quo. Fraser’s rejection of the US alliance makes him the first Australian prime minister who does not want to be closely aligned and allied to a great and powerful friend. After more than a century of federation, we have a PM pointing Australia toward nonalignment or armed neutrality. Granted, it’s a PM who lost the job 30 years ago. But Fraser’s reimagining of himself and his country in his book *Dangerous Allies* remakes Australia as a country that no longer believes in, or needs, the US alliance.

Fraser writes that “almost a century of strategic dependence has left an indelible mark on the Australian psyche.” He judges that Australia’s habits of dependence and acquiescence mean it is “now more heavily aligned with the US than at any time in our history.” Fraser says Australia has become a “strategic captive” And the former PM thinks Australia has more to fear from provocative action by the US or Japan than from China. The man who was the third longest serving Liberal prime minister (1975 to 1983) takes a position on the alliance that takes him far from either the Liberals or Labor. Fraser argues:

- Dependence on the US should have ended with the Cold War: “There was no longer any fear of attack or any reason for Australia to make its own best interests, and the interests of the region in which we live, subservient to earning the goodwill of the US.”
- Australia is so heavily enmeshed in “American military and strategic affairs, in interoperability and in the use of military hardware that it is difficult to distinguish a separate military or strategic destiny.”
- Close Pine Gap, one of the largest US satellite intelligence bases outside the US. The Alice Springs facility is now a critical part of the US offensive capability. Hosting Pine Gap makes Australia a party to illegal drone attacks and even the potential “nuclear blackmail” of China through the ability of US and Japanese missile defense to destroy most of China’s nuclear missiles. (See the [Australia chapter in Comparative Connections, Vol. 15, No. 2, September, 2013](#), for a discussion of Pine Gap.)
- Australia should consider leaving the Anglo intelligence club with the US, Britain, Canada, and New Zealand, if one cost is “the idea that we are spying for, and on behalf of, the US.”

- Japan started the latest round of escalation in the East China Sea and Japan's growing militarism "might represent a dangerous factor in future years."
- China is not an imperial power in the sense that European states, the US, and the Soviet Union have been imperial powers. "China does not represent a threat to the integrity of an independent Australia."
- With current policies, Australia would have to join the US in a war with China. If the US lost a war with China, it could withdraw to the western hemisphere, leaving Australia, "geographically part of the Asia Pacific, but also a defeated ally of a defeated superpower."

Hacking at the shackles of the alliance leaves little space to discuss what the alternative looks like. The former PM repeatedly talks of the need for Australia to achieve strategic independence, but there's little discussion of the landscape of this armed neutrality nirvana. Fraser discounts the possibility of any threat emerging if Australia opted for strategic independence; the alliance, he says, poses "the greatest problem to our future in the region."

Bob Carr – foreign minister from April 2012 to September 2013 – grapples with the same facts and poses some hard questions about the alliance, but comes to the opposite conclusion to Fraser, arguing the alliance continues to deliver for Australia. Carr's diary of his time as foreign minister is a rolling policy seminar conducted as an interior monologue on the meaning of China as "the phenomenon of the age" and what this means for Australia's traditional relationship with the US. At the start, Carr reflects on the fears expressed in 2011 by three former prime ministers – Fraser, Hawke, and Keating – that Australia had tilted away from China. As a private citizen, Carr's blogs had put him in the Keating camp. In his first weeks in the job, Carr tells his diary he is "still worried about American judgment, about their capacity to be driven by anxiety and paranoia into producing a Cold War with China ... their record of walking breezily into two wars since Sept. 11 – that's a worry too." A few days after penning those thoughts, Carr jets into Washington for his first meeting with Hillary Clinton: "Our cornerstone relationship. Our most important bilateral one. The bottom-line guarantor of our security. And yet..."

That hanging, "And yet..." is the thought that haunts the new foreign minister. The push-back against the fear that Australia is too close to its great ally is a punchy memo from the former Labor leader, now Ambassador to Washington Kim Beazley. This is Beazley at his best, a vivid reminder that when he finishes as ambassador, Beazley must be chained to a desk until he writes the book he has long promised – the definitive history of the alliance with the US.

Carr starts off worried that Australia is a little craven and too desperate in its embrace of the US. Later he has similar worries about the Australian approach to China, judging that Beijing wants Canberra to be disorientated, defensive, and fidgety. The foreign minister frets that in days gone by, Australia did sometimes disagree with the US. But he has an obvious answer to the question: Do we want to live in a world dominated by Chinese or American values? Midway through the diary, Carr reports a "cold blast of realism" in a departmental paper that concludes China's rulers see Australia as less important than Canada and only slightly more important than New Zealand:

“While they will not ever enjoy us being close to the US, it is the one thing that would make them respect us.” Carr’s view that Australia sits a few rungs higher than New Zealand is bolstered by one of the diplomatic wins of his prime minister, Julia Gillard – the agreement for an annual summit with China. Australia accepts China’s wording on a “strategic partnership,” Carr writes, “in order to get them to give us guaranteed annual leaders’ meetings.” At the end of his journey as foreign minister and his rolling US-China seminar, Carr concludes: “We don’t have to choose: I had tilted things a little, helped a connection or two, settled on a formulation and it seemed to be holding and to reflect a national interest.”

We don’t have to choose rests on the hope Australia will not be forced to offer an answer to Asia’s defining conundrum. Confronting the same conundrum, everybody else, too, is madly hedging so they, too, will not have to choose. Not since the final days of the Vietnam War has the Australian polity so agonized over the US alliance and Asia’s future course. The pain of the problem is suggested by Carr’s expression of Canberra’s wish to say there is no question to answer, no choice necessary.

### **Chronology of Australia-East Asia/US Relations September 2013 – August 2014**

**Sept. 7, 2013:** In Australia’s federal election, a Liberal-National Coalition government is elected, ousting the Labor from power after six years in office.

**Sept. 18, 2013:** Prime Minister Tony Abbott and his Cabinet are sworn in.

**Sept. 25, 2013:** John Berry presents his credentials to Governor General Quentin Bryce, becoming the 25th US ambassador to Australia.

**Sept. 30, 2013:** PM Abbott makes his first overseas visit as leader to Jakarta to meet Indonesia’s President Susilo Bambang Yudhoyono.

**Oct. 2, 2014:** New Zealand PM John Key has talks in Canberra with PM Abbott.

**Oct. 4, 2013:** Foreign Minister Julie Bishop, Japan’s Foreign Minister Fumio Kishida, and US Secretary of State John Kerry meet in Bali for the fifth Trilateral ministerial meeting.

**Oct. 13, 2013:** Bill Shorten is elected leader of the Labor Party and becomes Opposition leader.

**Nov. 1, 2013:** PM Abbott announces his government will maintain the previous government’s ban on the Chinese communications firm, Huawei, having any role in the construction of the National Broadband Network.

**Nov. 12, 2013:** Australia’s 44<sup>th</sup> Parliament convenes.

**Nov. 18, 2013:** Documents leaked by Edward Snowden reveal Australia aimed to bug the phones of Indonesia's president, his wife, and ministers. Indonesia withdraws its ambassador from Canberra to "review" relations with Australia.

**Nov. 20, 2013:** President Yudhoyono announces the suspension of Indonesian intelligence cooperation with Australia, including on people smuggling. He sends a letter to PM Abbott demanding an explanation for Australia's tapping of his mobile phone.

**Nov. 28, 2013:** Treasurer Joe Hockey uses national interest powers to bar the A\$3.4 billion sale of the grain handler, GrainCorps, to a US company.

**Dec. 5, 2013:** Australia concludes negotiations for a free trade agreement (FTA) with the Republic of Korea, its third-largest goods export market and fourth-largest trading partner.

**Dec. 11, 2013:** General Motors announces that it will stop manufacturing Holden cars in Australia by 2017.

**Dec. 15, 2013:** The Australian Defence Force mission in Uruzgan, Afghanistan, concludes after a decade of operating in the province.

**Jan. 21, 2014:** Customs and Defence issue terms of reference for an inquiry examining how Australian vessels strayed into Indonesian waters between December 2013 and January 2014. Indonesia signals it will send a frigate into the region to monitor Australia's border protection activities and calls on Australia to cease the incursions and respect Indonesia's territory.

**Feb. 14, 2014:** FM Bishop flies Fiji to improve relations with Fiji's military regime ahead of elections scheduled for September.

**March 8, 2014:** Malaysia Airlines flight MH370 disappears on a passenger flight from Kuala Lumpur to Beijing. The focus of the search shifts to the southern part of the Indian Ocean, west of Australia, and Australia takes the lead in the search effort.

**March 26, 2014:** US Marines begin arriving in Darwin for their third annual rotation.

**March 31, 2014:** Australia wins a case against Japan in the International Court of Justice, with the court ruling that Japanese whaling is unlawful.

**March 31, 2014:** Australia lifts travel bans on members of Fiji's military regime.

**April 2, 2014:** Malaysia's Prime Minister Najib Razak arrives in Perth to meet PM Abbott to discuss the Indian Ocean search for the missing Malaysia Airlines flight MH370.

**April 2, 2014:** Australian government wins a court case to block the release of secret archives on Australian knowledge of Indonesian war crimes in East Timor after the 1975 occupation, arguing the release would increase current diplomatic strains between Canberra and Jakarta.

**April 5, 2014:** PM Abbott departs to visit Japan, South Korea, and China.

**April 7, 2014:** In Tokyo, PM Abbot and PM Abe settle the final details of a free trade agreement, completing a seven-year negotiation.

**April 8, 2014:** PM Abbott arrives in Seoul for the signature of the Australia-South Korea Free Trade Agreement.

**April 23, 2014:** Australia buys 58 more *F-35* Joint Strike Fighters at a cost of \$12 billion. The decision builds on the 2009 decision to purchase 14 *F-35*s, meaning Australia will have 72 of the aircraft to form three operational squadrons and one training squadron.

**June 4, 2014:** PM Abbott meets President Yudhoyono on the Indonesian island of Batam to discuss the diplomatic breach over Australian intelligence activity directed at Indonesia.

**June 13, 2014:** PM Abbott meets President Obama at the White House.

**July 8, 2014:** Japan and Australia sign a free trade agreement and an agreement on defense technology as Prime Minister Abe addresses Australia's Parliament.

**July 17, 2014:** Malaysia Airlines Flight MH17 is shot down over Ukraine, killing all 283 passengers and 15 crew on board – 38 of the victims were Australians. Australia leads the effort to get a UN Security Council resolution condemning the attack and joins with the Netherlands and Malaysia in the body recovery work.

**Aug. 12, 2014:** Annual Australia-US Ministerial Consultations (AUSMIN) are held in Sydney, involving Australia's foreign and defense ministers and the US secretaries of defense and state.

**Aug. 28, 2014:** Australia and Indonesia repair their relationship with the signing in Bali of a Joint Understanding on a Code of Conduct covering intelligence.

**Sept. 1, 2014:** Responding to Russia's campaign to destabilize Ukraine, Australia expands sanctions on Russia.

**Sept. 4, 2014:** PM Abbott arrives in India to sign a nuclear cooperation agreement that will allow Australia to sell uranium to India.



## About The Contributors

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