



P a c i f i c F o r u m C S I S



Comparative Connections



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

edited by

Brad Glosserman
Carl Baker

3rd Quarter (July-September) 2007
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Pacific Forum CSIS

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

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A Quarterly Electronic Journal on East Asian Bilateral Relations

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

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

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

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by Donald G. Gross, Atlantic Council of the United States and Hannah Oh, Holland and Knight LLP

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

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by Robert Sutter, School of Foreign Service, Georgetown University and Chin-hao Huang, SIPRI

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

Beijing is preparing for the 17th Party Congress, projecting an image of orderly authoritarian politics. In Taiwan, the volatile and unpredictable democratic politics of the presidential campaign is raising issues and prompting expressions of serious concern in Beijing and Washington. The focal points have been quixotic appeals to join the UN as "Taiwan," promotion of a referendum on UN membership under that name and a proposal for a new DPP resolution on making Taiwan a "normal country." The strong international reaction to these maneuvers has not deterred President Chen or the DPP from the referendum on UN membership that is driven by their domestic political calculations. However, the U.S. position did provoke debate and contributed to a decision to reject the most provocative aspects of the "Normal Country Resolution." Against this background, it is hardly surprising that limited cross-Strait contacts have produced no results.

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by Aidan Foster-Carter, Leeds University, UK

The main event between the two Koreas in the third quarter of 2007 was, obviously, President Roh Moo-hyun's visit to Pyongyang. This was the first North-South summit meeting in seven years, and only the second since two rival states were declared in 1948. The fact that the summit coincided, almost to the day, with further progress at the Six-Party Talks added an extra twist to what, however one evaluates it, was a crucial moment in the tangled history of inter-Korean relations. Despite regrettable if predictable brevity on the nuclear issue, and a deafening silence on human rights, the new agreement, if implemented – always a big proviso with the DPRK – presages the start of serious, large-scale and wide-ranging inter-Korean economic cooperation. Time will tell, and we shall have a clearer idea by the year's end; or maybe not till early 2008, when a new and almost certainly more conservative leader emerges in Seoul.

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As the second half of 2007 began, Japanese leadership focused on the Upper House election held July 29. Beset by political scandals and dogged by questions of competency, the Liberal Democratic Party (LDP) suffered a historic defeat. Following the election, Prime Minister Abe Shinzo was preoccupied with a Cabinet reshuffle. At the same time, the government was preoccupied with preparations for the Japan-North Korea Working Group meetings as the Six-Party Talks appeared to gather momentum. Meanwhile, Beijing worked to accentuate the positive, the approaching anniversary of the normalization of Japan-China relations (1972) and to downplay history, the July anniversary of the Marco Polo Bridge Incident (1937).

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

If the previous quarter was marked with little movement in the stalemate between Tokyo and Pyongyang, this quarter appears to be transitional. North Korea shut down its nuclear reactor and agreed to disable other nuclear facilities by the year's end. In Japan, Abe stepped down as prime minister in September and his successor, Fukuda Yasuo, has hinted at softening Japan's stance toward the North. Abe's decision not to visit Yasukuni Shrine on Aug. 15 was welcomed by Seoul, keeping bilateral relations relatively cool compared to the wars of words that occurred under Koizumi. History issues continued to linger between Japan and South Korea, but the quarter also witnessed important efforts aimed at strengthening bilateral cooperation. South Korea seemed reasonably happy with Fukuda as Japan's new prime minister while Tokyo expressed concerns over the timing of the inter-Korean summit.

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by Yu Bin, Wittenberg University

By any standard, the third quarter appeared to be the finest moment for the Shanghai Cooperation Organization (SCO): the seventh summit in Bishkek was the largest summit ever held by the regional organization, the SCO heads of state signed its first multilateral treaty, and it was the first time all member countries participated in a joint antiterrorism military exercise in Russia. A closer look at the chemistry between Russia and China, however, reveals a far more complex interactive mode of cooperation, competition, and compromise. While security cooperation moved forward, culminating in the *Peace-Mission 2007* military exercise, the game of petropolitik was heating up in Central Asia with Beijing gaining the upper hand, at least for the time being. The quarter ended, however, with significant progress in energy cooperation as the long-awaited Eastern Siberia-Pacific Ocean oil pipeline was about to extend a branch line to China's energy-thirsty northeast region.

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Regional Overview:

Multilateral Progress Pending on Multiple Fronts

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

Multilateralism was the order of the day in the Asia-Pacific this quarter. Two sessions of the Six-Party Talks and a number of associated bilateral and multilateral working group sessions were held, culminating in a “breakthrough” at quarter’s end, at least in terms of the disablement of North Korea’s nuclear facilities at Yongbyon. The ASEAN Regional Forum (ARF) and associated 10+X ministerial meetings took place amid reports of steady progress on the development of ASEAN’s first Charter. The annual Asia Pacific Economic Cooperation (APEC) Leaders Meeting resulted in rhetorical commitments to combat global warming and move the Doha round of trade talks forward, while President George W. Bush met for the third time in a summit with assembled ASEAN leaders along the APEC sidelines. The failure of Secretary of State Condoleezza Rice to attend the ARF meeting (her second miss in three attempts) and the cancellation of Bush’s follow-on visit to Singapore (for what would have been his first full summit meeting with ASEAN leaders) renewed concerns about the U.S. commitment to the region, despite the deepening of the U.S.-ASEAN Enhanced Partnership. Multilateral military cooperation included major exercises in the Indian Ocean and Central Asia by what some portray (inaccurately?) as emerging rival blocs. Democracy watchers continued to keep a close eye on Bangkok’s slow return to democracy and election dynamics in Seoul and Taipei, even while expressing revulsion over the latest giant step backward taken by the military junta in Rangoon.

Six-Party Talks breakthrough

With the delays over the release of frozen North Korean funds finally behind them (and 50,000 tons of fuel oil from South Korea firmly in hand), the First Session of the Sixth Round of Six-Party Talks resumed July 18-20 in Beijing. Recall that this session was originally convened March 19-22, 2007 after Assistant Secretary of State Christopher Hill announced that the issue of the frozen funds in Macao’s Banco Delta Asia had been “resolved.” Unfortunately, the DPRK definition of the term was not the release of funds but their delivery into Pyongyang’s hands – the delivery process consumed most of the previous quarter, resulting in a four-month “recess.”

With Pyongyang’s announcement in early July that its Yongbyon facilities had been shut down – subsequently confirmed by the International Atomic Energy Agency (IAEA) – the talks resumed, but with little apparent progress. While the commitment to denuclearization was reaffirmed, no time lines for completing the first phase of the Feb. 13, 2007 denuclearization agreement were set. Instead, all agreed to another round of Working Group meetings: there are five such groups, dealing with Denuclearization of the Korean Peninsula, Normalization of DPRK-U.S. Relations,

Normalization of DPRK-Japan Relations, Economy and Energy Cooperation, and the examination of a possible future Northeast Asia Peace and Security Mechanism. They did agree to meet again in September, to hear the Working Group reports and to “work out a roadmap for the implementation of the general consensus.”

To remind our readers, the first phase of the Feb. 13 agreement consisted of a 60-day action plan which called on the DPRK to: shut down and seal for the purpose of eventual abandonment the Yongbyon nuclear facility, including the reprocessing facility; invite back IAEA personnel to conduct all necessary monitoring and verifications as agreed between the IAEA and the DPRK; discuss with other parties a list of all its nuclear programs; and start bilateral talks respectively with the U.S. and Japan aimed at normalizing relations. In return, the parties would provide “emergency energy assistance” to Pyongyang, with the equivalent of 50,000 tons of heavy fuel oil to be provided during the initial phase. The next stage includes “provision by the DPRK of a complete declaration of all nuclear programs and disablement of all existing nuclear facilities” in return for “economic, energy, and humanitarian assistance up to the equivalent of 1 million tons of heavy fuel oil.”

The various Working Groups met during August and early September – the pivotal U.S.-DPRK meeting took place between Secretary Hill and his DPRK counterpart, Vice Foreign Minister Kim Kye-Gwan, Sept. 1-2 in Geneva – setting the stage for the Second Session of the Sixth Round of Six-Party Talks. This round was first scheduled to begin Sept. 19 but delayed at the last minute, presumably because a promised delivery of the next tranche of heavy fuel oil, this time from China, had been delayed. The oil was delivered the next week and the talks resumed Sept. 27-30. Participants agreed at the meeting that the 60-day action plan finally had been accomplished.

The meeting ended with a sense of anxiety as the participants reported that they needed to bring the proposed agreement on “Second Phase Actions for the Implementation of the Joint Statement” back home for final review and approval. The promised “breakthrough” was subsequently confirmed Oct. 3, when the Chinese released the declaration that restated Pyongyang’s Feb. 13 commitment to “disable all existing nuclear facilities” during phase two, with the already shut down facilities at Yongbyon – the 5MW reactor, reprocessing plant, and fuel rod fabrication facility – scheduled for disablement by the end of 2007. The U.S. will lead (and fund) the disablement activities. While not specifically defined in the agreement, a team of experts that had previously traveled to Yongbyon to examine the facilities indicated that “disable” meant render inoperable for at least three years, if not forever (in contrast to the 1994 “freeze” which resulted in Pyongyang bringing the Yongbyon reactor back on line within a few months after the original Agreed Framework broke down in 2003).

This is no small accomplishment. With the disabling of the Yongbyon facilities, the DPRK will no longer be able to produce more weapons-grade plutonium. This is a major step forward. Also required under the Oct. 3 implementation plan is a “complete and correct declaration of all [North Korean] nuclear programs” by the end of the year. While the term “uranium” appears nowhere in the declaration, State Department sources assert that the DPRK also agreed “to address concerns related to any uranium enrichment programs and activities” at the Geneva bilateral meeting.

Of equal importance (but largely overlooked in reporting on the implementation plan), the DPRK “reaffirmed its commitment not to transfer nuclear materials, technology, or know-how.” The reaffirmation addresses one of Washington’s primary concerns: that Pyongyang would export its weapons, fissile materials, or nuclear knowledge to third parties. It implies, as Pyongyang has already asserted – and press speculation surrounding the recent Israeli air strike notwithstanding – that it has not provided nuclear-related assistance to Syria (or anyone else). Proof of any past or future nuclear-related assistance by Pyongyang to third parties will undermine (if not scuttle) the six-party process.

The implementation plan also recalls Washington’s earlier commitment to “begin the process” of removing the DPRK from the list of State Sponsors of Terrorism and Trading with the Enemy Act restrictions and states that the U.S. will fulfill this commitment “in parallel with the DPRK’s actions based on a consensus reached at [U.S.-DPRK Working Group] meetings.” There does not appear to be a consensus on what this consensus is, however. Kim Kye-Gwan has said that Washington has promised to remove the North from the State Sponsors of Terrorism list by the end of this year; Washington has been much more circumspect about the timing, indicating that it is contingent on the DPRK’s “fulfillment of its commitments on providing a declaration and disabling its nuclear facilities.” Since only the Yongbyon facilities are scheduled for disablement by Dec. 31, 2007, this provides Washington some wiggle room. However, it is not too difficult to imagine Pyongyang again walking away from the process until it is removed from the list.

Intertwined in all of this is the North Korea-Japan normalization process. A dispute over “full accounting” regarding Japanese citizens abducted by North Korea in the 1970s/80s has resulted in a bilateral stalemate. Pyongyang acknowledged the kidnappings in 2002 but claims the issue is now settled (with the return of five abductees and the announcement that eight others had died). Tokyo disagrees: it refutes both the accounting of how the eight died and believes there are more abductees not acknowledged or accounted for.

More importantly for Washington, Tokyo believes it has a commitment from President Bush that the U.S. will not remove North Korea from the terrorist sponsors list until there has been “progress” in resolving this dispute. With a change in government in Tokyo, there may be more flexibility on this issue; former Prime Minister Abe Shinzo epitomized the hardline approach toward the DPRK and new Prime Minister Fukuda Yasuo does not carry this baggage. But it will require some movement by Pyongyang as well, at least as far as Tokyo is concerned. Washington’s position seems less clear. While Secretary Hill appears well aware of Tokyo’s concerns, suspicions in Japan about his perceived over-eagerness to accommodate Pyongyang continue to make this a sensitive issue.

This will be a moot point, however, if Pyongyang fails to come clean on the full extent of its nuclear activities. As a result, all eyes will now be on Pyongyang’s “complete and correct” declaration of “all” its nuclear programs. Washington is looking for “full accounting,” not just in regard to uranium enrichment activities, but of plutonium stockpiles and bomb-making facilities as well. Actually dealing with Pyongyang’s inventory of fissile material (and any explosive devices) is not likely before 2008 and will likely require additional negotiations.

In short, the disabling of Yongbyon's nuclear facilities and resulting end to North Korea's plutonium production capabilities will prevent matters from getting worse. True denuclearization will not begin, however, until all of Pyongyang's fissile material is put on the table. There are still miles to go before we put this issue to rest.

ARF meets, sans Condi

The largest headline from this year's ASEAN Regional Forum (ARF) ministerial meeting focused not on what happened – not much – but on who was not there to witness it. For the second time (out of three opportunities – she did attend in 2006) – Secretary of State Rice was a no-show, due to compelling business back home (read: Iraq, Iraq, and Iraq . . . plus Iran). She was represented instead, quite ably one might add, by her new deputy and old Asia hand (former U.S. ambassador to the Philippines), John Negroponte.

During their Aug. 2 meeting, the assembled ministers reaffirmed the importance of the ARF as “the main multilateral political and security forum in the region” and agreed to further strengthen this organization. Then they admitted Sri Lanka as its 27th member, although how including more South Asian countries enhances the ARF is yet to be demonstrated. They also “reaffirmed the importance of the principles and purposes of the ASEAN Treaty of Amity and Cooperation” and welcomed the accession to the TAC of almost all the remaining hold-outs (except the United States, which has yet to see the wisdom of getting on board).

The assembled ministers also adopted the terms of reference creating an ad hoc “Friends of the Chair” group, demonstrating their commitment to “further advancing the ARF process towards the preventive diplomacy stage and beyond.” The group will be comprised of the foreign ministers of the incoming and immediate past ARF chairing countries plus a non-ASEAN ARF country. It will be called into action “when the situation warrants, including times of emergency, crisis, and situations likely to disturb regional peace and stability.” However, it will be “primarily focused on confidence-building and shall not be intervention-oriented.” A headline in the *Bangkok Post* best summed it up: “ARF Gives Itself Teeth - But May Not Bite.” Nonetheless, it is a welcome step down the road toward transitioning the ARF in the direction of preventive diplomacy. [Note: The Pacific Forum CSIS, in its role as secretariat for the U.S. committee of the Council for Security Cooperation in the Asia Pacific, will host a meeting on the future of the ARF in Brunei Oct 30-31, aimed at contributing to this process.]

. . . Amid ministerial meetings galore

Negroponte also met separately with his ASEAN colleagues, where he applauded their effort to develop a Charter that “strengthened democratic values, good governance, the rule of law, and respect for human rights and freedom.” (More on this below) He also marked the 30th anniversary of U.S.-ASEAN relations by further refining and strengthening the Enhanced Partnership Plan of Action signed by Secretary Rice and her ASEAN counterparts during the July 2006 ARF meeting. The action plan guides cooperation as ASEAN advances toward its goal of political, economic, and social integration while enhancing cooperation on critical transnational challenges such as terrorism, narcotics trafficking, infectious diseases, and protecting the environment.

This 10+1 meeting was just one of a myriad of meetings held among the assembled foreign ministers in Manila – ASEAN now has 17 dialogue partners. In addition to the various bilaterals (if a meeting with 11 participants can be called that), the 8th annual ASEAN Plus Three (APT) multilateral (involving China, Japan, and South Korea) July 31 resulted in a Chairman’s Press Statement reaffirming the APT process, supporting Korean Peninsula denuclearization, and appealing for the immediate release of the Korean citizens being held hostage at the time by the Taliban in Afghanistan. While the press reported that the group also voiced support for a Thai proposal to set up a mechanism to prevent regional currency volatility, this did not make it into the Chairman’s Statement. Japanese attempts to get a reference to the abductees issue in this (or any other) statement also failed, reportedly due to South Korea objections that this would upset the North. Just prior to the APT meeting, the 13 ministers met with their three other East Asia Summit (EAS) counterparts (Australia, New Zealand, and India) over lunch to discuss the upcoming third EAS in Singapore in November.

Meanwhile, the ASEAN ministers in-house ministerial July 29-30 resulted in a joint communiqué touting “One Caring and Sharing Community,” which proclaimed Aug. 8 as ASEAN Day, in commemoration of its 40th anniversary. It reviewed the progress of the implementation of the Treaty of the Southeast Asia Nuclear Weapons Free Zone (SEANWFZ), which prohibits the development, testing, or basing of nuclear weapons within its territories, while permitting nuclear energy for peaceful purposes and welcomed the adoption of a “Plan of Action” to further enhance this 10-year old agreement. Particular attention was paid to the first draft of the ASEAN Charter submitted to the ministers for their review by the ASEAN High-Level Task Force (HLTF) on the Drafting of the ASEAN Charter.

Is ASEAN coming of age?

The creation of an ASEAN Charter to manage “the key challenges of regional integration, globalization, economic growth, and new technologies” provides an encouraging sign that ASEAN, in its 40th year, finally may be coming of age. According to ASEAN officials, a formal Charter would add a “legal personality” and a greater degree of cohesiveness and clarity to earlier efforts to build an ASEAN Community.

Recall that ASEAN’s Eminent Persons Group (EPG) had provided a draft Charter at the 2006 annual ASEAN Summit (which was weather-delayed until January 2007) in Cebu, Philippines. Since then, the HLTF has been hard at work, refining (read: toning down) some of the more dramatic suggestions – the controversial section recommending sanctions (including expulsion from ASEAN) for those violating the Charter did not make the first cut. The EPG had also recommended that ASEAN relax its style of decision making by full consensus; it remains to be seen if this suggestion, and one opposing “extra-constitutional” methods of changing government, will make the final cut.

One controversial provision that apparently did make the cut when ASEAN’s foreign ministers reviewed the HLTF’s work at the July 30 ministerial was the establishment of a Human Rights Commission, over initial objections by Burma, among others. The final version of the Charter is scheduled to be unveiled and approved at the November 2007 ASEAN Summit in Singapore and

is expected to “accelerate ASEAN integration” while making it a more “rules-based” organization. As one ASEAN senior official noted, the Charter “would also help put into place a system in which more ASEAN agreements would be effectively implemented and enforced long after the symbolic signing ceremonies.” To those who have long accused ASEAN of valuing form over substance, this will be a welcome development.

More good news came in the naming of former Thai Foreign Minister Surin Pitsuwan as ASEAN’s next secretary general, effective Jan. 1, 2008. Dr. Surin, a Muslim, is seen as a proactive supporter of greater “constructive engagement” both within ASEAN and between ASEAN and its neighbors. He will, according to incumbent Secretary General Ong Keng Yong, “have a clear direction and more of a mandate” as a result of the Charter. There is no questioning his energy, enthusiasm, and commitment – what remains to be seen is how much of a collective voice he will be able to employ, and to what end.

APEC: More hot air in the fight against warming

Australian Prime Minister John Howard hosted this year’s APEC Leaders Meeting, held Sept. 8-9 in Sydney. APEC is much more than the heads of state meeting, however, and Sydney was in virtual lockdown for nearly a week (security was penetrable, though, as Australian pranksters discovered when they managed to get a comedian dressed as Osama Bin Laden through the security checks).

Howard had pledged to put climate change on the top of this year’s agenda and his determination produced “the Sydney Leaders Declaration on Climate Change, Energy Security and Clean Development.” The statement acknowledged the growing threat caused by global warming but endorsed only nonbinding targets to slow the growth of carbon emissions. The climate statement adopted two “aspirational goals”: a reduction in energy intensity of at least 25 percent by 2030 (with 2005 as the base year) and increasing forest cover in the region by at least 20 million hectares by 2020, which would store approximately 1.4 billion tons of carbon, equivalent to some 11 percent of annual global emissions (in 2004).

Howard applauded the effort, saying it “charted a new international consensus for the region and the world,” and Foreign Minister Alexander Downer noted that it was the first time that China “has agreed to any notion of targets at all for developing countries” Environmentalists dismissed the statement as business as usual.

In a separate declaration, the leaders said a successful Doha round of international trade negotiations “is our first priority,” and pledged “the political will, flexibility and ambition to ensure the Doha Round negotiations enter their final phase this year.” Given that many of these same participants have not shown the requisite energy thus far in the actual negotiations, it is hard to see what has changed in Sydney.

On other economic issues – APEC’s *raison d’etre* – the leaders said they would accelerate regional economic integration and “examine the options and prospects for a Free Trade Area of the Asia Pacific.” They welcomed the APEC Trade Facilitation Action Plan, which is intended to reduce transaction costs by 5 percent by 2010, called for greater protection of intellectual

property rights, deeper and more liquid capital markets, and reaffirmed their commitment to good governance and fighting corruption.

Curiously, there is no mention of terrorism until the fourth page of the five-page declaration, and then it is in the context of human security, equating it with pandemic diseases, illicit drug trafficking, and natural disasters. Given the rising tide of hysteria in the wake of the discovery of tainted products from China, the leaders also “agreed on the need to develop a more robust approach to strengthening food and consumer product safety standards and practices in the region.”

If the document reflected the usual rhetoric, considerable work was accomplished in the side meetings that are perhaps the life blood of APEC. In his meeting with host John Howard, President Bush agreed to new arrangements to facilitate defense cooperation and make it easier for Australian companies to purchase U.S. defense technology; they also agreed to enhance joint military training capabilities and the sharing of information. Bush met Chinese President Hu Jintao and the two men surveyed the international environment and promised to work together on key issues. Sparks flew at the press conference with Bush and South Korean President Roh Moo-hyun when Roh pressed Bush to make a strong statement about his readiness to conclude a peace treaty with North Korea. Bush appeared to get testy, saying he was not prepared to move forward until Pyongyang denuclearized. Afterward, press handlers blamed bad translations for the exchange.

Bush also met with Russian President Vladimir Putin, Indonesian President Yudhoyono, Prime Minister Abe of Japan, and the seven ASEAN leaders (less Burma, Cambodia, and Laos) whose countries belong to APEC. Bush was originally scheduled to go to Singapore after APEC and hold his first ever full U.S.-ASEAN Summit but had to cancel (and cut his APEC visit somewhat short) to return home to defend his Iraqi surge plan before an increasingly skeptical Congress. As a result, President Bush’s third summit with the “ASEAN Seven” appeared to be a consolation prize, rather than another significant step forward. The cancellation of the Singapore trip, in the wake of Secretary Rice’s ARF snub, added to growing accusations that Washington is “neglecting” Southeast Asia, despite some significant advancements in bilateral relations (as outlined in Sheldon Simon’s chapter). To compensate for his cancelled visit, Bush said he would welcome ASEAN leaders to his Crawford, Texas ranch to continue the “constructive conversation on – whether it be democracy, or fighting terror, or expanding trade, or avian flu, or climate change.” He also announced that the U.S. would be naming an ambassador for ASEAN affairs.

Bush wasn’t the only leader doing business. Putin announced that Russia would give Indonesia a \$1 billion loan that would be used to buy Russian weapons. After meeting Howard, the two men announced that they had struck an agreement for the export of uranium for use in Russia’s civilian nuclear program.

The summit also witnessed the first-ever trilateral summit among Australia, Japan, and the U.S. While top foreign affairs and security officials had met before, this marked the first meeting by the heads of state. The three men focused on security issues and agreed to develop dialogues with other nations, including China.

Peace through strength

Peace Mission 2007

This quarter witnessed *Peace Mission 2007*, the highest profile military exercise ever carried out by the Shanghai Cooperation Organization (SCO), and the first to include forces from all six member countries. (For more details, see Yu Bin's chapter in this volume.) The drill was stretched out through August, and included about 7,000 troops (the bulk from Russia and China), some 500 combat vehicles, and about 80 aircraft. The drill was a counter-terrorism exercise, based on a scenario in which a town was overrun by militants. The drill coincided with the SCO summit and the assembled grandees, along with nearly 80 observers from other countries and several hundred journalists, decamped to the site of the exercise in the Ural Mountains. Reportedly, the U.S. was not invited to observe because the drill concerned only the six member states. Some military attachés accredited to Moscow were invited, but the guest list was limited because the testing ground was not large enough to accommodate many observers.

Malabar

On Sept. 4, navy ships from five countries – Australia, India, Japan, Singapore and the U.S. – participated in *Malabar 07-02*, six days of naval war games that were held in the Bay of Bengal. More than 20,000 naval personnel on 28 ships and 150 aircraft joined air defense drills, air strikes, interdiction, interceptions and anti-submarine drills designed to promote cooperation in the fight against piracy and terrorism, the proliferation of weapons of mass destruction, and other transnational dangers, such as pandemic disease and natural disasters.

Malabar is a long-running series of U.S.-India bilateral drills. This year, three other countries were invited to join. The U.S. sent 13 warships, including the *USS Kitty Hawk* and the *USS Nimitz* Carrier Strike Groups and their associated air wings. Seven Indian warships participated, Japan sent two, Australia two, and Singapore dispatched a frigate.

The timing of the two exercises and their scale prompted considerable speculation about the emergence of rival military blocs. Rhetoric from SCO participants about the principles guiding their cooperation serving as a model for other countries and talk of an alliance of democracies, fueled by Japanese Prime Minister Abe's visit to India and his remarks to that country's Parliament, added to the fervor. Officials on both sides tried to dampen such dark imaginings. Russian President Putin was blunt: "The comparison of the SCO to NATO does not correspond to reality, and is improper either in content or form." On the other side, the head of the U.S. Pacific Command Adm. Timothy Keating responded to the specific charge that the exercises portended an effort to contain China, saying, "there are interests shared by the United States, Japan, Australia, India and others all throughout this region. There's no – let me emphasize no – effort on our part or any of those other countries' parts I'm sure to isolate China, to put them in the closet."

Democracy wobbles

Burma (a.k.a. Myanmar)

The big story this quarter has been the swell of protest in Burma. Demonstrations began in August when the government imposed 500 percent increases in the price of fuel. Ordinary citizens and students took to the streets and were quickly beaten or arrested by the military junta's goons. Then, it is reported, soldiers fired over the heads of protesting monks (some reports say they were also beaten and arrested); the monks demanded an apology which was not delivered. They then took to the streets.

There are an estimated 400,000 monks in Burma, and they enjoy considerable prestige and influence in a society that is predominately Buddhist. The protests grew – originally the monks asked lay persons not to join – until thousands, if not tens of thousands, of demonstrators were clogging the streets throughout the country. One group even made it down the normally blocked off street to the home where Nobel Peace Prize laureate Aung San Suu Kyi remains under house arrest. She met briefly with the protestors, thus linking the spiritual movement with the democracy advocates. It is reported that 100,000 marched in Rangoon after that.

That seemed to snap the government out of its torpor. It warned of harsh reprisals if the protests did not stop and brought in seasoned troops to repress the activists. Daw Suu Kyi was reportedly taken to Insein Prison. The government announced a night-time curfew, and surrounded the monasteries in an attempt to keep the monks from protesting. That led to clashes and yet harsher reprisals by the government. Monks were then arrested and beaten, their immunity ended. After several days of violence, the streets are again quiet. The governments says about a dozen people were killed; the unofficial death toll could be in the hundreds.

The brutal suppression was condemned worldwide. President Bush demanded action by the world, but apart from shared outrage, little was done. ASEAN expressed “revulsion” at the violence and called for the release of political detainees. The UN Security Council has not acted on the matter but the Human Rights Council adopted a resolution that “strongly deploras” the actions taken by the junta. UN Special Envoy Ibrahim Gambari visited Burma for four days, during which he met Daw Suu Kyi twice, but apparently was stiff-armed by the junta during his meetings with government officials in Rangoon.

International leverage is weak. Burma has been largely isolated so sanctions will have little bite. The three actors with the most leverage are India, China, and ASEAN, but each appears so worried about ceding influence to the other two that none seems inclined to adopt tough measures. Perhaps we should hope the Buddhists have it right and that these brutal acts will be paid for in the next life.

Taiwan

In Taiwan, direct democracy was the issue, specifically a referendum on whether to apply for United Nations membership as “Taiwan” rather than the Republic of China, the name by which Taipei held a UN seat until it was taken by the PRC. Seen from afar, attempts to apply for a UN seat under any name appear quixotic: China has a veto as a permanent member of the Security Council and few if any member states seem willing to court Beijing’s anger by backing Taipei. Even friends of Taiwan are reluctant to back Taipei given what seems like unnecessary provocation and Beijing’s potential to over-react and create a crisis.

Most Taiwanese would like a UN seat – and most accept that it isn’t going to happen. But political leaders, in particular President Chen Shui-bian and other independence-minded types in his Democratic Progressive Party (DPP), see the promotion of Taiwan identity and independence as a wedge issue in domestic politics and the best way to advance their party’s interests in parliamentary and presidential elections to be held next year. The DPP hosted large rallies to wind up supporters and force less dedicated advocates in their own party to embrace the independence agenda and push the opposition Koumintang (KMT) closer to the DPP position.

As expected, the UN rejected Taiwan’s application, keeping it off the UN General Assembly agenda. And as expected, the move riled Beijing, which saw it as a further sign of Taiwan’s determination to declare independence. It even muddied the waters of U.S.-Taiwan relations, as several U.S. officials argued against the move, prompting fierce responses from Taipei. (More details are available in David Brown’s chapter.) Identity politics are a vital issue in Taiwan today – as in many countries – but the potential for this question to destabilize cross-strait relations means that politicians on both sides of the strait should be responsible about how they use this issue to advance their own agendas. Don’t hold your breath.

South Korea

Domestic politics and international relations were equally entwined in South Korea as that country headed into the campaign home stretch for the presidential ballot that will be held in December. With President Roh’s support levels flagging, he was eager to find ways to boost the progressive left’s prospects in the upcoming election. He received it when North Korean leader Kim Jong-il agreed to a second inter-Korean summit. The meeting was not without risks for Roh. By agreeing to go to Pyongyang, despite Kim’s failure to return Kim Dae-jung’s historic 2000 visit (and honor a pledge to do so), the ROK president looked overeager for a meeting and could be seen to be paying tribute to the North Korea leader. Many South Koreans (and most international observers) saw the summit as a crude attempt to influence ROK politics and the election. (For more, see Donald Gross’s chapter in this volume.)

Thailand

Aug. 19, Thai voters approved a new constitution – the 18th since 1932 – to replace the 1997 “people’s constitution” that was discarded when a military coup tossed Prime Minister Thaksin Shinawatra out of office in September 2006. The new charter takes considerable power from the people and puts it into the hands of unelected bodies, such as courts, and increases the number of senators appointed rather than elected. It is generally thought to confer a behind the scenes role on the military.

As expected, the constitution was approved, with some 58 percent of voters backing the new charter. That majority is even smaller than it looks: turnout was only 57 percent of eligible voters (in contrast to 70 percent in the last two general elections.) Moreover, approval was the least bad option. If the document had been rejected, the government would have been able to use any of the previous 17 constitutions and amend it as they wished.

Passage of the constitution means the government can go ahead with parliamentary elections, currently scheduled for Dec. 23. That is the real message of the referendum: the Thai people want to reclaim their political system from the military. Unfortunately, this new constitution means that their say about politics is considerably reduced.

Equally troubling is evidence the military is proving to be no less tainted than the predecessor government. In September, five ministers in the Cabinet of Prime Minister Surayud Chulanont were forced to resign as a result of a scandal. On Oct. 2, coup leader Gen. Sonthi Boonyaratglin was named deputy prime minister – two days after he was forced to retire from the army – leading to speculation that he intends to stay in power, perhaps even taking the prime minister’s post after the elections. He denied the charge.

Looking ahead

Next quarter will witness the third annual EAS, scheduled for Singapore Nov. 20, in concert with the ASEAN, ASEAN Plus Three, and various ASEAN Plus One summits. ASEAN remains in the EAS driver’s seat, but many are still eager to see the direction in which it plans to steer (and if there will be more feet on the accelerator than on the brakes). ASEAN leaders are expected to formally adopt the ASEAN Charter at their summit. While the Charter reportedly contains no specific punishments for non-compliance, some within ASEAN are calling for Burma’s expulsion from ASEAN (see for example “ASEAN: Time to Suspend Myanmar” by Barry Desker, [PacNet 39A](#)) if, as expected, the ruling junta holds firm to its repressive policies.

Given the fact that President Bush has yet to make his first trip to Asia this year, we suggest that serious consideration be given by the White House to arranging a Bush visit to Asia around the time of the EAS, in order to hold his “postponed” first full summit with the leaders of ASEAN. This would underscore Washington’s support for ASEAN’s coming of age process. It would also permit Bush to be invited as a special guest to the EAS (while skirting tricky membership questions), thus showing support for East Asia community building as well. There is precedent for this; Russian President Putin was an invited guest at the first EAS in Kuala Lumpur. The

odds of this happening, regrettably, are about as low as they are for Burma being expelled from ASEAN.

The odds are somewhat better for Pyongyang moving forward with some form of Yongbyon disablement (in return for more fuel oil and incentives) but roughly 50-50 when it comes to the completeness of its “complete and correct declaration” of all its nuclear programs, facilities, and activities.

Regional Chronology July-Sept. 2007

July 1-2, 2007: President Vladimir Putin visits President George Bush at the Bush family home in Kennebunkport, Maine.

July 2, 2007: Thailand announces it will extend a state of emergency in its southern provinces from July 19, 2007 to Oct. 18, 2007.

July 2-4, 2007: Chinese Foreign Minister Yang Jiechi visits Pyongyang.

July 3, 2007: Japan Defense Minister Kyuma Fumio resigns over comments suggesting the 1945 atomic bombings of Hiroshima and Nagasaki were inevitable.

July 4, 2007: Koike Yuriko is sworn in as Japan’s defense minister.

July 5-6, 2007: APEC trade ministers meet in Queensland, Australia.

July 5-6, 2007: Chinese FM Yang visits Jakarta and meets President Susilo Bambang Yudhoyono.

July 6, 2007: A military panel in Thailand approves the final draft of a new constitution which severely limits the power of future prime ministers.

July 6, 2007: In conjunction with a visit by Prime Minister Nguyen Tang Dun, India and Vietnam sign a joint declaration on establishing a bilateral strategic relationship that envisages establishing a joint anti-terror mechanism and closer defense cooperation.

July 9, 2007: IAEA meets in Geneva and approves the return of its inspectors to North Korea where they will monitor the shutdown of the nuclear facilities at Yongbyon.

July 9, 2007: Thailand Supreme Court accepts the first criminal corruption charges against former Prime Minister Thaksin Shinawatra.

July 10, 2007: China executes the former head of the Food and Drug Administration Zheng Xiaoyu for taking bribes to approve untested medicine.

July 10, 2007: North Korea extends an official invitation to IAEA inspectors to monitor the shutdown of nuclear facilities at Yongbyon, DPRK.

July 12, 2007: First shipment (6,200 tons) of 50,000 metric ton heavy fuel oil as required by the Feb. 13 six-party agreement leaves South Korea for North Korea.

July 12-18, 2007: Assistant Secretary of State Christopher Hill travels to Tokyo, Seoul, and Beijing for consultations on Six-Party Talks and bilateral issues.

July 13, 2007: Indonesian and Philippine foreign ministers sign agreements to improve cooperation in broad range of areas including security, trade, education and energy.

July 15, 2007: North Korea states that it has shut down its Yongbyon nuclear facility after receiving the first shipment of heavy fuel oil on July 13.

July 16, 2007: IAEA confirms that the DPRK has shut down its Yongbyon reactor.

July 16, 2007: U.S. announces that President Bush will attend the APEC meeting in Sydney in September, but will not attend a meeting with ASEAN leaders in Singapore afterward.

July 16, 2007: A magnitude 6.8 earthquake in northwestern Japan causes a fire and radioactive water leak at Kashiwazaki, the world's largest nuclear plant.

July 18-20, 2007: First Session of the Sixth Round of Six-Party Talks resumes in Beijing after a four month recess.

July 23, 2007: The UN announces that its legal affairs office rejected Taiwan's application for entry.

July 23-26, 2007: Indonesian President Yudhoyono visits Seoul.

July 24, 2007: State Department announces that Secretary of State Rice will not attend the ARF meeting in Manila Aug. 1-2, drawing criticism from the region.

July 24-26, 2007: A sixth round of general-level military talks at Panmunjom ends in rancor when the North walks out over the South's refusal to countenance redrawing the Northern Limit Line (NLL), the *de facto* western sea border between the Koreas.

July 26, 2007: Military to military talks between South and North Korea break down over a disagreement about the sea boundary between the countries.

July 27-28, 2007: ASEAN Senior Officials meet in Manila.

July 28, 2007: According to the Singaporean *Straits Times*, a group of Vietnamese boats fishing in waters near the Spratly Islands came under fire from Chinese naval vessels in July. One fisherman was killed and several others hurt.

July 29, 2007: The Democratic Party of Japan wins 60 of the 121 contested seats in elections putting the ruling Liberal Democratic Party in a minority in the Upper House.

July 29, 2007: 40th ASEAN Ministerial Meeting held in Manila.

July 30, 2007: U.S. House of Representatives passes a nonbinding resolution urging Japan to formally apologize for coercing thousands of young women into sexual slavery during World War II.

July 31, 2007: ASEAN Plus Three Foreign Ministers Meeting held in Manila.

Aug. 2, 2007: 14th ASEAN Regional Forum meeting held in Manila.

Aug. 2, 2007: Foreign ministers of South Korean and North Korea meet for the first time since July 2005 in Manila.

Aug. 2, 2007: South Korea stops shipments of U.S. beef to retail stores after bone fragments are found in a recent shipment.

Aug. 2, 2007: Former Thai Foreign Minister Surin Pitsuwan named next secretary general of ASEAN. He will succeed Singapore's Ong Keng Yong Jan. 1, 2008.

Aug. 2, 2007: Tokyo and Seoul reach an open skies agreement.

Aug. 2-3, 2007: APEC finance ministers meet in Coolum, Australia.

Aug. 4, 2007: U.S. signs into law the visa waiver program with South Korea.

Aug. 4, 2007: China temporarily bans aquatic products from Indonesia after finding excessive amounts of bacteria and chemicals in some imports.

Aug. 7-8, 2007: Economic and Energy Working Group of the Six-Party Talks meets in Panmunjom.

Aug. 7, 2007: Violence in Timor Leste following the announcement that Xanana Gusmao will be appointed prime minister.

Aug. 8, 2007: South and North Korea simultaneously announce that Kim Jong-il and Roh Moo-hyun will hold a summit meeting Aug. 28-30, 2007 in Pyongyang.

Aug. 8, 2007: Independence hero Xanana Gusmao sworn in as prime minister of Timor Leste.

Aug. 9-10, 2007: Vietnam Prime Minister Nguyen Tan Dung visits the Philippines.

Aug. 9-17, 2007: Shanghai Cooperation Organization (SCO) conducts a joint antiterrorism exercise, *Peace Mission 2007*, in Russia.

Aug. 11-15, 2007: PACOM Commander Adm. Timothy Keating visits China to meet with senior military and civilian leaders.

Aug. 13, 2007: Papua New Guinea's Parliament elects Michael Somare as prime minister for a second consecutive term following nationwide polls that began on June 30, 2007. This is the fourth time he has been chosen for the post.

Aug. 14-15, 2007: Vietnam's Prime Minister Nguyen Tan Dung visits Burma where he meets Senior Gen. Than Shwe.

Aug. 16-17, 2007: The Six-Party Talks working group on denuclearization of the Korean Peninsula meets in Shenyang, China.

Aug. 16, 2007: SCO meets in Bishkek, Kyrgyzstan. Leaders of the six member nations (China, Russia, Kyrgyzstan, Tajikistan, Kazakhstan, and Uzbekistan) are joined by Afghan President Hamid Karzai and Iranian President Mahmoud Ahmadinijad as invited guests. Representatives of India, Pakistan, Mongolia and Turkmenistan are also present as observers.

Aug. 17-23, 2007: Navies from the Philippines, Brunei, Indonesia, Malaysia, Singapore, Thailand and the United States conduct the sixth annual edition of Southeast Asia Cooperation against Terrorism (SEACAT).

Aug. 18, 2007: South and North Korea announce that the summit between the two countries will be delayed due to heavy flood damage in the North, which reportedly killed more than 300 people and left about 300,000 homeless.

Aug. 19, 2007: A referendum to approve a new constitution for Thailand, which paves the way for elections in December, is passed with 57.8 percent of the votes in favor.

Aug. 20-21, 2007: The Six-Party Talks working group on peace and security in Northeast Asia meets in Moscow.

Aug. 20-22, 2007: PACOM Commander Adm. Keating visits Cambodia and meets Prime Minister Hun Sen and senior defense leaders.

Aug. 20-24, 2007: Japanese PM Abe visits Indonesia, India, and Malaysia.

Aug. 20-31, 2007: The U.S. and South Korea conduct 33rd annual *Ulchi Focus Lens* command post exercise.

Aug. 21, 2007: Taiwan President Chen transits Anchorage on his way to Central America, stays on plane to express discontent with the U.S.

Aug. 21-23, 2007: Public protests by democracy advocates occur in Rangoon over large increases in fuel prices despite the arrest and detention of several protesters.

Aug. 22-24, 2007: PACOM Commander Adm. Keating visits India to meet military leaders and Defense Secretary Vijay Singh.

Aug. 23, 2007: South Korea starts shipping \$7.1 million in relief aid to North Korea.

Aug. 24, 2007: South Korea announces it will send an additional \$40 million in emergency flood assistance aid in response to a request from North Korea.

Aug. 24, 2007: ASEAN economic ministers meet in Manila and finalize the blueprint for establishing a free trade zone in the region by 2015.

Aug. 25, 2007: Japan and ASEAN agree to a preliminary free trade agreement that could be signed as early as November 2007 and cut tariffs on 90 percent of ASEAN products.

Aug. 26, 2007: The UN appeals for \$14 million worth of emergency relief funds to assist nearly 1 million North Koreans affected by recent floods.

Aug. 27, 2007: In an interview with *Phoenix TV*, Deputy Secretary Negroponte urges Taipei to act in a responsible manner and avoid provocative actions that would raise tensions across the Taiwan Strait.

Aug. 27, 2007: Thailand's election commission sets Dec. 23, 2007 for elections.

Aug. 27, 2007: Fifty pro-democracy advocates protesting increased fuel prices are arrested in Rangoon.

Aug. 28, 2007: South Korea and Taliban insurgents reach agreement on the release of 19 Koreans held hostage in Afghanistan. The agreement calls for the release of all hostages beginning Aug. 29 in return for removal of all South Korean military forces by the end of 2007, ending all missionary work in Afghanistan, and banning all travel by Koreans to the country.

Aug. 29, 2007: President Chen transits Anchorage on his return to Taiwan from Central America.

Aug. 29-Sept. 6, 2007: Chinese DM Cao Gangchuan visits Japan and the Philippines.

Aug. 30-31, 2007: Malaysia celebrates its 50th anniversary of independence.

Aug. 31, 2007: An aircraft with relief goods chartered by U.S. aid organization, Samaritan's Purse, lands in Pyongyang, the first direct flight from the U.S to North Korea since the end of the Korean War.

Sept. 1-2, 2007: Six-Party Talks Working Group on U.S.-North Korea bilateral relations meets in Geneva.

Sept. 4-9, 2007: The 13th annual *Malabar* naval exercise in the Bay of Bengal is conducted with participation by the U.S., India, Australia, Japan, and Singapore.

Sept. 5, 2007: The U.S. House of Representatives passes H.R. 508 "recognizing the strong security alliance between the Government of Japan and the United States and expressing appreciation to Japan for its role in enhancing stability in the Asia-Pacific region and its efforts in the global war against terrorism."

Sept. 5-6, 2007: The Six-Party Talks Working Group on Japan-North Korea bilateral relations meets in Ulaanbaatar.

Sept. 6, 2007: Russian President Putin visits Indonesia and signs an agreement to extend a \$1 billion credit for the purchase of military equipment.

Sept. 8-9, 2007: Asia-Pacific Economic Cooperation Forum senior leaders meet in Sydney. Side meetings include Bush, Howard, Abe trilateral, plus Bush bilaterals with Abe, Roh, Putin, Hu, and ASEAN leaders.

Sept. 11-15, 2007: Nuclear experts from Russia, China, and the U.S. visit North Korea to survey nuclear facilities and recommend ways to disable them.

Sept. 12, 2007: Former Philippine President Joseph Estrada is convicted of plunder.

Sept. 12, 2007: Japan PM Abe resigns.

Sept. 15, 2007: Large demonstrations in Kaoshung, Taiwan back a referendum to approve a proposal to apply for entry into the United Nations under the name of Taiwan.

Sept. 17, 2007: Several news sources report that a Sept. 6 Israeli attack inside Syria was on what Israeli intelligence believes was a nuclear-related facility that North Korea was helping to equip.

Sept. 17, 2007: China announces that the Six-Party Talks scheduled to start Sept. 19 would be delayed indefinitely. Reports reveal the delay was requested by North Korea.

Sept. 19, 2007: Nuon Chea, former deputy to Khmer Rouge leader Pol Pot from 1975-1979, is arrested and charged with crimes against humanity as part of UN-sponsored genocide investigation in Cambodia.

Sept. 19, 2007: UN General Assembly's general committee officially rejects Taiwan's application to join the United Nations.

Sept. 21, 2007: China announces Six-Party Talks will resume in Beijing on Sept. 27.

Sept. 21, 2007: The Alliance of All Burmese Monks issues a statement saying they will continue peaceful protests until the military government collapses.

Sept. 23, 2007: Fukuda Yasuo is chosen as the new leader of the LDP in Japan.

Sept. 24, 2007: At least 30,000 (with some estimates as high as 100,000) protesters including 15,000 monks march through Rangoon in an anti-junta rally. The junta warns the government would respond militarily if senior monks did not restrain the protesters.

Sept. 25, 2007: Fukuda is installed as the new prime minister in Japan.

Sept. 25, 2007: President Bush announces in an address to the UN General Assembly new economic and diplomatic sanctions against Burma's military junta and its financial supporters. He also calls on others to join the U.S. in forcing change in Burma.

Sept. 25, 2007: The UN hosts a one-day summit attended by leaders from 150 countries on climate change.

Sept. 25, 2007: Japanese observers attend military exercises in northeast China as guests of the Chinese military.

Sept. 25, 2007: Kim Kye Gwan denounced reports of North Korean nuclear assistance to Syria as "baseless allegations fabricated by lunatics."

Sept. 26, 2007: The U.S. hosts a one-day summit in Washington DC on climate change attended at the ministerial level by the 16 largest polluting nations.

Sept. 26, 2007: Japan's PM Fukuda appoints a new Cabinet including Komura Masashiko as foreign minister and Ishiba Shigeru as defense minister.

Sept. 26-29, 2007: Myanmar government violently responds to ongoing protests. The government reports nine casualties, others report hundreds of casualties.

Sept. 27-30, 2007: Second Session of the Sixth Round of the Six Party Talks is held in Beijing. Delegates agree to a joint statement that requires North Korea to report and disable three nuclear facilities by Dec. 31, 2007.

Sept. 28, 2007: President Bush approves \$25 million to send 50,000 metric tons of heavy fuel oil to North Korea.

Sept 29, 2007: UN special envoy Ibrahim Gambari arrives in Burma on what the UN secretary general calls an "urgent mission" to broker negotiations between the military government and the pro-democracy opposition.

Sept. 30, 2007: Japan announces that economic sanctions on North Korea will be extended for six months to mid-April 2008 because there has been no progress made on the abduction of Japanese by North Korean agents.

Sept. 30, 2007: Thailand Gen. Sonthi Boonyaratglin retires from the military and steps down as head of the junta, but two days later was appointed as Deputy PM. Air Chief Marshal Chalit Pukbhasuk is named as his successor.



**U.S.-Japan Relations:
Fukuda Takes the Helm**

**Michael J. Green, CSIS/Georgetown University
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The Liberal Democratic Party (LDP) was defeated in the July 29 Upper House election and lost its majority to a coalition led by the Democratic Party of Japan (DPJ). Abe Shinzo vowed to stay on as prime minister despite calls for his resignation, reshuffling his Cabinet in late August and then continuing diplomatic initiatives in meetings with President George W. Bush and others at the APEC summit in Sydney. However, presented with news from his doctors that his ulcer-related health problems were now chronic and facing intractable opposition from DPJ leader Ozawa Ichiro to an extension of the government's counterterrorism law in support of Operation Enduring Freedom, Abe suddenly resigned a week after the Sydney summit. The quarter came to a close with Fukuda Yasuo succeeding Abe and vowing to forge ahead with economic reforms and strong support in the war against terror. But Fukuda only has three months to win back public support as the Diet could deadlock during contentious budget negotiations early next year, forcing an election for the more powerful Lower House by the spring. Such a showdown seems likely, given Ozawa's pledge of a no-holds-barred fight to destroy the LDP.

Power shift in the Upper House

The LDP won only 37 of the 121 contested seats (half the total) in the Upper House election and lost 27 seats, consequently ceding its majority to a coalition led by the DPJ. The opposition took advantage of a debacle involving the pension system (the government admitted to having lost 50 million pension records), and a series of corruption scandals and gaffes by Cabinet members, all of which led to damaging questions about Abe's leadership among the press and public. The DPJ tried to portray Abe as being out of touch with the concerns of citizens and gained support not only in urban districts but also in the rural areas that had been typical strongholds of the LDP. Ozawa was masterful in running strong candidates and highlighting resonant themes in the rural LDP strongholds, but whether a victory against an inexperienced Abe in the less influential Upper House can be translated into longer-term support for the DPJ remains to be seen. A *Mainichi Shimbun* poll dated Sept. 14 showed that 43 percent of the public wants the DPJ to win the next general election while 39 percent stuck with the LDP. Another poll by *Yomiuri Shimbun* released Sept. 10 revealed a 29 percent public approval rating for the LDP and a 21 percent approval rating for the DPJ. Ozawa has urged his party to introduce numerous bills in the current Diet session to convince the public that the DPJ is not merely an opposition party capable of criticizing the LDP but one that is fit to govern. Switching to a proactive offensive strategy has never been easy for the DPJ, which has always lacked internal cohesion over security and economic policies.

Exit polls conducted by *Yomiuri* and *Nippon Television* after the Upper House election revealed frustration with Abe's inattention to economic matters. When asked to rank their priorities, respondents listed the pension system first, followed by business conditions, income disparity between urban and rural areas, a general wealth gap, fraudulent accounting by politicians (recent scandals), and education. Some of the analysis, particularly in Western media, tended to stress public discomfort with Abe's nationalist agenda – a *New York Times* editorial Aug. 1 argued that voters were bothered by “the feeling that reviving military spirits was all Mr. Abe cared about” – but the economy appears to have trumped other concerns.

Abe stays; Ozawa attacks

The Upper House election had no direct Constitutional bearing on Abe's fate – the more powerful Lower House selects Japan's leader – but calls for Abe's resignation emerged as soon as the results became known. Abe defiantly refused to step down after a few key LDP leaders expressed support and instead vowed to continue pushing his agenda and implementing reforms. He reshuffled his Cabinet Aug. 27 and installed veterans in key posts to reassure the public of his competence. Polls showed they liked what they saw and Abe's approval rating increased to around 40 percent from a pre-election low of 29 percent. One thing Abe could not change, however, was the LDP's minority status in the Upper House, and Ozawa seized an opportunity to paint Abe into a corner by opposing legislation with potential foreign policy implications. It also appears that Abe's health problems may have sapped his readiness for a showdown that senior LDP politicians, including his predecessor Koizumi Junichiro, thought he could win.

The opposition's main target in the Upper House was extension of the Antiterrorism Special Measures Law (SML), first passed in 2001, which enables Maritime Self-Defense Force vessels to participate in refueling operations in the Indian Ocean in support of Operation Enduring Freedom and stands as symbol of Japan's readiness to “show the flag” in the war on terror. The legislation is set to expire Nov. 1 and while the Lower House can override any Upper House vote by passing legislation a second time with a two-thirds majority, the Upper House can delay a vote on any legislation forwarded by the Lower House for up to 60 days. Ozawa's stance would essentially kill the bill absent a major compromise.

U.S. Ambassador to Japan Thomas Schieffer encouraged Ozawa to support the legislation during a meeting at DPJ headquarters on Aug. 8, but to no avail. Ozawa publicly criticized Operation Enduring Freedom before the assembled media, declaring “the U.S. started this war unilaterally without waiting for a consensus to be built in the international community,” confusing Afghanistan with Iraq. While Ozawa was criticized within the DPJ and internationally for putting Japan's reputation at risk, he stood firm in the knowledge that the crisis could undo the LDP. Abe was forced to make the case for the bill in the Diet and then tried to revive his standing by using the APEC summit in Australia to showcase his strengths in other areas of international diplomacy.

Bush-Abe at APEC

Abe continued his push for close ties with “like-minded” nations by elevating the U.S.-Japan-Australia Trilateral Security Dialogue to the leaders’ level in a meeting with Bush and Prime Minister John Howard in Sydney. Abe and Bush also met separately to discuss the Six-Party Talks, Iran, energy security, climate change, and the situation in Iraq. Bush used a photo opportunity after the meeting to praise Japan’s role in the war on terror, and Abe, in turn, promised to ensure Japan’s continued participation in the Indian Ocean refueling operations. Abe went one step further in a separate session with the Japanese press, stating that he would step down if the extension of the SML did not pass. Given the intractability of Ozawa, this was an early indication that Abe might not tough it out as originally thought.

Fukuda replaces Abe

Political observers saw that Abe’s new Cabinet helped his standing and expected that a strong address to the Diet on Sept. 10 might help him sustain public support through to next year’s G-8 Summit in Hokkaido. In his Diet speech, Abe made a strong case for extending the SML, but actions by the LDP Diet affairs managers on the ground indicated that the government had little confidence that the measure would overcome Upper House opposition in time to pass this year. Two days later, an exhausted Abe appeared at a hastily arranged news conference to announce his resignation, stating that “the people need a leader whom they can support and trust.” Ozawa immediately criticized the decision, noting that Abe was scheduled to answer questions in the Diet that day, and repeated his steadfast opposition to the SML. Abe was hospitalized Sept. 13 and diagnosed with abdominal pain caused by stress.

The LDP quickly settled on Sept. 23 as the election date for party president. Aso Taro, foreign minister under both Koizumi and Abe (and moved temporarily to the powerful LDP secretary general position in the Aug. 27 Cabinet reshuffle) was initially thought by many to be the logical successor to Abe, given that his popularity had always been next highest. But Abe’s former boss as chief Cabinet secretary under Koizumi, the mild-mannered Fukuda Yasuo, quickly emerged as the party’s choice to re-establish public trust in the government.

Fukuda won the LDP presidential election Sept. 26 and immediately set the tone: Koizumi’s reforms and strong alliance with the U.S. would continue, including a push for the SML, but the subtext was that Fukuda would be less ideological and more inclusive. Fukuda took office on Sept. 26, retaining 13 of 19 Cabinet members from Abe’s late-August reshuffle. Machimura Nobutaka, foreign minister in Abe’s second Cabinet and in previous administrations, was named LDP secretary general. Komura Masahiko, also former foreign minister and defense minister in the second Abe Cabinet, was named foreign minister. Ishiba Shigeru, a former director general of the then-Japan Defense Agency, was named defense minister. All three are veterans tasked with handling the opposition and, especially in Ishiba’s case, ushering the SML through the Diet. They are also well known in Washington. Fukuda himself enjoys a strong reputation among those who remember him as the man who pulled together Japan’s response to the Sept. 11 terrorist attacks for Koizumi. Fukuda’s proven competence and pledge to work on the growing income gap and the pension crisis resonated with the public and his new Cabinet received a 57 percent public approval rating according to a *Yomiuri* poll on Sept. 27.

That same poll revealed 47 percent public support for the extension of the SML, a slight increase from earlier surveys, signaling a possible split on this issue. Fukuda pledged in his opening Diet address to press for passage of the SML and to compromise with the DPJ if necessary to do so. Ozawa's public stance has not changed, but within the DPJ, pro-defense members like Maehara Seiji and Nagashima Akihisa steadily expanded support for a compromise with the government that would allow Japan to "show the flag" in the war on terror. Still, Ozawa's position in the DPJ remained strong, given his performance for the party in the Upper House election, and a showdown over the SML and other economic issues still seems likely as the Diet calendar is dominated by budget issues next year. By the end of September, political analysts in Tokyo were predicting a spring election to settle the fight once and for all.

Looking ahead

Abe's resignation introduced turmoil into an already tense political environment in Tokyo, and Fukuda has the unenviable task of getting a key piece of legislation passed while facing an unrelenting opposition and a public that is frustrated with political leadership and concerned about bread and butter economic issues. Ozawa and the DPJ will make Fukuda's life difficult and work to strengthen their own public image looking toward a desired transition from opposition to majority. The DPJ has never successfully made that transition in the past, but Ozawa thinks this is its chance.

The next quarter could feature a visit to Washington by Fukuda to either celebrate the extension of the SML or reassure his counterparts that Japan will sustain its global leadership role in other ways. The alliance will be tested as the two governments begin to negotiate a renewal of the host nation support agreement that covers billions of dollars of costs for U.S. forces in Japan. Fukuda has pledged to be more flexible on negotiations with North Korea, but prospects for movement on phase two of the Feb. 13 Six-Party Talks agreement mean that Washington may move toward lifting terrorist-related sanctions on North Korea that Tokyo had wanted in place until the Japan-DPRK abductee issue is resolved. Fukuda will have to manage Japanese public opinion on that issue while keeping his pledge to Washington that he will be more flexible. On the economic front, there are fears the LDP might return to the old pump-priming, but Fukuda has been clear that he will not make the budget situation worse. He has even advanced the unpopular idea of raising the consumption tax again to offset declining revenue from income tax caused by Japan's changing demographics. Movement on that front is sure to draw fire from the DPJ. Fukuda will also have to coordinate other complex issues with the U.S., including Burma, where neither U.S. sanctions nor engagement by Tokyo has engendered change. Bilateral coordination on a new international approach combining carrots and sticks could begin to take shape and send a strong signal about the positive role of the alliance in Asia. The two governments could also address Iran as it refuses to halt uranium enrichment and attempts to weaken the solidarity of the international community.

Chronology of U.S.-Japan Relations

July-September 2007

July 2, 2007: Public opinion polls show weak support for Prime Minister Abe Shinzo's Cabinet. A poll by the *Asahi Shimbun* indicates an approval rating of 28 percent with a disapproval rating of 48 percent. A *Mainichi Shimbun* poll shows a disapproval rating of 52 percent, a record high, with an approval rating of 32 percent.

July 2-3, 2007: The Senior Officials' Meeting of the Trilateral Strategic Dialogue among Japan, the U.S., and Australia, and the Senior Officials' Meeting of the Japan-U.S. Strategic Dialogue are held July 2 and 3, respectively, in Washington, D.C., Undersecretary of State for Political Affairs Nicholas Burns and Deputy Minister for Foreign Affairs Yabunaka Mitoji attend both meetings.

July 3, 2007: Defense Minister Kyuma Fumio resigns after saying the U.S. atomic bombings during World War II "brought the war to its end" and were something that "could not be helped." Koike Yuriko, special adviser to the prime minister on national security affairs, succeeds Kyuma as DM.

July 29, 2007: The Liberal Democratic Party (LDP) suffers a crushing defeat in the House of Councilors (Upper House) election, losing its majority to a coalition led by the opposition Democratic Party of Japan (DPJ). PM Abe vows not to step down.

July 30, 2007: U.S. House of Representatives passes H.Res. 121. The resolution urged Japan to "formally acknowledge, apologize, and accept historical responsibility in a clear and unequivocal manner for its Imperial Armed Force's coercion of young women into sexual slavery, known to the world as 'comfort women,' during its colonial and wartime occupation of Asia and the Pacific Islands from the 1930s through the duration of World War II."

Aug. 1, 2007: Minister of Agriculture, Forestry and Fisheries Akagi Norihiko resigns amid pressure for contributing to the LDP's defeat in the Upper House election. Akagi was under fire for questionable accounting practices and had assumed the post on June 1 after his predecessor, suspected of misusing public funds, committed suicide.

Aug. 2-3, 2007: Deputy Secretary of State Negroponte visits Japan and meets Chief Cabinet Secretary Yasuhisa Shiozaki, DM Koike, Vice FM Shotaro Yachi, Vice DM Takemasa Moriya, and Kyoko Nakayama, the PM advisor on the abductee issue.

Aug. 8, 2007: In a meeting with U.S. Ambassador to Japan Thomas Schieffer, DPJ President Ozawa refuses to support the extension of legislation allowing Japan to conduct refueling operations in the Indian Ocean in support of Operation Enduring Freedom, declaring that the "U.S. started this war unilaterally without waiting for a consensus to be built in the international community."

Aug. 8-10, 2007: DM Koike visits Washington, D.C. and meets Secretary of State Condoleezza Rice and Secretary of Defense Robert Gates.

Aug. 27, 2007: PM Abe reshuffles his Cabinet, names Aso Taro LDP secretary general, Machimura Nobutaka foreign minister, and Komura Masahiko defense minister.

Aug. 29, 2007: Two public opinion polls show a sharp increase in the Abe government's approval rating. The *Yomiuri Shimbun* indicates a 44.2 percent approval rating and a drop in the disapproval rating to 36.1 percent. *The Nikkei Shimbun* shows an approval rating of 41 percent and a disapproval rating of 40 percent.

Sept. 3, 2007: Endo Takehiko, the newly appointed minister of agriculture, forestry and fisheries, resigns a mere week after his appointment amid revelations that a farmers' mutual aid association he headed had illegally received government subsidies.

Sept. 4-9, 2007: Japan joins India, Australia, Singapore, and the U.S. in the *Malabar 07-02* naval exercise in the Bay of Bengal.

Sept. 5, 2007: The U.S. House of Representatives passes H.R. 508 "recognizing the strong security alliance between the Government of Japan and the United States and expressing appreciation to Japan for its role in enhancing stability in the Asia-Pacific region and its efforts in the global war against terrorism."

Sept. 5, 2007: Environment Minister Kamoshita Ichiro acknowledges misreported political funds but denies any illicit intent.

Sept. 5-6, 2007: The Working Group on the normalization of Japan-DPRK relations, one of five established under the auspices of the Six-Party Talks, convenes in Ulaanbaatar, Mongolia. The Japanese delegation is led by Ambassador Mine Yoshiki.

Sept. 8, 2007: PM Abe and President Bush meet on the sidelines of the APEC summit in Sydney, Australia. Bush stresses the importance of Japan's refueling mission in the Indian Ocean in support of Operation Enduring Freedom.

Sept. 8, 2007: Abe, Bush, and Australian PM John Howard hold a trilateral meeting on the sidelines of the APEC summit, agreeing to step up cooperation to address regional and global concerns such as the war against terrorism, global warming, and North Korea. The three leaders also discuss relations with China and India.

Sept. 9, 2007: During a press conference in Sydney, PM Abe says he is ready to resign if the Parliament fails to extend Japan's refueling mission in the Indian Ocean.

Sept. 10, 2007: PM Abe opens an extraordinary Diet session with a policy speech in which he calls for opposition support to extend the law for Japan's refueling mission, set to expire on Nov. 1.

Sept. 12, 2007: PM Abe resigns, saying that "the people need a leader whom they can support and trust." He reveals that he has instructed party leaders to choose his successor but does not announce a date for his departure from office.

Sept. 13, 2007: PM Abe is hospitalized and diagnosed with abdominal problems caused by stress and fatigue. The LDP decides to choose a new leader on Sept. 23. DPJ President Ozawa criticizes Abe for his abrupt resignation and repeats his party's opposition to the bill that would extend Japan's refueling mission in the Indian Ocean.

Sept. 14, 2007: Former Chief Cabinet Secretary Fukuda Yasuo and LDP Secretary General Aso Taro announce their candidacies for the presidency of the LDP.

Sept. 15, 2007: In a poll by the *Asahi Shimbun*, 70 percent of those surveyed say Abe's resignation is "irresponsible." The survey also finds that 50 percent of the respondents think a general election should be held "soon."

Sept. 22, 2007: Secretary Rice and FM Machimura meet on the fringes of the UN General Assembly in New York. Rice reassures Machimura that the U.S. will not sacrifice U.S.-Japan for ties with North Korea and expresses hope for Japan's continued role in the Afghan mission. Machimura says Japan's stance on North Korea will be unchanged under the new administration and signals Tokyo's determination to continue the refueling mission.

Sept. 23, 2007: Fukuda defeats Aso in the LDP presidential race. During a General Council meeting where each Diet member has one vote and each of the party's 47 prefectural chapters has three votes, Fukuda garners a total of 330 votes (254 from LDP Diet members and 76 from the prefectural chapters) while Aso receives 197 votes (132 from LDP Diet members and 65 from LDP prefectural chapters).

Sept. 24, 2007: In an interview with *Reuters*, Secretary of State Rice hints that North Korea could be dropped from the State Sponsors of Terrorism list before fully accounting for the Japanese citizens it abducted in the 1970s and 1980s.

Sept. 25, 2007: PM Abe officially resigns after being released temporarily from hospital. His Cabinet also resigns en masse.

Sept. 25, 2007: President Bush addresses the UN General Assembly and announces a tightening of sanctions against the regime in Burma. The Treasury Department releases details two days later.

Sept. 25, 2007: Fukuda officially takes office as prime minister, pledging to restore public faith in the government and continue Japan's refueling mission. His Cabinet lineup includes: Machimura Nobutaka, former foreign minister, as chief Cabinet secretary; Komura Masahiko, former defense and foreign minister, as foreign minister; and Ishiba Shigeru, former director general of then-Japan Defense Agency, as defense minister.

Sept. 26, 2007: President Bush calls PM Fukuda to congratulate him on his election and to express hope for Japan's continued role in the refueling mission. Bush also discusses the Six-Party Talks and repeats his commitment to address the issue of Japanese abductees. Fukuda says that his top legislative priority is the extension of the refueling mission and thanks Bush for

supporting Japan's bid for the permanent seat in the UN Security Council. Bush invites Fukuda to visit the U.S. "at an early date."

Sept. 26, 2007: *Kyodo News* releases a poll showing the approval rating for the Fukuda Cabinet at 57.8 percent with a disapproval rating of 25.6 percent. The poll shows the Japanese public to be divided on the extension of the refueling mission as 49.6 percent agreed to the extension and 39.5 percent disagreed.

Sept. 26-30, 2007: FM Komura visits the U.S. to address the UN General Assembly and attend a conference on climate change hosted by Secretary Rice in Washington. Komura also meets separately with Rice and discusses the Six-Party Talks, Iran, Japan's support for Operation Enduring Freedom, climate change, and the situation in Burma.

Sept. 27, 2007: Nagai Kenji, a Japanese journalist for *APF News*, is killed in Burma when soldiers fired automatic weapons into a crowd of demonstrators.

Sept. 27-30, 2007: The Second Session of the Sixth Round of the Six-Party Talks is held in Beijing after an eight-day delay.

Sept. 28, 2007: PM Fukuda rules out immediate sanctions on Burma, saying that Japan "won't immediately impose sanctions and should rather think about how this situation can be resolved," but "is keeping a close eye on the issue."

Sept. 28, 2007: FM Komura addresses the UN General Assembly. He calls the death of the Japanese journalist Nagai Kenji "extremely regrettable" and urges the Burmese government to "solve the current situation through dialogue." Komura makes a formal complaint to Burmese Foreign Minister Nyan Win during a meeting in New York.

Sept. 29, 2007: PM Fukuda sends Deputy FM Mitoji Yabunaka to Burma to protest Nagai's killing.



U.S.-China Relations:
Product Safety Plagues the Relationship

Bonnie Glaser
CSIS/Pacific Forum CSIS

Continued recalls of Chinese-made products prompted actions by both the U.S. and China to shore up consumer confidence and enhance bilateral cooperation on food and product safety. Presidents George Bush and Hu Jintao discussed a broad range of economic and security issues on the sidelines of the APEC leaders meeting in Sydney. Treasury Secretary Henry Paulson traveled to China at the end of July to prepare for the third round of the Strategic Economic Dialogue (SED) scheduled for December amid attempts by Congress to pass legislation that would punish China if it does not revalue its currency. U.S. Chief of Naval Operations and Chairman of the Joint Chiefs of Staff- designate Adm. Mike Mullen made a six-day visit to China during which he was given unprecedented access to China's navy.

“Made-in-China” label still under attack

The uproar about the safety of Chinese-made products that began in mid-March continued to gather steam this quarter. After recalls of tainted pet food, toothpaste, and tires imported from China, toy maker Mattel issued three recalls in August, two for nearly 1.5 million toys that contained “impermissible levels of lead paint” and one for 18.2 million toys with magnetic parts that led to injuries and at least one death after being swallowed. In September, U.S. regulators recalled about 1 million baby cribs manufactured in China after the cribs were linked to at least two infant deaths.

Recognizing that the problem could snowball and jeopardize China's exports as well as result in domestic criticism of the government for allowing tainted food and shoddy products to be sold at home, Beijing took action on several fronts. On July 10, the former head of China's State Food and Drug Administration, Zheng Xiaoyu, was executed for dereliction of duty and taking bribes from drug companies. Later that month, China announced that it had shut down several firms that had been involved in the melamine-tainted wheat gluten scandal that involved pet food in North America and in the export of diethylene glycol that ended up in Panamanian medicines that killed at least 51 people. In August, the Chinese government also identified the Chinese toy factory that was at the center of the Mattel recall due to lead paint. The toy factory's owner committed suicide the following week. In late September, China's food safety watchdog revoked the licenses of 564 factories involved in producing potentially toxic monosodium glutamate (MSG), rice, and frozen noodles.

In further response to domestic and international criticism, China appointed Vice Premier Wu Yi to head a new Cabinet panel on food and product safety. The new 19-member body will bring together officials from several agencies that have jurisdiction over food and product supervision. China also launched a media campaign to defend the quality of its exports. Commerce Minister Bo Xilai insisted that “99 percent of China’s exports are good and safe.” Li Changjiang, director of the General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ), defended Chinese manufacturers and blamed U.S. toy companies for faulty designs. In another step aimed at improving supervisory procedures, China instituted a new nationwide system on Aug. 31 for recalling unsafe food and toys. The system requires manufacturers who discover unsafe products to cease production, notify customers, and report to quality control officials.

China also took retaliatory action against the United States, declaring that it, too, must be vigilant for unsafe U.S. food products. In July, China suspended the import of poultry and pork products from several major U.S. producers, including Tyson Foods, Cargill Meat Solutions, and Sanderson Farms, charging that they were tainted with bacteria or residues of drugs and pesticides. In September, China returned 40 tons of pork because it contained traces of the growth stimulant ractopamine, which is banned by the majority of countries, but is permitted in 24 countries, including the U.S.

The Chinese also pressured Mattel to publicly apologize for mistakes on the U.S. side that helped lead to the toy safety scandals. Likely fearing that its business in China could be adversely affected, Mattel’s vice president for worldwide operations Thomas Debrowski traveled to Beijing in September to apologize personally to China’s product safety chief, Li Changjiang, with reporters and company lawyers present. Debrowski admitted that the magnet-related recalls were due to design flaws, not manufacturing problems and said that “Mattel takes full responsibility for these recalls and apologizes personally to you, the Chinese people, and all of our customers who received the toys.” Mattel assumed no responsibility, however, for the use of lead paint, but the toy company’s representative said that lead-tainted toys accounted for only a small percentage of all toys recalled.

In the U.S, both the executive and congressional branches also took steps to protect consumers. On July 18, President Bush announced the establishment of a new panel to monitor U.S. imports. Following the Mattel recalls, a series of congressional hearings were held at which both China and U.S. regulators were blamed for lax supervision. Some U.S. lawmakers, including Sen. Charles Schumer, called on the State Department to pressure China into opening up its manufacturing sector to U.S. inspections and proposed suspending imports of food and toys from China.

Bilaterally, the U.S. and China moved to cooperate more closely on product and food safety. After a visit to Beijing by U.S. health officials at the end of July, China’s AQSIQ and the U.S. Department of Health and Human Services issued statements suggesting that cooperation agreements could be signed by December. According to a statement issued by Mike Leavitt, the secretary of health and human services, the U.S. delegation offered “technical assistance” to China’s quality watchdog “to address systemic problems” related to product safety. At the second U.S.-China meeting on consumer product safety, held in September, China signed a pact to prohibit the use of lead paint in toys exported to the U.S. Beijing also pledged to increase

inspections of its exports and take other measures to ensure that those products meet U.S. standards.

Despite Chinese efforts to protect the “made in China” label and U.S. efforts to strengthen cooperation with Beijing on food and product safety, Americans remained wary. An *NBC News/Wall Street Journal* poll showed that 65 percent of Americans have little or no confidence that food imported from China is safe to eat. And a Zogby poll revealed that 82 percent of Americans are concerned about buying goods from China, with nearly two-thirds saying they would be willing to take part in a boycott of Chinese goods until Beijing implements more stringent safety regulations.

Hu-Bush tête-à-tête on the sidelines of APEC

In what is likely to be their last face-to-face conversation this year, Presidents Hu Jintao and George Bush met on Sept. 6 on the margins of the APEC Leaders Meeting in Sydney, Australia. After the 90-minute meeting, both leaders met briefly with the press. Bush noted that the discussion had been “constructive and cordial,” while Hu termed it “candid” and “friendly.” Bush told reporters he raised concerns about what the U.S. sees as an undervalued Chinese currency. According to White House officials, Hu, not Bush, raised the issue of the safety of Chinese exports. Bush told reporters that Hu “was quite articulate about product safety” and noted that he appreciated the Chinese leader’s comments.

Although Hu did not reiterate to the press the comments on product safety that he made to Bush privately, earlier that day he had addressed the subject during a news conference with Australian Prime Minister John Howard. “The first point I would like to make is the Chinese government has always taken the quality of Chinese products and the safety of Chinese food very seriously,” Hu said. “And we have enforced very strict inspection and examination procedures throughout the whole process of manufacturing Chinese products.”

On the topic of climate change, the top agenda item for this year’s APEC meeting, the approaches taken by Bush and Hu – leaders of two of the world’s worst greenhouse gas-emitting nations – overlapped. Both leaders called for greater international cooperation to cope with the negative consequences of climate change without restraining economic growth. “We believe that the issue of climate change bears on the welfare of the whole humanity and sustainable development of the whole world,” Hu told reporters after his meeting with Bush. “And this issue should be appropriately tackled through stronger international cooperation.” Bush said that he talked with Hu about “our desire to work together on climate change.” According to Dan Price, a presidential economic adviser on the National Security Council, Bush invited the Chinese leader to join him in eliminating tariffs on environmental and clean-energy technologies. Hu has suggested that the UN spearhead climate control efforts. Price said that wasn’t necessarily contradictory with the Bush approach.

The two leaders also talked about the bilateral military relationship and the issue of military transparency. They specifically discussed establishing a crisis hotline between their military establishments that could be used to alert each other to possible military situations that might seem threatening or be ambiguous. After repeated suggestions in recent years by the Pentagon

that such a hotline be set up, the Chinese have signaled in discussions with senior U.S. military officers that they may be ready to proceed.

In a press briefing, Deputy National Security Adviser Jim Jeffrey characterized the overall tenor of the meeting as “very, very warm.” He noted that Hu and Bush are friends and have had good relations for a “good, long time.” Jeffrey said that the meeting was “very productive” and “rich” from the standpoint of both presidents. He provided some details on the conversation about Iran, which centered on ensuring the implementation of UN Security Council Resolutions 1737 and 1747 and proceeding toward a possible third resolution. Jeffrey also said the two presidents held a “fairly extensive” discussion about the state of play in the Six-Party Talks.

Briefing on economic issues, Price said the two presidents agreed to work out economic problems in the Strategic Economic Dialogue and other channels in a constructive manner and in a way that does not “foster or feed protectionist impulses on either side.” On currency and exchange rate reform, Bush urged China to continue to take steps to revalue its currency and Hu indicated that China would allow the market to play an increasing role in the valuation of its currency. On Doha, both sides agreed on the need to work together toward the goal of concluding a successful round. They also agreed that this would require contributions from both developed and developing countries on the issues of agricultural subsidies, market access for industrial and agricultural goods, and market access for services. Hinting that the U.S. expects China to be more proactive on these issues, Bush expressed concern that “some countries” appear to not be prepared to do their share.

Bush also raised concerns about religious freedom and democracy in China and about Chinese restrictions on beef and pork. Hu extended an invitation to Bush and his family to attend the summer 2008 Olympics in Beijing. Bush told the press that he was “anxious to accept.”

A full one-third of the meeting was taken up by a discussion of Taiwan. According to the Chinese Foreign Ministry spokesman and Chinese press reports, Hu warned Bush that the situation across the Taiwan Strait has entered a “highly dangerous period.” Highlighting efforts by Taiwan to hold a referendum on UN membership and seek to join the UN under the name of Taiwan as especially destabilizing, Hu told Bush “We must issue harsher warnings to the Taiwan authorities that any secessionist attempt aimed at ‘Taiwan independence’ in any form will be doomed,” *China Daily* quoted Hu as saying. In reply, Bush reportedly reiterated that the U.S. firmly adheres to the one-China policy, observes the three U.S.-China joint communiqués, and opposes any unilateral act to change the status quo across the Taiwan Strait. In addition, Bush allegedly told Hu that the U.S. fully understands China’s concerns on the issue.

On Taiwan’s proposed referendum to join the UN, *China Daily* reported that Bush agreed with the prompt and clear statement by Deputy Secretary of State John Negroponte, who told Hong Kong’s *Phoenix TV* on Aug. 27 that the referendum was a “mistake” and “a step toward a declaration of Taiwan independence and toward an alteration of the status quo.” Bush promised to continue to pay attention to developments in Taiwan and “maintain close communication with China regarding the matter,” *China Daily* reported. In the brief statement to the press after their meeting, Bush remained silent on Taiwan. Hu told reporters that he had briefed Bush on developments in the situation across the Taiwan Strait and asserted that “President Bush also

explicitly stated the consistent U.S. position of opposing any changes to the status quo.” After the leaders’ summit, the head of China’s Taiwan Affairs Office, Chen Yunlin, visited Washington to discuss developments on Taiwan and to urge the U.S. government to maintain pressure on Taiwan President Chen Shui-bian to withdraw the referendum proposal. Privately, Chinese scholars warned that if the Bush administration is not sufficiently firm and consistent, Beijing might have to take matters into its own hands.

Paulson visits China to prepare for next SED

As Congress pressed ahead with plans to punish China if it does not revalue its currency, Treasury Secretary Henry Paulson traveled to China at the end of July to prepare for the third round of the Strategic Economic Dialogue (SED) scheduled for December. Meeting with President Hu, Paulson said that both the U.S. and China needed to “spare no effort to make the strategic dialogue successful as it is at a crucial moment.” He pledged to continue to work with Vice Premier Wu Yi to make the mechanism “a bridge to alleviate friction, overcome difficulties, solve problems, and strengthen economic and trade relations.”

After two days of meetings with senior Chinese leaders, Paulson said he was assured that Beijing was committed to currency flexibility and more extensive financial reforms. Citing a specific achievement, Paulson said that the Chinese indicated they planned to lift a moratorium on joint venture security in the fall, rather than in December as initially planned.

The Senate Finance Committee and Senate Banking Committee both passed bills in July that would allow the U.S. to push other nations to adopt more market-based currency policies or face sanctions. In a letter to congressional leaders released after Paulson met with Wu Yi in Beijing, Paulson joined other top Bush aides in voicing opposition to the use of legislation to deal with the currency issue. Paulson said he urged greater currency flexibility in his meeting with Wu Yi, which also touched on environment and energy efficiency, food and product safety, investment and balanced growth. Paulson also met with Shang Fulin, chairman of the China Securities Regulatory Commission, Central Bank Gov. Zhou Xiaochuan, and had lunch with Ma Kai, the minister in charge of the National Development and Reform Commission, China’s top planning agency.

Prior to visiting Beijing, Paulson spent a day in China’s Qinghai province to examine environmental protection projects. He chose Qinghai Lake, China’s largest saltwater lake, as an example of the environmental challenges facing the country, and witnessed Chinese efforts to reverse environmental degradation. Paulson said the Qinghai lake region illustrated the problems of greenhouse gas emissions and climate change because rising temperatures are causing the lake to shrink and glaciers to melt, which could threaten the source of several major rivers in Asia. Paulson also visited rural families and discussed environmental protection with local officials.

With 15 months remaining in the Bush administration, the race is on between congressional advocates of legislation to sanction China and administration officials like Paulson who hope to head off such draconian measures and resolve differences through bilateral and multilateral dialogue. Chen Baosen, a researcher with the Institute of American Studies under the Chinese

Academy of Social Sciences, told Guangzhou's *World Economic Herald* that Paulson's mission is "to prevent U.S. trade protectionism from endangering Sino-U.S. relations." The trend in the bilateral trade deficit will make this especially challenging. The Commerce Department reported in early September that the U.S. trade deficit with China so far this year is \$141 billion, on pace to top last year's record \$232 billion. Some economists predict that the bilateral trade deficit could reach \$350 billion in 2007.

Steps forward in military transparency

The head of the U.S. Air Forces in the Pacific visited China in late July. Gen. Paul Hester was granted access to Jining Air Base, an *Su-27* fighter-bomber base, and Jianqiao Air Base, where he saw *FB-7s*, all-weather, supersonic, medium-range fighter bombers. During a teleconference with reporters, Hester said that "going to see the two air bases with these two (fighter) platforms is a step forward in openness." He added, however, that China had not provided much insight into the direction of development of the Chinese military. "There are certainly not much solid answers to that question of 'What is your vision for your military and where will it lead you?'" Hester stated.

In the wake of the collision of a Chinese fighter and U.S. *EP-3* spy plane in April 2001, Hester said Chinese fighter intercepts of U.S. surveillance aircraft have continued, but they have been "professionally done" and "in accordance with fairly clear rules of engagement."

In addition to the two air bases, Hester also met in Beijing with Gen. Qiao Qingchen, commander of the PLA Air Force and a member of the Central Military Commission (CMC), and in Nanjing with a Nanjing Military Region Command official. Qiao accepted an invitation to visit the United States. They declined to show Hester their new *J-10* multi-role fighter.

The following month, U.S. Chief of Naval Operations and Chairman of the Joint Chiefs of Staff-designate Adm. Mike Mullen made a six-day visit to China during which he was given unprecedented access to China's navy. In Beijing, Mullen discussed strengthening exchanges between the U.S. and Chinese armed forces and the need to maintain peace and stability in the Taiwan Strait with Guo Boxiong, vice chairman of the CMC, and Cao Gangchuan, CMC vice chairman, state councilor, and defense minister.

Mullen's visit marked the first visit in 10 years by a U.S. chief of naval operations. He traveled to Dalian, Qingdao, Ningbo, and Shanghai and was able to do several things that had not been done previously by a U.S. naval officer, including boarding a destroyer and observing an exercise that included air, submarine, and surface maneuvers. Mullen indicated that he had received the same level of access provided to Adm. Wu Shengli, the head of the Chinese navy, who had visited the U.S. in April and was the host of Mullen's visit. At Dalian Naval Academy, he met with several hundred young midshipmen.

Mullen told a group of reporters in Beijing that he was leaving China "with a much better understanding of the leadership" and "an improved relationship between the two navies and a commitment to continue to improve that." He expressed gratitude to Wu Shengli, whom, he said, had worked hard to reciprocate for the extensive schedule that had been arranged during his

trip to the United States. “What I asked in return was for him to do the same thing,” Admiral Mullen said. “He has done that. What I have seen is actions, not just words, which have met that standard and I consider that to be very positive.”

China in the 2008 U.S. presidential campaign

Although China has not been a major topic of discussion in the U.S. presidential campaign to date, it has received some attention, especially among the Democratic candidates. And, not surprisingly, most of the comments have been critical. In early June at a debate with seven other Democratic presidential candidates, Gov. Bill Richardson proposed that the U.S. threaten to boycott the 2008 Olympics unless China uses its “enormous leverage” with the Sudan government to resolve the humanitarian crisis in Darfur. Other candidates present were reluctant to endorse Richardson’s proposal, but agreed that the U.S. should put greater pressure on China.

When asked by moderator Keith Olbermann whether China is “an ally or an adversary” at an Aug. 7 debate sponsored by the AFL-CIO, Democratic candidates generally agreed that China is a competitor. Richardson took the toughest line, labeling China a “strategic competitor” while Sens. Barack Obama and John Edwards called China a “competitor” and Sen. Christopher Dodd noted that China was a “competitor” but close to becoming an “adversary.” Only Sens. Joe Biden and Hillary Clinton stated that China was neither an ally nor adversary.

Several candidates voiced concern about the leverage that China has acquired through the financing of U.S. debt. Biden quipped that China “holds the mortgage on our house.” Congressman Dennis Kucinich insisted that “we should not be borrowing money from China to run a war in Iraq.” Other candidates raised concerns about currency manipulation and trade issues, and called for a firmer U.S. approach. Noting recent safety concerns about Chinese products, Clinton called for tougher standards on Chinese imports. “I do not want to eat bad food from China or have my children having toys that are going to get them sick,” Clinton said. “So let’s be tougher on China going forward.”

Although China’s military buildup has not been a frequent topic of discussion in Democratic debates, Dodd has warned about China’s military buildup and the potential for a future military confrontation. In order to avert conflict, Obama has called for increased U.S.-China military-to-military contact.

John Edwards offered his views on China in the September/October issue of the journal *Foreign Affairs*, which is publishing a series of essays by presidential candidates. In a decidedly negative assessment, Edwards warned that economic competition with China could lead to conflicting perspectives on security issues, and cited China’s approach to Iran and Sudan as examples. He termed the U.S.-Chinese relationship “a delicate one, which has not been well managed” by the Bush administration. Whether on trade, climate change, or human rights, Edwards maintained that the overarching U.S. goal should be to “get China to commit to the rules that govern the conduct of nations.”

China has received less attention in the Republican debates. Most Republican candidates have referenced China primarily in their supporting arguments in answers to questions on other topics.

In the GOP debate at Saint Anselm College on June 3, for example, Gov. Jim Gilmore maintained that the Kyoto Treaty is flawed because it does not adequately address greenhouse gas emissions from China and India.

Congressman Duncan Hunter, former chairman of the House Armed Services Committee, has mentioned China more times in his debate responses than all other Republican candidates combined. He has repeatedly insisted that China is “cheating on trade” and has blamed China for the U.S. trade deficit and the loss of 1.8 million U.S. jobs. In a question on immigration issues, Hunter offered statistics on non-Mexicans immigrating through the U.S.-Mexican border, “some of whom are “from Communist China.” He has also warned of the dangers posed by China’s military buildup, suggesting that if America were to become vulnerable, the Chinese would treat the U.S. “just like they treated that guy in front of the tank at Tiananmen Square.”

In his critique of U.S. foreign policy in the July/August issue of *Foreign Affairs*, Mitt Romney only briefly referred to China’s “economic rise.” Writing in the September/October issue, Rudolph Giuliani lumped China together with Russia and proposed a U.S. policy that seeks “common ground without turning a blind eye to our differences with these two countries.” He emphasized the need to voice U.S. concerns about human rights abuses even as we work with Russia and China on economic and security issues. On an Aug. 20 appearance on the *Charlie Rose Show*, Sen. John McCain discussed China’s rise, mentioning that the current leadership “continues to act irrationally about Taiwan.” He also noted reports that China is building an aircraft carrier.

McCain frequently criticizes China’s lack of cooperation in international efforts directed at Iran’s nuclear program. On *MSNBC’s Hardball* Sept. 17, he proposed that the U.S. establish a “league of democracies outside of the UN” to bypass Russia and China, so that Iran can be dealt with effectively.

Closing out the year

The most important event in the final quarter of 2007 will be China’s 17th Party Congress, scheduled to open Oct. 15. Roughly 2,000 delegates from all levels of the Chinese Communist Party will convene to review the party’s work since the last Congress held in 2002 and set forth general guidelines for the party’s priorities and tasks for the coming five years. In addition, the Party Congress will make new personnel arrangements, electing a new Central Committee, which will then appoint a new party leadership. Preparations for the 17th Party Congress have been underway for at least the past year, but the decisions that will be announced remain shrouded in secrecy.

In the U.S., Congress will be paying close attention to the Joint Commission on Commerce and Trade (JCCT) and the third round of the Strategic Economic Dialogue, both of which will be held in Beijing in December. Another round of the Senior Dialogue on foreign policy issues may also be held that month. On the military front, the Defense Consultative Talks, which had been scheduled for September, are now likely to be held in December as well.

Chronology of U.S.-China Relations July-Sept. 2007*

July 2, 2007: A U.S. House China Working Group delegation visits China. In Beijing, the delegation is received by Sheng Huaren, vice-chairman of the Standing Committee of China's NPC. The delegation also visits Qinghai, Gansu, and Shanghai.

July 4, 2007: The U.S. automaker Chrysler and Chinese car company Chery sign a deal to launch a low-cost production facility in China.

July 5, 2007: Chinese Foreign Ministry lodges a representation to the U.S. over Taiwan Vice President Annette Lu's transit stopover in the U.S. en route to Latin American.

July 9, 2007: Secretary of Transportation Mary Peters and Chinese Minister of Civil Aviation Yang Yuanyuan sign an aviation agreement in Seattle. It allows both countries to expand direct flights between the U.S. and China and move forward with assessments of airline proposals to operate the new routes.

July 10, 2007: China executes the former head of the Food and Drug Administration Zheng Xiaoyu for taking bribes to approve untested medicine.

July 12, 2007: Don Mahley, deputy assistant secretary of state for international security and nonproliferation, testifies to U.S.-China Economic and Security Review Commission saying that "China is failing to do all it should to stop militarily significant supplies from reaching Iran, even though it voted for UN sanctions aimed at preventing Tehran from developing nuclear weapons."

July 13, 2007: General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) announces suspension of imports of chicken and pork products from several U.S. firms, including Tyson Foods and Cargill for food safety reasons.

July 18-20, 2007: First Session of the Sixth Round of Six-Party Talks is held in Beijing after a four month recess.

July 20, 2007: Li Changjiang, minister of the AQSIQ, announces that China and the United States will hold a vice-ministerial-level talk on food safety in August.

July 23-28, 2007: Commander of U.S. Pacific Air Forces Gen. Paul Hester visits China.

July 24, 2007: The U.S. firm Westinghouse Electric signs a deal with the Chinese state company Nuclear Technology to build four nuclear power plants in China.

* Former CSIS Intern Wang Liang compiled the chronology.

July 24, 2007: The FBI says that a joint effort with the Chinese authorities led to the arrest of 25 people and the seizing of more than \$500 million worth of counterfeit [Microsoft](#) and [Symantec](#) software that was being made in China.

July 26, 2007: Senate Finance Committee votes favorably on a bill under the Currency Exchange Rate Oversight Reform Act of 2007 to require the Treasury Department to take firm action against the Chinese currency. Treasury issues statement saying it does not support this proposed approach.

July 26, 2007: Foreign Ministry spokesman denies U.S. military accusation that Chinese weapons exported to Iran have been transferred to Iraqi militias.

July 29-Aug. 1, 2007: Treasury Secretary Henry Paulson visits China to discuss the agenda for the next round of the U.S.-China Strategic Economic Dialogue. In Beijing, he is received by President Hu Jintao and Vice Premier Wu Yi and meets a number of Chinese ministers.

Aug. 1, 2007: Chinese Foreign Minister Yang Jiechi meets with Deputy Secretary of State John Negroponte at the ASEAN Regional Forum meeting in Manila.

Aug. 1, 2007: Commerce Secretary Carlos Gutierrez and U.S. Trade Representative Susan Schwab announce that the 18th U.S.-China Joint Commission on Commerce and Trade (JCCT) will be held the week of Dec. 10 in Beijing.

Aug. 2, 2007: A senior delegation from the U.S. Department of Health and Human Services and Food and Drug Administration visits Beijing and meets senior officials from the AQSIQ, the Ministries of Health and Agriculture, and the Certification and Accreditation Administration. The two sides discuss food and drug safety issues and agree to hold regular consultative meetings.

Aug. 8, 2007: China starts one-year countdown to 2008 Beijing Olympics.

Aug. 13, 2007: Congressmen Dennis Hastert (R-IL) and John Shadegg (R-AZ) visit China at the invitation of National People's Congress (NPC). In Beijing, they meet Sheng Huaren, vice chairman of the Standing Committee of NPC, and Chinese FM Yang Jiechi.

Aug. 13, 2007: The U.S. requests the WTO to establish a dispute settlement panel on addressing China's legal regime for protecting and enforcing copyrights and trademarks.

Aug. 14, 2007: U.S. company Mattel recalls more than 9 million toys made in China after finding that the paint used may contain lead.

Aug. 15, 2007: A delegation led by James Connaughton, chairman of the White House Council on Environmental Quality, visits Beijing and discusses climate change and environmental protection issues with Chinese officials from the Ministry of Foreign Affairs, the Ministry of Science and Technology and the National Development and Reform Commission.

Aug. 16-21, 2007: VADM Charles Wurster, commander of the Pacific Area and Defense Force West of U.S. Coast Guard, visits Shanghai aboard the U.S. Coast Guard Cutter *Boutwell*. It is the first international stop for the crew as the U.S. Coast Guard representative to attend the North Pacific Coast Guard Forum (NPCGF).

Aug. 17, 2007: China appoints Vice Premier Wu Yi to head a Cabinet-level panel to oversee product quality and food safety.

Aug. 17, 2007: The Information Office of China's State Council releases a white paper titled "China's Food Quality and Safety."

Aug. 17-22, 2007: Chief of U.S. Naval Operations Adm. Mike Mullen visits China. In Beijing, he meets PLA Navy Commander Wu Shengli, Vice Chairman of the Central Military Commission Guo Boxiong, Defense Minister Cao Gangchuan, PLA Chief of the General Staff Liang Guanglie and FM Yang Jiechi.

Aug. 20-24, 2007: U.S. Navy aircraft carrier *USS Nimitz* makes a port call in Hong Kong.

Aug. 22, 2007: AQSIQ announces that U.S. soybean exports to China have "numerous quality problems."

Aug. 27, 2007: U.S. House Armed Services Committee delegation headed by Chairman Ike Skelton (D-MO) visits China. The delegation meets NPC Chairman Wu Bangguo and Vice FM Zhang Yesui. The delegation also visits the headquarters of the PLA Second Artillery and is received by the Commander, Gen. Jing Zhiyuan.

Aug. 27, 2007: Deputy Secretary Negroponte says that Taiwan's effort to hold a referendum on joining the UN under the name of Taiwan is "a step toward a declaration of independence of Taiwan, toward an alteration of the status quo." Chinese Foreign Ministry spokesman Liu Jianchao says China appreciates the U.S. opposition to the referendum scheme by Taiwan authorities to seek UN membership the next day.

Aug. 27, 2007: A U.S. House U.S.-China Working Group delegation headed by Congressmen Mark Kirk (R-IL) and Rick Larsen (D-WA) visits Beijing and has meetings with NPC Chairman Wu Bangguo, NPC Vice Chairman Sheng Huaren, Assistant FM He Yafei and Minister of the AQSIQ Li Changjiang.

Aug. 28, 2007: Communist Party of China announces the 17th Party Congress will open Oct. 15.

Sept. 3, 2007: The *Financial Times* reports that the PLA launched a cyber attack on the U.S. Defense Department in June. Several days later a Chinese Foreign Ministry spokesman issues a denial.

Sept. 3, 2007: China's special envoy on Darfur, Liu Guijin, visits Washington D.C. and meets Deputy Secretary Negroponte, U.S. special envoy to Darfur Andrew Natsios, and U.S. lawmakers.

Sept. 4, 2007: U.S. toy company Mattel issues another recall announcement.

Sept. 6, 2007: Presidents Bush and Hu meet at the APEC Summit in Sydney and discuss bilateral relations, Taiwan, the quality of Chinese products, climate change, Iran, North Korea and other issues.

Sept. 11, 2007: Deputy Assistant Secretary Tom Christensen delivers a speech at the U.S.-Taiwan Business Council's Defense Industry conference entitled "A Strong and Moderate Taiwan."

Sept. 11-12, 2007: Chinese delegation headed by AQSIQ Vice Minister Wei Chuanzhong visits Washington to attend the third U.S.-China food safety meeting and the second U.S.-China meeting on the safety of consumer products with the U.S. Consumer Product Safety Commission. A joint declaration is released on consumer product safety.

Sept. 12, 2007: U.S. National Highway Traffic Safety Administration and China's National Reform and Development Commission sign a Memorandum of Cooperation in Washington to strengthen cooperation and communication in the area of motor vehicle safety and to improve enforcement standards.

Sept. 13, 2007: Minister of Taiwan Affairs Office Chen Yunlin travels to Washington D.C. to discuss Taiwan's effort to hold a referendum on joining the UN under the name of Taiwan.

Sept. 14, 2007: China files its first WTO case against the U.S., opposing antidumping duties on Chinese paper imports.

Sept. 14, 2007: The U.S. Department of State releases International Religious Freedom Report 2007. China's Foreign Ministry criticizes the report's section on China.

Sept. 16, 2007: The Chinese Foreign Ministry issues a statement protesting the sale of U.S. weapons to Taiwan following U.S. Defense Department's notification of a possible sale of P3 anti-submarine warfare planes and SM-2 air defense missiles.

Sept. 17, 2007: Quarantine officials in Guangdong, China reject an 18.4 ton shipment of frozen pork kidneys from the U.S.

Sept. 17, 2007: Karen Harbert, assistant secretary for policy and international affairs of the Department of Energy, and Chen Deming, vice minister of the National Development and Reform Commission sign a memorandum of understanding in San Francisco to cooperate on increasing energy efficiency in China's industrial sector.

Sept. 19, 2007: The National Basketball Association (NBA) announces the formation of a Chinese subsidiary, NBA China.

Sept. 20, 2007: Chinese Vice Premier Zeng Peiyan meets Sam Zamrik, president of the American Society of Mechanical Engineers (ASME), and encourages cooperation on drawing up and revising nuclear power standards.

Sept. 21, 2007: UN General Assembly approves General Committee's recommendation to exclude the issue of Taiwan's participation in the UN from its agenda.

Sept. 21, 2007: Chinese delegation headed by Assistant FM Zhai Jun attends the Second High-level Consultative Meeting on Darfur in New York.

Sept. 21, 2007: David McCormick, U.S. under secretary of Treasury for international affairs, travels to Beijing to attend a deputy-ministerial meeting under the U.S.-China Joint Economic Committee.

Sept. 21, 2007: U.S. Consumer Product Safety Commission recalls cribs made in China marketed by the Pennsylvania company, Simplicity, Inc., of Reading.

Sept. 21, 2007: Thomas A. Debrowski, Mattel's executive vice president for worldwide operations, travels to Beijing and meets Li Changjiang, minister of the AQSIQ, and officials from the Ministry of Commerce. Mattel apologizes and takes responsibility for magnet-related recalls saying that they "were due to emerging issues concerning design and this has nothing to do with whether the toys were manufactured in China."

Sept. 23, 2007: Secretary of State Rice meets FM Yang on the sidelines of the 62nd UN General Assembly session in New York.

Sept. 27, 2007: President Bush receives FM Yang in the Oval Office. Yang also meets Treasury Secretary Paulson and attends the opening ceremony of the Major Economies Meeting on Energy Security and Climate Change.

Sept. 27-28, 2007: Xie Zhenhua, deputy minister of the National Development and Reform Commission (NDRC) attends the Major Economies Meeting on Energy Security and Climate Change in Washington as a representative of Chinese President Hu.

Sept. 27-30, 2007: Second Session of the Sixth Round of the Six Party Talks is held in Beijing. Delegates agree to a joint statement that requires North Korea to report and disable three nuclear facilities by Dec. 31, 2007.



U.S.-Korea Relations:
Agreement with the North, Progress with the South

Donald G. Gross, Atlantic Council of the United States
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In an historic breakthrough at the Six-Party Talks, North Korea committed to disabling its Yongbyon nuclear facilities and declaring all its nuclear programs by Dec. 31, 2007. It also pledged not to transfer nuclear materials, technology, or know-how. In exchange, the U.S. agreed to move toward normalizing relations with Pyongyang by fulfilling its commitment to take North Korea off the list of state sponsors of terrorism and end the application of the U.S. Trading with the Enemy Act as Pyongyang fulfills its denuclearization commitments.

North Korea's agreement in the nuclear negotiations created a positive atmosphere for a successful North-South summit, held Oct. 3-4 in Pyongyang. In their summit declaration, signed by President Roh Moo-hyun and Chairman Kim Jong-il, the two Koreas pledged to work together on security, economic and humanitarian issues while making only passing reference to smoothly implementing the Six-Party Talks agreement. Significantly, the declaration also explicitly acknowledged that "the South and the North both recognize the need to end the current armistice regime and build a permanent peace regime." According to U.S. Ambassador to South Korea Alexander Vershbow, Washington and Seoul "have already begun consultations...in order to develop a common approach" to this issue.

As the ratification process for the Korea-U.S. Free Trade Agreement (FTA) moved ahead, Seoul resumed imports and inspections of U.S. beef. South Korea seemed to take seriously the warning of U.S. Secretary of Agriculture Mike Johanns that the Congress would not ratify the FTA as long as restrictions on U.S. beef remain in effect. In early September, the South Korean government submitted the FTA to the National Assembly for ratification.

Finally, in a change long sought by South Korea, President Bush signed into law in early August a measure that will allow South Koreans to visit the U.S. without a visa, for a period of up to 90 days. The change is set to go into effect in July 2008, at the time the Korean government is expected to issue biometric "e-passports" to its citizens.

Despite the progress made on several fronts, there was also an undercurrent of tension that marked the relationship between both Koreas and the U.S. throughout the quarter. Nevertheless, each time the tension bubbled to the surface both sides seemed intent on smoothing over the differences and moving on with the issue at hand.

North Korea Shuts Down Its Nuclear Facilities

Diplomatic activity picked up significantly at the beginning of the quarter as the parties moved forward on implementing the Feb. 13 agreement at the Six-Party Talks. In late June, officials of the International Atomic Energy Agency (IAEA) announced that the agency had reached agreement with Pyongyang on how it would monitor and verify a shutdown of North Korea's nuclear facilities. The IAEA Board of Directors subsequently approved this agreement July 9.

Shortly after, South Korea's Ministry of Unification declared that after a two-day meeting with North Korean officials at the Gaesong economic zone, Seoul would ship 50,000 tons of heavy fuel oil as soon as Pyongyang shut down its Yongbyon reactor. Worth approximately \$21.6 million, the shipment was part of the 1 million tons of oil promised to Pyongyang for dismantling its nuclear program.

With implementation of the Feb. 13, 2007 accord moving forward, North Korea's Kim Jong-il made his first comments on diplomatic progress on July 4. He told Chinese Foreign Minister Yang Jiechi, during a meeting in Pyongyang, that "recently there have been signs that the situation on the Korean Peninsula is easing. All the parties should implement the initial actions of the agreement reached in February."

In mid-July, Ambassador Vershbow put the Six-Party Talks agreement in a larger context by linking North Korea's dismantling of its nuclear program to negotiations on a "permanent peace regime." A new peace regime would formally end the Korean War and replace the 1953 Armistice Agreement, which is still in force. Vershbow said in Seoul that "the U.S. is certainly prepared to begin this process sometime this year." But he indicated that Washington would not "settle for a partial solution" that would leave North Korea "with even a small number of nuclear weapons." In noting that negotiations on a permanent peace regime would be complicated and likely require reducing troop levels along the Demilitarized Zone (DMZ), Vershbow said a new peace arrangement is within reach, if Pyongyang moves toward complete denuclearization.

Shortly after Vershbow's statement, a senior North Korean military official, Lt. Gen. Ri Chan-bok, proposed holding bilateral military talks with the U.S. "in any place and at any time." He said these talks would focus on "issues related to ensuring the peace and security" in Korea. State Department Deputy Spokesman Tom Casey responded the following day saying that the U.S. was open to talks related to a peace regime in Korea, and could discuss details with North Korea at the upcoming round of Six-Party Talks.

On July 15, North Korea announced it had officially shut down its nuclear complex at Yongbyon, and confirmed the arrival of a first shipment of heavy fuel oil. UN inspectors from the IAEA verified the shutdown a day later.

Ambassador Christopher Hill, the U.S representative to the Six-Party Talks, commented that "we took a long time to get these first steps, and we have really a lot of work to do now, but I think we are off to a good start." Hill immediately looked ahead to permanently "disabling" the North Korean nuclear facilities, going well beyond the announced "shutdown."

In talks with South Korea's chief negotiator to the Six-Party Talks, Hill agreed that it was appropriate to provide political and security incentives to North Korea, to facilitate Pyongyang's denuclearization. Such measures could include removing North Korea from the list of countries sponsoring terrorism and ending the application of economic sanctions through the Trading with the Enemy Act. According to Hill, "we'll do what we need to do as long as it's in our interests of making progress in the six party process. But we don't have any immediate plan right now."

On July 19, the Six-Party Talks convened for three days in Beijing, focusing on the second stage dismantlement of North Korea's nuclear facilities. Although not much information about the negotiations was made public, the parties reportedly discussed at length the procedures for Pyongyang declaring its nuclear facilities and nuclear weapons as well as abandoning its nuclear program. This declaration would include any North Korean capability for using uranium-enrichment technology to produce the material for nuclear weapons.

South Korea Calls for a Permanent Peace Regime on the Peninsula

As the Six-Party Talks opened in Beijing, a South Korean Ministry of Unification official said Seoul would shortly propose a "peace treaty" that would replace the 1953 Armistice and formally end the Korean War. While the official, Vice Minister Shin Un-sang, did not explicitly link the peace treaty to recent progress on the nuclear issue, he said improved inter-Korean relations now made the time "ripe" to deal with a treaty.

The issue of a new "peace regime" for the Korean Peninsula achieved more prominence in early August, when South Korea's President Roh Moo-hyun announced that he and North Korean leader Kim Jong-il would hold a summit meeting in Pyongyang from Aug. 28-30. Analysts speculated that a North-South peace "declaration," which laid the groundwork for a future treaty, might be one "deliverable" at the summit.

Shortly after this announcement, Unification Minister Lee Jae-joung argued that progress in North-South relations at the summit could advance the nuclear negotiations. He said: "While working to resolve the North Korean nuclear issue peacefully through diplomatic efforts and improve inter-Korean relations through South-North dialogue, the government has been trying to maintain South-North relations in a way that speeds up the resolution of the North Korean nuclear issue." He further emphasized his view that "the Six-Party Talks and inter-Korean dialogue run parallel."

Washington reacted lukewarmly to the South Korean approach by emphasizing the primary importance of the nuclear talks. State Department spokesman Sean McCormack said: "I think the center of gravity of everybody's diplomatic efforts here really is in the Six-Party Talks. That isn't to say that...South Korea should not pursue this engagement with North Korea."

Working Group Sessions Move Ahead

During August, participants in the Six-Party Talks conducted three working group meetings: on energy assistance to North Korea, from Aug. 7-8, on the technical process of implementing North Korea's pledge to dismantle its nuclear program from Aug. 16-17, and on establishing a

multilateral forum for security and cooperation in Northeast Asia (a so-called “peace mechanism”) from Aug. 20-21. In mid-August, following floods in North Korea, South Korea announced that the impending North-South summit meeting would be postponed until Oct. 2-4.

The most important Six-Party Talks working group meeting took place Sept. 1-2 when Ambassador Hill and North Korea’s Vice Foreign Minister Kim Kye-gwan met in Geneva for bilateral discussions on the normalization of diplomatic relations. On the eve of this meeting, President Bush reaffirmed his commitment to the denuclearization process and urged Kim Jong-il to do the same: “It’s his choice to make. I’ve made my choice. The question is, can it happen before I’m through. Yes, it can. I hope so. The North Korea issue is the issue that we are spending a lot of time on, and hopefully we can get it completed.”

The most concrete result of the Sept. 1-2 bilateral in Geneva, according to Hill, was an agreement that the North Koreans “will provide a full declaration of all of their nuclear programs and will disable their nuclear programs by the end of this year, 2007.”

For its part, North Korea announced after the Geneva meeting that the U.S. had formally accepted two critical demands – removing Pyongyang from the U.S. terrorist list (which would allow North Korea to receive economic assistance from international financial institutions) and ending U.S. economic sanctions. But, State Department Spokesman Casey countered that while “some progress” had been made, taking North Korea off the terrorist list and eliminating economic sanctions were linked to Pyongyang’s denuclearization. “...How this is done and any timing under which it will be done is something that is yet to be determined,” he said.

Perhaps the most remarkable aspect of the working group was the way the two sides were able to overcome the apparently different interpretations regarding the timing of the U.S. actions. Despite reports that suggested the North Korean interpretation was that the removal from the terrorist list was to be immediate, the issue was quietly put aside when North Korea did not confirm the assertion following the U.S. clarification that the actions would occur at some point in the future.

Presidential Meeting at APEC

The extent to which the process of denuclearizing North Korea has become increasingly bound up with the issue of a “permanent peace regime” for the Korean Peninsula was evident in a meeting between President Roh and President Bush on Sept. 7 on the sidelines of the APEC summit meeting in Sydney, Australia.

Meeting the press following this meeting, Bush said “When the North Korean leader fully discloses and gets rid of his nuclear weapons programs, we can achieve a new security arrangement in the Korean Peninsula. We look forward to the day when we end the Korean War. That will happen when Kim Jong-il verifiably dismantles his weapons program.” Although Bush referred only generally in his statement to a “new security arrangement in Korea,” Roh declared that “Bush has reaffirmed the replacement of the armistice on the peninsula with a permanent peace regime.”

The actual exchange between the two presidents reflected the underlying tension between the two issues. It also caught the attention of the world when during the televised press statement Roh prodded Bush to affirm his commitment to a “peace regime” and Bush, visibly irritated, resisted by restating that it depended on Kim Jong-il’s willingness to give up his nuclear ambitions. Here again, despite press attempts to play up the differences, officials on both sides attributed the misunderstanding to poor translation.

Nevertheless, describing a “new security arrangement in Korea” as a goal of U.S. policy fundamentally changes and improves the negotiating dynamics of the Six-Party Talks. North Korea can now envision dismantling its nuclear program as a means of strengthening its security through a new political-military structure on the Korean Peninsula. Rather than viewing disarmament as a loss of security, Pyongyang can view it as the very means of assuring its survival – which was the stated purpose of its nuclear program in the first place.

The U.S. State Department reinforced Bush’s remarks. According to spokesman McCormack, “The core issue here is denuclearization. If you are able to make progress on that – disablement and coming through with full declaration – then what you will see from us as well as from others is the beginning of a different kind of relationship between North Korea and the rest of the world. This is going to be a process where good faith actions are going to be met by good faith actions.”

Ambassador Vershbow further dramatized the potential for a breakthrough when he told a public forum in Seoul that a summit meeting between President Bush and Kim Jong-il could take place in 2008, if North Korea fully dismantles its nuclear programs. Vershbow said dismantlement by Pyongyang could lead both to normalization of U.S.-North Korea diplomatic relations and economic assistance to North Korea from the international community.

For the first time, Vershbow publicly confirmed that the U.S. and South Korea have initiated discussions on ways to establish a new peace regime on the Korean Peninsula that would replace the 1953 Armistice. He said: “...We have already begun consultations with the South Korean government in order to develop a common approach to these talks. I expect there will be a very complex process to actually work out all aspects of a peace agreement that is not just a brief declaration that says the war is over, but also will involve all kinds of provisions including military confidence-building measures. So it will take some time to negotiate.”

As Vershbow spoke, a U.S. delegation, led by Director of the State Department’s Office of Korean Affairs Sung Kim, was visiting North Korea for what reportedly turned out to be fruitful technical discussions on how to disable Pyongyang’s nuclear program.

In mid-September, when the Six-Party Talks were about to reconvene, newspaper reports about Israel’s Sept. 6 attack on a facility in Syria to destroy allegedly nuclear-related materials supplied by North Korea threatened to disrupt the talks. U.S. officials offered no details on the Israeli raid, but President Bush gave a veiled warning to Pyongyang when he said he expected the North Koreans “to honor their commitment to give up weapons and weapons programs, and to the extent that they are proliferating, we expect them to stop that proliferation.” For its part, North Korea denied any nuclear involvement with Syria, to which it has exported missile technology in

the past. According to Vice Foreign Minister Kim Kye-gwan, “lunatics have created these rumors about a nuclear deal between us and Syria.” While speculation lingers about the involvement of North Korea in Syria, the issue did not become the immediate showstopper some thought it might become.

Agreement at the Six-Party Talks

After convening in Beijing at the end of September, the talks lasted three days and were more successful than generally expected in gaining North Korea’s commitment to fully disabling its nuclear facilities according to a specific timetable. In the words of the final statement released on Oct. 3, the parties “reached agreement on second-phase actions for the implementation of the Joint Statement of 19 September 2005, the goal of which is the verifiable denuclearization of the Korean Peninsula in a peaceful manner.”

Among the specific provisions of the Oct. 3 final statement:

- The DPRK agreed to disable all existing nuclear facilities subject to abandonment under the September 2005 Joint Statement and the Feb. 13 agreement. Disablement of the [Yongbyon nuclear facilities] will be complete by Dec. 31, 2007.
- The DPRK agreed to provide a complete and correct declaration of all its nuclear programs in accordance with the Feb. 13 agreement by Dec. 31, 2007.
- The DPRK reaffirmed its commitment not to transfer nuclear materials, technology, or know-how.
- The DPRK and the U.S. remain committed to improving their bilateral relations and moving toward a full diplomatic relationship.
- The U.S. will fulfill its commitments [to begin the process of removing the designation of the DPRK as a state sponsor of terrorism and advance the process of terminating the application of the Trading with the Enemy Acts with respect to the DPRK] in parallel with the DPRK’s actions....
- The DPRK and Japan will make sincere efforts to normalize their relations expeditiously in accordance with the Pyongyang Declaration....
- In accordance with the Feb. 13 agreement, economic, energy and humanitarian assistance up to the equivalent of 1 million tons of [heavy fuel oil] will be provided to the DPRK.
- A Six Party Ministerial Meeting will be held in Beijing at an appropriate time.

Commenting on the Oct. 3 final statement, Ambassador Hill said he was “pleasantly surprised” at this agreement: “The joint statement was very comprehensive...there are lots of details. It is very useful.”

Declaration at the Pyongyang Summit

A day after China released the final statement from the Sept. 27-30 round of the Six-Party Talks, President Roh and Kim Jong-il signed a “Declaration on the Advancement of South-North Korean Relations, Peace and Prosperity” at the end of their summit meeting in Pyongyang.

Aside from announcing several concrete measures for economic cooperation, the Declaration laid out several important points directly affecting U.S.-Korea relations:

- “The South and the North both recognize the need to end the current armistice regime and build a permanent peace regime. The South and the North have also agreed to work together to advance the matter of having the leaders of the three or four parties directly concerned to convene on the Peninsula and declare an end to the war.”

- “With regard to the nuclear issue on the Korean Peninsula, the South and the North have agreed to work together to implement smoothly the September 19, 2005 Joint Statement and the February 13, 2007 Agreement achieved at the Six Party talks.”

As an implementing step, the Declaration announced that defense ministers from South and North Korea would hold talks in Pyongyang in November “to discuss military confidence-building measures.”

Progress on Beef Imports as the FTA Ratification Process Begins in Korea

In early July, South Korea’s deputy chief negotiator for the U.S.-Korea Free Trade Agreement (FTA), Lee Hye-min, made clear his government’s view that the FTA “cannot be ratified smoothly in the U.S. Congress, unless the beef issue is clearly resolved first.”

Lee’s observation proved foresighted, although most analysts believed that the beef issue had already been resolved in mid-May when the World Organization for Animal Health (OIE) ruled that U.S. meat is safe for export, despite earlier scares that some U.S. beef was infected with mad cow disease.

After South Korea opened its market to U.S. beef in July, inspectors found pieces of bone in one shipment, causing them to suspend inspections altogether. Secretary of Agriculture Mike Johanns subsequently criticized this decision for failing to meet U.S. “expectations.” He added that the U.S. Congress would not ratify the FTA as long as unfair Korean restrictions on U.S. beef remained in effect.

By the end of August, South Korea’s Ministry of Agriculture decided to resume inspections of U.S. beef after accepting an apology that the shipment containing bones was “mistakenly” sent. While welcoming this decision, U.S. Trade Representative Susan Schwab criticized the earlier Korean restriction as not “based on science.” She said: “...If countries adopt import standards that go beyond internationally agreed scientific basis, that can be an excuse, that can be used as an excuse for import protection....It’s time for Korea and Japan and China to recognize that American beef is fully safe, all products, all cuts of beef, all ages.”

Shortly after the flare-up on imports of U.S. beef settled down, the South Korean government submitted the FTA to Korea's National Assembly for legislative ratification. Prime Minister Han Duck-soo emphasized the Roh administration's commitment to ratification when he said: "The FTA will be a cornerstone to strengthen the nation's economic competitiveness. For this, the deal should promptly come into effect."

Han added that the government would introduce adjustment measures that would provide economic benefits to the agricultural sector, in particular, to help deal with any negative effects of the FTA.

Koreans Become Eligible for U.S. Visa Waiver Program

In early August, President Bush signed into law a measure that will allow South Koreans to visit the U.S. without a visa, for either business or travel, for a period of up to 90 days. South Korea has long sought the right for its citizens to participate in the so-called "visa waiver program" which facilitates entry into the U.S.

A breakthrough occurred when the U.S. earlier this year liberalized entry requirements for countries like South Korea, where a higher than acceptable percentage of visitors have historically violated visa obligations. The liberalizing measure was made possible by the impending introduction, by the U.S. Department of Homeland Security, of its Electronic Travel Authorization System (ETA) and Exit Control System (ECS).

So long as Korea issues biometric "e-passports" to its citizens, allowing their entry and exit to the U.S. to be monitored by electronic means, the new visa waiver program will go into effect, possibly as early July 2008.

Prospects

If, as now appears likely, North Korea disables its Yongbyon nuclear facilities and declares, by Dec. 31, all its nuclear programs, the U.S. administration intends to move forward, in the words of President Bush, "to achieve a new security arrangement in the Korean Peninsula." This is, of course, easier said than done.

According to Ambassador Vershbow, U.S. diplomats have "already begun consultations with the South Korean government in order to develop a common approach" to talks on a new Korean peace regime to replace the 1953 Armistice. Yet, as Vershbow notes, this will entail a "very complex process" including discussions on "military measures" and "not just a brief declaration that says the war is over."

The Bush administration will likely hold back supporting actual negotiations for a new peace arrangement in Korea until verifying Pyongyang's abandonment of its nuclear program. But the administration's public statements and consultations on a prospective peace regime, in the weeks and months before then, will nevertheless be critical both to the success of the Six-Party Talks and to the health of the U.S.-Korea alliance.

By reinforcing the U.S. commitment to new “security arrangements” in Korea, U.S. statements and actions can strengthen North Korea’s resolve to fully implement its promises. Conversely, statements that cast doubt on the security benefits of a new peace regime could undermine North Korea’s decision to disable its nuclear program. Such negative U.S. statements would also play very badly in South Korean public opinion in the aftermath of the successful Pyongyang summit – and would serve to weaken the U.S.-Korea alliance.

To avoid the expression of sharply dissenting views in Washington that harm either the nuclear disarmament of North Korea or the U.S. alliance with South Korea, the Bush administration will have to exercise tight discipline over its interagency policy process. More likely than not, opposition to fundamental changes in the security structure on the Korean Peninsula will surface in the Defense Department, if it has not already. Dissenters at the Pentagon may make common cause with the administration’s neo-conservatives whose ranks have dwindled but still consider Vice President Richard Cheney as their champion. These critics of President Bush’s new *realpolitik* toward North Korea will certainly argue, in the words of former U.S. Ambassador to the United Nations John Bolton, that if this policy succeeds, “the president will have embarrassed his administration in history.”

Given there is substantive progress toward fulfillment of the Dec. 31 deadline for North Korea’s nuclear disablement and declaration, there will be increased talk of a visit to Pyongyang by Secretary Rice or even President Bush. In the meantime, expect to see officials working overtime to keep trying to build momentum and manage conflicts as they arise in an increasingly complex set of relationships between the U.S. and the two Koreas. This will be no easy task in the context of the polarizing election politics that will be heating up in the U.S. and coming into full boil in South Korea.

Chronology of U.S.-Korea Relations July-September 2007

July 1, 2007: U.S. and South Korea sign bilateral trade agreement.

July 2, 2007: U.S. President Bush pledges to include South Korea in visa waiver program with U.S.

July 2, 2007: U.S. and South Korea rename military drills from *RSOI* (Reception, Staging, Onward Movement, Integration) to “*Key Resolve*.”

July 2, 2007: Bush and Roh agree to hold summit on sidelines of UN in September.

July 2-4, 2007: Chinese Foreign Minister Yang Jiechi visits Pyongyang and meets with Kim Jong-il.

July 11, 2007: South Korea’s Foreign Affairs and Trade Minister Song Min-soon says South Korea should tie denuclearization of North Korea to the end of the Korean War.

July 12, 2007: South Korea sends 1st shipment of 6,200 tons of fuel oil (of a total of 50,000 tons), to North Korea.

July 13, 2007: UN inspectors head to Pyongyang to verify shutdown of North Korean's Yongbyon nuclear facility.

July 13, 2007: North Korea proposes bilateral talks with U.S. to replace armistice that ended Korean War in 1953.

July 14, 2007: North Korean Lt Gen. Ri Chan-bok, who heads the North's mission at Panmunjom, announces "Pyongyang wants direct military talks with Washington in the presence of a United Nations representative any place and any time."

July 15, 2007: North Korea states that it has shut down its Yongbyon nuclear facility after receiving the first shipment of heavy fuel oil on July 13. IAEA verifies the shutdown on July 16.

July 16, 2007: South Korea and U.S. agree to provide political incentives for North Korea as part of denuclearization of the North.

July 18-20, 2007: First Session of the Sixth Round of Six-Party Talks resumes in Beijing after a four-month recess.

July 24, 2007: U.S. calls for immediate release of South Korean hostages in Afghanistan, but affirms that it doesn't negotiate with terrorists.

July 25, 2007: South Korea announces it plans to issue e-passports as part of visa waiver program.

July 30, 2007: U.S. House of Representatives approves resolution condemning Japan's sexual enslavement of women during WWII, some of whom were Korean, and urges Japan to apologize.

Aug. 4, 2007: U.S. signs into law the visa waiver program with South Korea.

Aug. 16, 2007: South Korea gives Tong-il Medal, South Korea's most valuable military decoration, to U.S. Chairman of the Joint Chiefs of Staff, Gen. Peter Pace.

Aug. 20, 2007: U.S.-South Korea joint military exercise, *Ulchi Focus Lens*, begins.

Aug. 21, 2007: South Korea's financial regulator requests approval for new KOSPI 200 futures index from the U.S.

Aug. 27, 2007: South Korea government resumes inspections of U.S. beef shipments.

Aug. 28, 2007: South Korea and Taliban insurgents reach agreement on the release of 19 Koreans held hostage in Afghanistan. The agreement calls for the release of all hostages

beginning Aug. 29 in return for removal of all South Korean military forces by the end of 2007, ending all missionary work in Afghanistan, and banning all travel by Koreans to the country.

Aug. 30, 2007: U.S. confirms that U.S.-South Korea trade agreement will not be re-opened and renegotiated, but outstanding issues on beef will need to be resolved before U.S. Congressional approval.

Sept. 1-2, 2007: Six-Party Talks Working Group on U.S.-North Korea bilateral relations meets in Geneva.

Sept. 2, 2007: Former South Korean President Kim Dae-jung visits the U.S. to discuss Korean issues with U.S. officials.

Sept. 3, 2007: North Korea reports that the U.S. has agreed to remove North Korea from terrorism list.

Sept. 5, 2007: U.S. denies agreeing to remove North Korea from terrorism list.

Sept. 8, 2007: Presidents Roh and Bush meet at APEC.

Sept. 11-15, 2007: Nuclear experts from Russia, China, and the U.S. visit North Korea to survey nuclear facilities and recommend ways to disable them.

Sept. 12, 2007: President Bush reaffirms willingness to sign peace treaty for Korean Peninsula provided North Korea fully dismantles its nuclear program.

Sept. 13, 2007: U.S. and South Korea discuss peace treaty for Korean Peninsula.

September 17, 2007: Several news sources report that a Sept. 6 Israeli attack inside Syria was on what Israeli intelligence believes was a nuclear-related facility that North Korea was helping to equip.

Sept. 25, 2007: Upon arrival in Beijing for the Six-Party Talks, Kim Kye-Gwan denounces “lunatic reports” of North Korean nuclear assistance to Syria.

Sept. 27-30, 2007: Second Session of the Sixth Round of the Six Party Talks is held in Beijing. Delegates agree to a joint statement that requires North Korea to report and disable three nuclear facilities by Dec. 31, 2007.



**U.S.-Russia Relations:
From Diplomatic Confrontation to Military Posturing**

Joseph Ferguson
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Any casual observer of the U.S. and Russia recognizes the deterioration of relations since the beginning of the war in Iraq in 2003. Until recently, this entailed diplomatic lectures, energy nationalism, spying, Great Game politics in Central Asia, and a worsening opinion of one another among the general publics of both nations. This past quarter saw the re-emergence of something not seen since the days of the Cold War: military posturing. This has taken the form of military exercises, increased military expenditures, a re-emphasis on arms exports, a race to claim territory, and actual “meetings” of armed personnel in the skies and in the sea lanes around the Eurasian periphery. The primary points of contention that have existed since 2003 continue to harm relations (Iraq, Iran, the former Yugoslavia, and missile defense, among others), but now Moscow has taken the next step in reasserting itself as a global power: bolstering its long-beleaguered defense establishment.

Racing to the North Pole

An event that typified the confrontational tone, which has defined the U.S.-Russian relationship over the last few months, occurred in the frozen waters of the North Pole. In early August, a Russian mini-submarine with two State Duma deputies aboard planted a Russian flag made of titanium on the seabed 14,000 feet directly under the ice cap at the spot where the North Pole is located. The submarine was launched from a Russian research vessel that was undertaking a seabed survey. Russia has long claimed the waters and the seabed extending from its continental shelf in a rough triangle to the North Pole. Russia asserts that the Lomonosov Ridge, which runs under the polar ice cap, is an extension of Russia’s continental shelf. Russia took its claim to the UN in 2001, but there was not enough evidence for a final ruling. Russia is hoping this expedition will find the evidence to stake its claim more forcefully. For the record, both Canada and Denmark also claim the Lomonosov Ridge is an extension of their continental shelf.

Why the hullabaloo over the North Pole? With the recent trend in global warming, the polar ice caps have been receding, offering the possibility of undersea exploration for minerals and natural resources, perhaps even oil and natural gas. Additionally, receding ice flows mean the potential for an increase in commercial ship traffic between the Atlantic and Pacific Oceans. But make no mistake, the real driver here is the potential for oil and gas, which even major Western energy companies seem to think may exist in large amounts. A 1982 UN convention gives all Arctic nations (Canada, Denmark, Norway, Russia, and the United States) equal access (an exclusive 200-mile economic zone extending from their borders) to the region. Moscow appears interested

in having their share increased to encompass an area larger than Western Europe. Meanwhile, while keeping a close eye on events, the U.S. government has remained nonplussed about the entire affair, preferring to let the Canadian government scoff at Russian claims, which it has done with gusto.

Flight paths

Yet another event causing observers to sit up and take notice was news that Russian strategic bombers had resumed patrols in far-flung regions of the globe, including over the North Pole, the North Sea, the Alaskan coast, the Scottish coast, and even the Central Pacific. During the Cold War, Soviet strategic bombers routinely flew patrols in these regions, and they were routinely met by scrambled U.S. or NATO fighter jets. This practice was essentially given up after 1992 when the Russian military was cash-strapped and pilots were unable to fly long-range missions. Since the price of oil has increased to over \$80 per barrel (it was hovering near \$10 per barrel in 1999, when Putin became prime minister), the Russian government can count on increased revenues and can increase federal budgets, including the defense budget. The final figures for Russia's 2007 defense budget are expected to be nearly \$30 billion, up from \$22 billion in 2006.

In early August two *Tu-95* ("Bear") bombers flew out of Blagoveshchensk in the Russian Far East and appeared off Guam 13 hours later. They were met in the skies by U.S. fighter jets that scrambled from an aircraft carrier in the region. Earlier, in July, British and Norwegian fighters scrambled to meet Russian bombers over the North Sea on two different occasions. These "cat and mouse" games occurred with great frequency during the Cold War, but over the past 15 years Russian military forces have not been able to undertake such far-reaching patrols. On the occasion of joint military exercises with fellow Shanghai Cooperation Organization (SCO) members in mid-August, Putin announced that patrols by Russian strategic bombers would be increased. "I have decided that Russian strategic bombers will resume regular strategic combat duty." Whether Moscow can continue these patrols with regularity remains to be seen, but Putin has clearly thrown down a gauntlet.

The Kremlin has also instituted big plans for a naval expansion, the likes of which has not been seen in Russia since the early 1970s. Russia's naval chief, Vladimir Masorin, announced in August that over the next two decades Russia would add six new aircraft carriers to its fleets – including three for the Far Eastern fleet. Russia is also supposed to deliver a new aircraft carrier to India, but delays have put this off. Russia's carriers, however, will be smaller than the nuclear-powered *Nimitz*-class of carriers of which the U.S. has 12. And they will be substantially smaller than the CVN-21 class that the U.S. will start producing in the near future. But Russia's resolve to put carriers in the Pacific could be pushing China (and India) to develop a carrier program, although China has been studiously crafting an asymmetric, anti-access strategy involving submarines, missiles, and smaller craft. Russia is also coming out with a new class (*Amur*) of diesel-powered submarines equipped with cruise missiles.

Eurasia vs. Oceania

On Aug. 16, the SCO held its annual summit in Bishkek, the capital of Kyrgyzstan. Participants included President Putin and Chinese President Hu Jintao, as well as leaders of the four other

member states (Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan). Also in attendance were high-ranking officials from SCO observer states: Afghanistan President Hamid Karzai, Indian Minister of Oil and Gas Murli Deora, Pakistan Foreign Minister Khurshid Kasuri, Iranian President Mahmoud Ahmadinejad, and Mongolian President Nambaryn Enkhbayar.

During the summit there was much speculation in the West about whether that organization could become a rival to NATO in Central Asia and the rest of Eurasia. The “*Peace Mission 2007*” military exercises were the largest in the short history of the SCO. Approximately 6,500 soldiers from China, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, and Uzbekistan took part in the maneuvers, which were held near Chelyabinsk in the Volga-Urals Military District of Russia. The SCO reportedly invited 80 military attachés and more than 400 journalists to observe the exercises, although mostly from non-Western countries. Some reports said that a U.S. request to send military observers was refused. Subsequent bilateral Sino-Russian exercises were held near Urumqi, the capital of China’s Xinjiang Uighur Autonomous Region. Two thousand Russian and 1,500 Chinese soldiers attended these bilateral maneuvers, where large numbers of aircraft were employed. The Russian daily *Nezavisimaya Gazeta* suggested that the SCO “may become a military alliance.”

Not to be out done, the United States, two of its allies (Australia and Japan), as well as India and Singapore conducted large-scale naval exercises in the Indian Ocean in early September. Twenty-five capital ships were involved, including three aircraft carriers (the *Nimitz* and the *Kitty Hawk* from the U.S. and the *Viraat Indiana* from India) and a U.S. nuclear submarine. The exercises involved a scenario near the Strait of Malacca, through which almost all of East Asia’s imported oil and gas must transit. Although China was more the ostensible target and the exercises were planned well in advance, the fact that they came on the heels of the SCO maneuvers showed that Washington, like Moscow, can send messages just as well. Needless to say these emerging coalitions are positively Orwellian in their geographical make up, mirroring the super-states *Eurasia* and *Oceania* from the novel *1984*.

Treaty complications

In the same vein as the unilateral withdrawal from the ABM treaty by the U.S. in 2001, in July, President Putin announced a Russian “moratorium” on the Treaty on Conventional Armed Forces in Europe, known better as the CFE Treaty. The CFE Treaty (signed in 1990) regulates the level of traditional armed forces along the Russian-NATO border. In 1999 Russia agreed to a revision calling for its withdrawal from Moldova and Georgia, in return for an allowance of increased troop levels and weapons in the North Caucasus. Although Russia and NATO have been bickering about the details of the CFE for the past several years, Putin’s announcement was a clear response to the NATO/U.S. plans for a missile defense system in Eastern Europe. Ironically, no NATO member country has ratified the treaty in its legislature, only Russia has. Moscow has a legitimate complaint about the nature of the treaty, given the fact that NATO forces are now stationed in several former Warsaw Pact nations (including the Baltic states, which are not signatories). One Russian official has called the treaty “hopelessly obsolete.” NATO, meanwhile, is awaiting a Russian withdrawal from the Transdniester region of Moldova. Russia’s suspension would take place 150 days after notification, which means sometime in early December 2007.

The Strategic Arms Reduction Treaty (START 1) is another treaty that looks imperiled in the U.S.-Russian crossfire. START 1 was signed in 1991 as the Soviet Union was collapsing. This time it's the U.S. that wants out. The Pentagon is interested in fielding ballistic missiles that could be used for pinpoint strikes in the war on terror. Since warheads on nuclear submarines (and elsewhere) are counted against the ceiling (whether nuclear or not), U.S. military leaders feel that this could be a major hindrance in strategic operations against terrorist forces.

In the background of these announcements is the ever-present dispute over missile defense. As noted in this column last quarter, the Russian leadership offered the U.S. access to radar facilities in Azerbaijan and Russia in return for abandoning plans to install parts of a European-wide missile defense system in Poland and the Czech Republic. But since then U.S. leaders, including President Bush, have made it clear that NATO (and hence the U.S.) is determined to move forward with the sites in Eastern Europe.

Nunn-Lugar reawakened

At least one bilateral agreement between Moscow and Washington does not seem to be on life support. The Cooperative Threat Reduction (CTR) program, better known as Nunn-Lugar, appears to have gotten a boost with the visit to Russia by Richard Lugar and Sam Nunn in August. Nunn and Lugar visited the Mayak Fissile Material Storage Facility near Ekaterinburg. The Mayak facility – constructed with U.S. money under the CTR – is the world's largest repository of nuclear materials, including spent, weapons-grade plutonium. They were the first U.S. officials allowed to visit the site since it was opened more than three years ago. The two men also met Russian Foreign Minister Lavrov to discuss missile defense plans for NATO in Eastern Europe. Lavrov delivered another tough message from the Russian government concerning these plans, and he was met with two pairs of receptive ears on both this issue and that of START 1 renewal. On the heels of Lavrov's meeting with Nunn and Lugar, Lavrov issued a series of non-negotiable “red line” issues in Russia-U.S. relations, including Kosovo independence and ABM issues. But nuclear proliferation is clearly an area of agreement and will continue to be so.

Missile defense talks between officials from the two nations were held on at least two occasions this past quarter, once in Washington and once in Paris. They appear to be going nowhere fast, and the U.S. is dead set on going ahead with the NATO ABM system with components being installed in the Czech Republic and Poland. One U.S. official had this to say: “Nothing has changed in the U.S. position during the talks. There is still a completely different understanding of the substance of President Putin's proposal [to share the radar facility at Gabala in Azerbaijan].” U.S. defense officials were given a blue-ribbon tour of the facility at Gabala, and as impressed as they may have been, Washington is determined to follow through on NATO plans for the facilities in Eastern Europe.

Some independent audits (including the GAO and the Pentagon) have given lukewarm reviews of the CTR program, citing cost overruns, transparency, and other issues, but there is no mistaking that both governments want nuclear materials accounted for and in safe storage. The

Nunn-Lugar has perhaps been the one unqualified success in Russia-U.S. relations since the fall of the Soviet Union in 1991.

Based on this fear of nuclear proliferation, Moscow and Washington see eye-to-eye on the end goals of Iran policy. The problem lies more with the methods for getting there. The Bush administration favors sanctions, Putin and his entourage favor talks. But Russian patience with the Iranians seems to be wearing thin. As the summer ended, Russian suppliers had not fulfilled their promises to deliver fuel to the Bushehr reactor in Iran. Although the Iranians have been late with payments, the general consensus is that Russia is feeling pressure from the international community, especially the European Union, and France in particular.

Arms for Asia

Russian diplomacy in Asia has experienced a re-emergence after being marginalized in East and Southeast Asia for most of the 1990s. Sino-Russian relations are close again, not only under the auspices of the SCO, but also in the economic, political, and defense areas. Russian diplomats continue to play a role in the Six-Party Talks on the Korean Peninsula, and this role could become more pivotal in the coming months and years. Although Pyongyang is reportedly upset over Moscow's support of the two UN Security Council resolutions (condemning ballistic missile tests and the explosion of a nuclear device), Russia's cooperation with the other parties may prove beneficial in getting North Korea to come through on its promises.

On the way to the Sydney APEC summit in September, President Putin stopped off in Jakarta, the first visit to that country by a Russian leader since Nikita Khrushchev in 1960. Putin was able to sign a series of arms deals with the Indonesian government for more than \$1 billion. Additionally, representatives of Russian energy and metals companies accompanying Putin signed deals with Indonesian firms totaling close to \$4 billion. In Australia, the Australian and Russian governments signed a deal wherein Australian uranium will be supplied to Russia for use in civilian nuclear reactors. At the APEC summit, Putin pledged to make Russia a meaningful player in Asia again. Russia is hoping to host the 2012 APEC summit in Vladivostok. Declarations notwithstanding, Russia still has a long way to go to become an important player in Asia. Arms and energy will get them far, but politically Russia is still very much on the margins.

Looking ahead

Russia's "moratorium" on the CFE Treaty (it is still unclear what this actually means, but many assume it means withdrawal) would come to term in December, given the July notification date. One other major event to note is the Cabinet change in Russia. In mid-September Putin announced the resignation of the uninspiring Prime Minister Mikhail Fradkov. Putin immediately announced Viktor Zubkov, an older technocrat with St. Petersburg ties to Putin, to replace him. Most of Fradkov's Cabinet was retained, with the notable exception being Economic Development and Trade Minister German Gref. Speculation had been that Deputy Prime Minister Sergei Ivanov or his counterpart Dmitri Medvedev would be appointed Fradkov's successor. But Putin's unexpected decision has put every Kremlin-watcher even further in the dark as to who Putin will name as his preferred replacement in next year's presidential elections.

The next few months will be interesting for Russia watchers, but the tone of U.S.-Russian relations is unlikely to change in the near term, no matter who the successor may be.

Chronology of U.S.-Russia Relations July-September 2007

July 1-2, 2007: President Vladimir Putin visits President George Bush at the Bush family home in Kennebunkport, Maine (see last quarter's CC report for more detail).

July 4, 2007: Russian First Deputy Prime Minister Sergei Ivanov warns that Russia might deploy medium-range missiles in Kaliningrad if the U.S. continues with plans to deploy an ABM system with facilities in Eastern Europe.

July 8, 2007: At a conference in Croatia, Assistant Secretary of State for European and Eurasian affairs Daniel Fried hints that independence for Kosovo is still far away, an issue that has divided Moscow and Washington for months. Fried's comments suggest a softer position for the U.S.

July 9, 2007: Acting Assistant Secretary of State for Political-Military Affairs Stephen Mull states that the Azeri/Russian radar facility in Gabala being offered to the U.S. is no substitute for the facilities the U.S. plans to install in Poland and the Czech Republic.

July 14, 2007: In a message posted on the Kremlin's official website, Putin announces that Russia will suspend its obligations under the Treaty on Conventional Armed Forces in Europe (CFE) after 150 days due to "exceptional circumstances affecting the security of the Russian Federation."

July 19, 2007: Secretary of State Condoleezza Rice urges the Russian government to extradite murder suspect Andrei Lugovoi to the British government, which suspects him of poisoning an ex-KGB agent and anti-Putin émigré in London, Alexander Litvinenko.

July 31, 2007: ABM talks between officials from the Russian and U.S. governments are convened in Washington, DC.

Aug. 2, 2007: A Russian mini-submersible with two State Duma deputies on board plants a titanium Russian tricolor flag 4,000 meters beneath the ice on the North Pole.

Aug. 8, 2007: Two Russian *Tu-95* bombers fly a sortie near the U.S. territory of Guam in the Central Pacific. The bombers are met by scrambled U.S. navy jets.

Aug. 16, 2007: Summit meeting of the Shanghai Cooperation Organization (SCO) takes place in Bishkek, Kyrgyzstan. Immediately following the summit attendees observe the first organizational-wide military exercises on Aug. 17 in Russia.

Aug. 21, 2007: Russian Gen. Yuri Baluyevsky, chief of the General Staff of the Russian Armed Forces, warns the Czech government that the establishment of a NATO radar system linked to ABM would be a mistake.

Aug. 26, 2007: Sen. Richard Lugar and former Sen. Sam Nunn arrive in Moscow to promote further cooperation in the U.S.-Russian bilateral nonproliferation program that bears their names.

Sept. 5, 2007: In a speech in Moscow Russian Foreign Minister Lavrov lays out a series of non-negotiable “red line” issues in U.S.-Russian relations, including Kosovo independence and ABM issues.

Sept. 6, 2007: Putin stops in Jakarta on his way to the Sydney APEC summit and signs a series of arms deals with the Indonesian government worth more than \$1 billion.

Sept. 7, 2007: Presidents Bush and Putin meet at the Sydney APEC summit and discuss missile defense issues, with apparently little progress.

Sept. 10, 2007: Deputy FM Sergei Kislyak and Assistant Secretary of State John Rood meet in Paris to discuss missile defense issues.

Sept. 11, 2007: A team of U.S. and Russian officials jointly remove highly enriched uranium from a research reactor in Vietnam. The 3.9 kg of uranium are returned to a reactor in Russia.

Sept. 12, 2007: Putin announces the resignation of Prime Minister Mikhail Fradkov and puts forth Viktor Zubkov as his candidate to replace Fradkov.

Sept. 18, 2007: U.S. and Russian defense officials inspect the Azeri/Russian radar facility at Gabala.

Sept. 18, 2007: USS *Lassen* (destroyer) and *Patriot* (minesweeper) arrive in Vladivostok to participate in joint exercises with the Russian navy.

Comparative Connections

A Quarterly E-Journal on East Asian Bilateral Relations



U.S.-Southeast Asia Relations:

Burma Heats up and the U.S. Blows Hot and Cold

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Asia's largest multilateral naval exercise in decades took place in the eastern Indian Ocean Sept. 4-9, involving ships and aircraft from the U.S., India, Japan, Australia, and Singapore. Extensive combat, antiterrorism, and humanitarian assistance scenarios were included. President Bush condemned the Burmese junta for its brutal suppression of anti-regime demonstrations. Secretary of State Condoleezza Rice bypassed the annual ASEAN Regional Forum gathering for the second time in three years while President Bush postponed the U.S.-ASEAN summit originally scheduled for September and left the Sydney APEC summit a day early, demonstrating that Asia's importance continues to take second place to Washington's Middle East tribulations. Antiterrorist support dominated U.S.-Philippine relations this quarter. The Indochinese states were featured in several U.S. statements on trade and human rights in Vietnam, Hmong refugees from Laos, and counterterrorism training for Cambodia. Washington continued to press for the restoration of democracy in Thailand, looking forward to elections in December.

Singapore participates in *Malabar-07-02* naval exercise.

In the largest multinational Asian naval exercise in decades, Singapore joined large naval contingents from the U.S., India, Japan and Australia in *Malabar CY07-02* from Sept. 4-9 in the eastern Indian Ocean. While the 12 previous *Malabar* exercises were exclusively bilateral events conducted by India and the U.S. in the western Indian Ocean, this set of war games was held in the Bay of Bengal off the Andaman islands and near the western entrance to the Malacca Strait. It featured over 30 warships and 200 aircraft from the five nations. Singapore sent its most modern frigate, while the U.S. deployed two aircraft carriers, the *USS Nimitz* and *USS Kittyhawk*, a nuclear submarine, two guided-missile cruisers, and two guided-missile destroyers. India provided its single aircraft carrier, *INS Virant*, and a number of surface combatants, Japan two warships, and Australia a frigate and a tanker.

The exercises had a range of scenarios including mock air battles involving Indian and U.S. carriers, sea strikes near the Malacca Strait, as well as anti-piracy and anti-gunrunning drills off the Andaman island chain. The exercise comes at a time when the U.S. chief of naval operations, Adm. Mike Mullen, has called for a "1,000-ship navy" consisting of countries that have a common concern in protecting the sea lines of communication from piracy and illegal trafficking

as well as the proliferation of WMD. Humanitarian relief from the seas was also a component of the exercises.

Some analysts have described *Malabar 07-02* as a response to China's "string of pearls" strategy, whereby the PLA Navy has gained access to Indian Ocean ports of Burma and Bangladesh. Others see the exercise as the beginning of an "alliance" of Asian democracies. However, the commander of the U.S. Seventh Fleet, Vice Admiral Doug Crowder, underplayed these speculations, insisting that the war games, held not far from Burma, were directed against no country but rather provided for the common good of keeping the sea lanes open for international commerce. Similarly, the commander of U.S. Pacific Command (USPACOM), Admiral Timothy Keating, stated: "There's no – let me emphasize no – effort on our part or any of those countries' parts, I'm sure, to isolate China..." The high-level American assurances followed angry expressions from Beijing that the war games constituted an effort to "contain" it in the Asia-Pacific region. Nevertheless, the U.S., Australia, Japan, and India are all engaging in strategic consultations that began on the sidelines of the May ARF meeting in Manila.

A separate U.S. exercise, Southeast Asia Cooperation against Terrorism (SEACAT), was held in mid-August involving navies from Singapore, Brunei, Indonesia, Malaysia, the Philippines, and Thailand with U.S. ships from the Seventh Fleet. In this exercise, each Southeast Asian navy exercises bilaterally with the U.S. ships in a variety of scenarios. For example, the Singapore exercise focused on the tracking of ships transiting through the Singapore Strait as well as an anti-terrorist simulation involving the hijacking of a merchant ship.

U.S. backs ASEAN, but postpones summit

Once again Secretary Rice bypassed the annual ARF meeting while President Bush postponed the scheduled September ASEAN-U.S. summit and left the Sydney APEC leaders meeting one day early – all because of pressing political concerns about Iraq. Reactions by ASEAN members were varied. ASEAN Secretary General Ong Keng Yong acknowledged that although Rice's absence and the president's summit postponement "would indeed be a great disappointment to ASEAN," the high-level State Department representative sent to the ARF meeting would "participate actively." Ong also asserted that "[a]ctive U.S. participation in ASEAN affairs remains crucial." (Deputy Secretary of State John Negroponte, a former U.S. ambassador to the Philippines, substituted for Rice at the ARF meeting.) The Singapore and Thai press labeled Rice's ARF absence as a "snub," "bad form," and "salt in the wound." They also noted that the U.S. secretary's absence left China as the "biggest beneficiary." A senior Thai official stated: "The U.S. must understand there is a cost to this, and the cost is that ASEAN countries will gravitate toward China." Singapore's foreign minister echoed this concern stating "there is a need to ensure that the regional architecture that is being constructed will be a balanced one, and the countries of Asia will want the U.S. to be part of it."

Meanwhile, Deputy Secretary Negroponte confirmed to ASEAN ministers that Washington's ties to the Association are "a critical component of its dealings with East Asia." He also applauded the incipient ASEAN Charter to be adopted by ASEAN at its November Singapore meeting. He particularly cited the draft Charter's provision for a Human Rights Commission as

well as its emphasis on good governance and the rule of law. And Assistant Secretary of State Christopher Hill noted: “Having more China does not mean less U.S. in Southeast Asia. There is plenty of room for all of us.” Efforts to assuage ASEAN feelings center on the Bush administration’s plans to appoint an ambassador to ASEAN who will be accredited to the Association’s secretariat in Jakarta, enhanced Fulbright scholarships for ASEAN students, and a science and technology agreement to promote collaboration between research communities in Southeast Asia and the U.S.

At the Sydney APEC meeting in early September, President Bush extended an invitation to ASEAN leaders to hold the postponed ASEAN-U.S. summit at his ranch near Crawford, Texas in early 2008. Singapore’s Prime Minister Lee Hsien Loon immediately endorsed the invitation and agreed to coordinate the meeting. The prospect of Burma’s attendance, however, remains in limbo as the president stated in his keynote APEC speech: “We must press the regime in Burma to stop arresting and harassing and assaulting pro-democracy activists for organizing or participating in peaceful demonstrations.” Nevertheless, insofar as President Bush’s invitation to ASEAN includes Burma it constitutes a new diplomatic approach closer to the European Union’s which provides for engagement rather than isolation. Some ASEAN leaders are reticent about a Texas venue for a summit with President Bush. Other locations are preferable to what might be seen in Southeast Asia as ASEAN reporting directly to the president.

On other matters, ASEAN revived a request in July for the five nuclear weapons states that are permanent members of the UN Security Council to sign the Southeast Asia Nuclear Weapons Free Zone (SEANWFZ) treaty that came into existence 10 years ago. As part of its effort to keep Southeast Asia free of nuclear weapons and to reduce the possibility of terrorist groups acquiring them, ASEAN reminded nuclear weapons states that SEANWFZ does not permit the storage or transport of nuclear weapons in the region. Washington’s policy, however, has always been neither to confirm nor deny whether its ships have nuclear weapons on board. While all ASEAN states have signed the treaty, Brunei, Indonesia, Malaysia, Vietnam, and Thailand have not yet ratified it, thus weakening ASEAN’s call for the nuclear weapons states to sign on. Of the latter, only China has signaled an intention to sign, though Beijing has taken no action yet.

Philippine antiterror law controversy as U.S. continues its support

The Philippine 2007 Human Security Act (HSA) has generated considerable controversy among human rights groups and leftist politicians. Church groups have denounced the law as “a wholesale weapon for political harassment and persecution.” They point to the Arroyo government’s unsavory record of extrajudicial killings and forced disappearances and predict that the law’s provision of allowing arrests without warrants will continue to undermine political freedoms. In hearings before the U.S. House and Senate Appropriations Committee examining both economic and military aid to the Philippines, the committees authorized funding beyond the Bush administration’s initial request but expressed “deep concern” over extrajudicial killings allegedly carried out by the Philippine Armed Forces and National Police. As of August, the House bill provided for an additional \$2 million if Secretary Rice reports to the Senate that the Philippines has implemented a UN Special Rapporteur recommendation designed to halt military violence and intimidation against human rights groups.

On the other side of the HSA argument is Philippine Defense Undersecretary Ricardo Blancaflor who, on Sept. 10, stated that the law hobbles Philippine law enforcement because its criteria for terrorism are too difficult to implement. There are 22 provisions in the HSA that can be used to punish law enforcement personnel who improperly arrest suspected terrorists, including hefty fines for each day the suspect is detained if acquitted. The U.S. State Department has also complained about antiterrorist prosecutions, noting that when the country files such cases, evidence frequently disappears. Nevertheless, at the Sydney APEC summit, President Bush singled out President Gloria Macapagal-Arroyo to praise the Philippine campaign “that is aggressively targeting Abu Sayyaf leaders.” And U.S. Ambassador to the Philippines Kristie Kenney announced that Washington will inaugurate a new \$100 million development campaign for strife-torn Mindanao in October. Since the beginning of this decade, the U.S. has given nearly \$400 million in military aid to the Philippines.

U.S. Special Forces continue to train Philippine soldiers in the south, and U.S., Australian, and British military intelligence units are reported to be in the area. Some 5000 Philippine soldiers are on Jolo Island searching for rogue Moro National Liberation front units and Abu Sayyaf forces who beheaded several Philippine soldiers in August. Some Philippine legislators continue to express concerns that U.S. forces are actually fighting alongside Filipinos in violation of the Philippine constitution, although the Philippine and U.S. governments deny that U.S. actions go beyond training and observation. An embassy spokesman in Manila acknowledged that the U.S. also provides technical intelligence consisting of satellite imagery, communications intercepts, global positioning information, and aerial surveillance—all for the purpose of tracking the Abu Sayyaf. The closest the U.S. comes to combat operations, according to a Philippine official, is the disarming of land mines “because they have the know-how and tools.” USPACOM commander Adm. Timothy Keating has also offered to help the Philippine Armed Forces fight the communist New Peoples Army that has been designated a terrorist organization by the U.S. but not by the Philippines. Keating’s proposal was made in late July at a meeting of the Philippine-U.S. Joint Defense Board and declined by Manila, which is still negotiating with the communist National Democratic Front.

Mixed signals between Washington and Rangoon

In a mid-July diplomatic initiative to improve relations with the U.S. and other critics of Burma’s military junta, Brig. Gen. Kyaw Hsan told reporters that his country wished to cooperate with the international community. At the same time, two other junta officials met with a U.S. team led by Deputy Assistant Secretary of State Eric John, who reiterated the U.S. demand for the release from house arrest of opposition leader and Nobel-laureate Aung San Suu Kyi and thousands of other political prisoners. Subsequently, John laid out four conditions of U.S. policy toward Burma: direct dialogue between the junta and the opposition National League of Democracy, the release of all political prisoners, permission for NGOs and the United Nations to work unrestricted inside Burma, and an end to ethnic violence. These exchanges led to naught.

By late August, Burma was undergoing more political turbulence than in the last several years. The junta suddenly and without warning raised fuel prices 500 percent, eliciting protests from city dwellers that spread to the Buddhist *sangha* (monks). The U.S. Congress urged President Bush to convene a UN Security Council meeting on Burma’s demonstrations and subsequent

military crackdown; and Bush remonstrated: "I strongly condemn the ongoing actions of the Burmese regime in arresting, harassing, and assaulting pro-democracy activists for organizing and participating in peaceful demonstrations." While significant, the demonstrations have been smaller than the 1988 riots that brought the current junta to power. To disperse its political enemies, the military regime has moved universities from major cities and created a new capital in a remote area. The core elements of the 1988 protests were students and members of the bureaucracy, who are no longer co-located.

By late September, the demonstrations had spread to all major cities in Burma and included civilians alongside the monks. On Sept. 25 in a wide-ranging UN General Assembly address condemning a variety of authoritarian regimes, President Bush singled out Burma's junta and announced tighter sanctions that aimed at specific individuals for the first time, those "responsible for the most egregious violations of human rights and their families." Fearing that Burma's government was about to crack down on the demonstrators, National Security Advisor Stephen Hadley also warned against suppressing the protestors. Nevertheless, the crackdown came. Thousands of protestors took to the streets of Burma's major cities calling for the end of the military's repressive regime that has been in power almost half a century. The protests are the largest since the army suppressed a 1988 popular uprising in which over 3,000 were killed. Casualties this time at the end of September may have been in the low hundreds; the world community has responded with shock and dismay. In addition to his Sept. 25 UN address denouncing the junta's actions, Bush in a written statement insisted: "Every civilized nation has a responsibility to stand up for people suffering under a brutal military regime...that has ruled Burma for too long." Already subject to large-scale U.S. sanctions, the Treasury Department placed 14 senior Burmese leaders under new restrictions freezing any assets they may have in the U.S. (doubtful) and forbidding Americans from doing business with them. More important, the Treasury Department is also pressuring foreign banks to follow suit.

President Bush met Chinese Foreign Minister Yang Jiechi on Sept. 27 at the White House and pressed Beijing to use its influence to rein in the junta. Publicly, the Chinese have repeated their rejection of UN action delivered eight months ago: Burma's turmoil is an internal matter that does not affect international security. Secretary of State Rice and National Security Advisor Hadley also raised the issue with Chinese officials; Congressional resolutions were drafted condemning the junta.

Foreign ministers of several ASEAN countries (of which Burma is a member) met at the United Nations to condemn the junta's tactics while endorsing the intervention of a special UN envoy, Ibrahim Gambari, who traveled to Burma to confer with its military leaders. However, like China, the ASEAN ministers limited their statements to deploring the violence and calling for a peaceful settlement. They refrained from demanding an end to the regime, although they did call on the junta to carry out long promised reforms designed to move the country toward a civilian government. Little is expected from these appeals. From the junta's perspective, the protests threaten its survival.

Indochina: a slew of issues

Outgoing U.S. Ambassador to Vietnam Michael Marine said he would like to see U.S. bilateral trade with the country increase by 50 percent to \$15 billion annually. He also urged Washington to increase the number of Vietnamese students allowed in the U.S. beyond the current 4,500 limit. In a generally upbeat August assessment of his tour of duty, however, Marine nevertheless expressed disappointment over Hanoi's poor human rights record, especially its crackdown on religion and democracy activists, saying: "It's perhaps my biggest disappointment." Expanding his criticism, Marine cited laws that permit the authorities "to move against people for expressing their opinions, organizing in any way or calling for political change." The ambassador stated: "Those are fundamental human rights that I strongly believe are universal...."

While Hanoi seemed to ignore those criticisms, Vietnamese officials obliquely defended their country's political development after the end of the Vietnam War. On Aug. 22 at an address to the American Veterans of Foreign Wars, in referring to the chaos that would follow a precipitous U.S. withdrawal from Iraq, President Bush cited the bloodbath that followed America's withdrawal from Indochina in 1975. A Hanoi Foreign Ministry spokesman on Aug. 23 stated that the Vietnamese communist victory was "a just war of the people" and that Vietnam's "peace loving tradition" focuses on its "better future in the relations with other countries, including the U.S."

Another belated Indochina War legacy is the thousands of Laotian Hmong – allies of the U.S. in the 1960s and 1970s – who fled their country for neighboring Thailand and have been languishing in refugee camps along the Laotian border, some for decades. Thai and Laotian military officials in August announced plans to repatriate 8,000 Hmong against their wishes. The U.S. Congress and a number of human rights groups weighed in against these plans. In response, Thai Prime Minister Surayud Chulanont stated on Aug. 7 that the Hmong would be repatriated, but only if representatives of a third country will be able to witness their just treatment after they return. Since Vientiane does not permit third countries to oversee repatriation, this new condition may once again postpone the repatriation. Hundreds of Hmong detainees have staged hunger strikes to protest possible deportation. Because many fled persecution by Lao authorities, they fear the prospect of arbitrary imprisonment and persecution if they return.

In a late August visit to Phnom Penh, the USPACOM commander, Adm. Keating, offered antiterrorist training that would include surveillance techniques, information sharing, and financial monitoring. Cambodia is seen as a potential terrorist base because of porous borders and poor law enforcement.

Thailand: back to democracy?

The new U.S. ambassador to Thailand, Eric John, in his July Congressional confirmation hearing, expressed confidence that the military coup in that country was temporary and that democracy would be restored through the forthcoming December election. In August, Thailand voted affirmatively on a controversial new constitution that paved the way for the December elections. Critics of the new charter claim it actually weakens democracy and shifts dominance from politicians and voters back to traditional military and bureaucratic elites. Moreover, former

Prime Minister Thaksin's primary constituency in the northeast voted overwhelmingly against it. The new constitution gives the military oversight of political activities at all levels. While not criticizing the constitution, U.S. Deputy Assistant Secretary of State Scot Marciel stated that Thailand should permit any candidate to run in the general election regardless of background – a clear reference to the Thai coup leaders' efforts to disenfranchise a number of Thaksin supporters. Washington suspended military aid to Thailand in the wake of the September 2006 coup, but has indicated it can be restored once free elections are held.

Conclusion

Washington's mixed signals to Southeast Asia are perplexing to the region. On the one hand, high-level U.S. officials either pass on important meetings or leave them after only minimal participation, pleading the necessity of important business elsewhere. ASEAN members find this demeaning and frustrating, especially since China's diplomatic profile continues to rise. Above all, the region's members seek to insure a balance between Beijing and Washington in Southeast Asia, and they perceive the Americans to be slipping. On the other hand, President Bush is trying to reschedule the postponed U.S. summit with ASEAN for 2008, and he has promised to appoint an ambassador to ASEAN. If implemented, the U.S. would be the first major country to do so. Realizing this sooner rather than later could go a long way toward reassuring ASEAN that the U.S. intends to remain a major player in Southeast Asia.

Chronology of U.S. Southeast Asian Relations July - Sept. 2007

July 3, 2007: President Bush postpones the U.S.-ASEAN summit originally scheduled for Singapore in September “for scheduling reasons.”

July 3-13, 2007: The U.S.-Malaysian navies *CARAT* exercise takes place with at-sea war fighting, safety, and boarding, search and seizure practice. Onshore activities include humanitarian medical aid and civilian construction activities.

July 10, 2007: The U.S. Navy ship *USS Peleliu* leaves the Philippines after providing medical and civic action services, the first stop on a four-month, five-country humanitarian visit in Southeast Asia and the South Pacific.

July 10-12, 2007: ASEAN-USPTO (U.S. Patent and Trade Office) Workshop for Intellectual Property Enforcement Officials, Public Health Officials, and Agricultural Officials on Intellectual Property Enforcement is held in Bangkok.

July 11, 2007: The U.S., India, Japan, Australia, and Singapore announce plans for a large-scale joint naval exercise in the Bay of Bengal to be held in September. China responds by asking for a clarification of the purpose of the exercise.

July 16, 2007: The White House confirms President Bush has postponed his September trip to the ASEAN summit in Singapore, but expects to meet Southeast Asian leaders later in the year.

July 16, 2007: U.S. lead trade negotiator for Southeast Asia Barbara Weisel tells reporters in Kuala Lumpur that the U.S. expects free trade talks with Malaysia by June 2008.

July 18, 2007: Burmese military leader Brig. Gen. Kyaw San states that his country wants to work with the U.S. for mutual benefit.

July 23, 2007: Indonesian and U.S. Air Forces begin a 10-day *Teak Iron* joint exercise involving cargo drops and paratroops.

July 23, 2007: The U.S.-based World Food Prize Foundation awards Thai King Bhumibol the first Dr. Norman E. Borlaug Medallion for his “great contributions to feeding people and enhancing human life.”

July 24, 2007: The U.S. extends political and economic sanctions for another year in Burma for continued human rights violations. The sanctions have been in place since 2003.

July 30, 2007: The *USS Peleliu*, operating as part of the Navy’s Pacific Partnership Program leaves Vietnam after a 10-day humanitarian visit where medical and dental personnel treated 3,500 patients in areas around Danang.

July 30, 2007: U.S. repatriates the head of an Angkor-era sculpture that had been stolen and smuggled from Cambodia. The U.S. and Cambodia have an agreement to protect Cambodia’s cultural heritage.

July 31, 2007: Deputy Secretary of State John Negroponte holds bilateral talks in the Philippines prior to the ASEAN meetings.

Aug. 1, 2007: Secretary Negroponte praises ASEAN’s proposed Charter, its human rights commission, and strengthened democratic values at the Manila ASEAN post-ministerial conference.

Aug. 1-2, 2007: Secretary Negroponte attends the 14th ASEAN Regional Forum (ARF) and the ASEAN Post-Ministerial Conference held in Manila as the designated U.S. envoy to the ARF. He reaffirms that the U.S. would remain strongly engaged in the region and that ASEAN ties are a “critical component” of U.S. dealings with East Asia.

Aug. 6-9, 2007: U.S. and Indonesian navies conduct an exercise on disaster response.

Aug. 7-8, 2007: U.S. Marines from the Special Operations Training Group conduct marksmanship training with Indonesian Marines at their camp as well as aboard the *USS Harpers Ferry* as part of the bilateral Naval Engagement Activity, Indonesia 2007.

Aug. 8, 2007: The U.S. Navy concludes a *CARAT* exercise with Brunei’s navy, involving a U.S. ship and two Brunei vessels in boarding and search and rescue maneuvers.

Aug. 14-22, 2007: Navies from the Philippines, Brunei, Indonesia, Malaysia, Singapore, Thailand, and the U.S. hold the sixth annual anti-terrorism Southeast Asian Cooperation against Terrorism (SEACAT) exercise.

Aug. 19, 2007: A referendum to approve a new constitution for Thailand, which paves the way for elections in December, is passed with 57.8 percent of the votes in favor.

Aug. 20-24, 2007: USPACOM and Indonesia co-host the “*Pacific Airlift Rally 2007*” that includes 21 countries focusing on dealing with natural disasters.

Aug. 20-22, 2007: USPACOM commander Adm. Timothy Keating visits Cambodia.

Aug. 21, 2007: Speaker of the Indonesian House of Representatives, Agung Laksono, requests through the new U.S. ambassador, Cameron R. Hume, that the U.S. to lift its weapons embargo and travel warning for Indonesia.

Aug. 22, 2007: Scot Marciel, U.S. deputy assistant secretary of state for East Asia, urges Thailand not to exclude anyone from running in its forthcoming national election, including those who oppose the coup leaders.

Aug. 22, 2007: A State Department spokesman calls on Burma’s junta to release 13 democracy advocates arrested for protesting the regime’s human rights violations and the arbitrary doubling of fuel prices.

Aug. 27, 2007: A U.S. Congressional delegation visits Vietnam and discusses enhanced trade, investment, and public health concerns.

Aug. 30, 2007: U.S. Ambassador to APEC Patricia Hasloch asserts Southeast Asia’s continued importance despite Secretary Rice’s absence from the ARF earlier this month and Bush’s decision to leave the Sydney APEC meeting before its conclusion next week.

Sept. 4, 2007: U.S. State Department dismisses Burma’s new constitution as a sham because the national convention was made up of the junta’s hand-picked delegates.

Sept. 5-8, 2007: U.S. and Malaysian defense intelligence chiefs convene a 19-country conference on Asian anti-terrorist intelligence cooperation in Kuala Lumpur.

Sept. 7, 2007: President Bush meets Philippine President Macapagal Arroyo prior to the Sydney APEC conference to discuss counter-terrorism and U.S. military assistance.

Sept. 7, 2007: President Bush hosts a lunch meeting for all ASEAN leaders attending APEC, as a substitute for the U.S.-ASEAN summit he canceled. At the luncheon, the president announces he intends to appoint an ambassador to the grouping.

Sept. 8, 2007: Six Burmese labor activists are sentenced up to 28 years in prison for organizing a seminar at the U.S. embassy last May.

Sept. 14, 2007: U.S. Ambassador to Thailand Ralph Boyce states that Washington has no plans to closely monitor the forthcoming December Thai elections, but would observe the elections in the same way it has in the past.

Sept. 24-25, 2007: Thousands of monks and supporters including students gather in Rangoon. Meanwhile, the government moves military forces into positions around the city, bans gatherings of more than five people, orders a dusk to dawn curfew in both Rangoon and Mandalay, and places both cities under the control of the local military commanders for 60 day.

Sept. 25, 2007: President Bush announces in an address to the UN General Assembly new economic and diplomatic sanctions against the leaders of Burma's military junta and its financial supporters. He also calls on other members of the UN to join the U.S. in forcing change in Burma.

Sept. 26-29, 2007: The military junta in Burma cracks down on protestors. Reports on the number of casualties vary widely from the official government figures of nine as the junta closes down telephone access to the country.

Sept 29, 2007: UN special envoy Ibrahim Gambari arrives in Burma on what the UN secretary general calls an "urgent mission" to broker negotiations between the military government and the pro-democracy opposition.

Sept 30, 2007: UN special envoy Gambari extends his stay and travels to Naypyidaw with the hope of meeting Gen. Than Shwe.



**China-Southeast Asia Relations:
Myanmar Challenges China's Successes**

**Robert Sutter, Georgetown University
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Chinese President and Communist Party General Secretary Hu Jintao toured Australian cities, engaged in summitry, and presided over the Chinese delegation at the Sydney APEC meeting. The events elicited positive publicity that underlined a good Chinese image and redounded to the benefit of Hu and the party leadership as they stressed stability and harmony at home and abroad in the lead up to the 17th Chinese Communist Party Congress in Beijing in October. Regional harmony and China's international image were seriously challenged in late September when the military junta in Myanmar, which regards China as its major foreign supporter, cracked down violently on swelling anti-government demonstrations led by thousands of Buddhist monks. China has long worked to block UN and other international pressure against the military regime, but faced strong pressure led by U.S. President George W. Bush to support UN and other international efforts to stop the crackdown.

China's challenge in Myanmar

As the violent crackdown began on Sept. 26, China faced heavy foreign pressure to end its past objections to UN and other international intervention against the Myanmar administration. Leading the charge was President Bush, who personally lobbied the visiting Chinese foreign minister in Washington on Sept. 27 amid a chorus of U.S. and other international calls for stronger action to stop the crackdown, with some advocating regime change in Myanmar. China limited its public statements to calls for restraint, and continued to argue against strong actions by the UN Security Council. China did support sending special UN envoy Ibrahim Gambari, and Bush thanked China for helping to persuade the military junta to accept the envoy.

International leaders, media, and interest groups have focused strong and often critical attention on China's longstanding relations with the Myanmar regime. Since the military junta was established in Myanmar in 1988, Beijing has stepped up economic and military assistance to its southern neighbor. Frequent visits by senior leaders from both sides have further strengthened bilateral political and military relations. In addition to training personnel, the Chinese military has reportedly been providing the junta with tanks, armored personnel carriers, transport aircrafts, attack boats, and artillery pieces. More recently, energy deals have also been struck, allowing Beijing to gain access to the largely untapped gas fields in the Myanmar state of Shwe. A pipeline has also been planned that would connect the western half of Myanmar to China's Yunnan Province. Earlier this year, the Chinese National Petroleum Corporation (CNPC)

received production sharing rights in the crude oil and exploration projects in three deep sea blocks off the coast of western Myanmar.

Notwithstanding the nurturing of closer political, economic, and military ties, longstanding mutual distrust still clouds bilateral relations, and tensions have surfaced from time to time between Beijing and Naypyidaw. A recent article in the *South China Morning Post* said Beijing remains cautious in its engagement, “fearing instability in Myanmar could threaten security and stability in its sensitive border regions.” Should the military junta collapse, the economic investment in the country may be lost. Moreover, there is also growing concern in Beijing that continued instability in Myanmar could have a spillover effect. In the last decade, more than a million Chinese have crossed the borders into Myanmar seeking job opportunities. The article opined that Chinese leaders are worried that further upheaval in Myanmar could cause a mass exodus of Chinese migrants fleeing back to the border, thus creating increased social unrest in China’s southwestern provinces.

Myanmar’s fiercely nationalistic leadership is also carefully assessing its approach with China. China sees Myanmar as an important transit point for the export of goods to India, the Middle East, Europe, and sub-Saharan Africa from its southwestern provinces. As such, it has shown great interest and offered economic assistance and loans to upgrade and improve the road and communications system in Myanmar. These large infrastructure projects would bring as many as 40,000 Chinese construction workers into Myanmar. Chinese influence is growing measurably in cities with large numbers of Chinese migrants and the military junta remains wary of the continued influx. An article in the *Thai Press Reports* cited that major towns in the Shan state, for example, are exclusively using the Chinese *yuan* as the trade currency, and Chinese characters are populating the billboards, street signs, and shop-fronts.

Myanmar has been reaching out to India and Russia in an attempt to curb its over-reliance on China. Myanmar’s military and economic ties with neighboring India are growing. It has also gone ahead to pursue its nuclear ambitions by signing a deal with Moscow earlier this year to build a nuclear reactor.

According to the *Thai Press Reports* in late June 2007, Beijing is increasingly concerned with growing international criticism of China’s linkages to such unsavory regimes as Myanmar. The article said that Beijing is well aware that the junta’s failure to implement political reform may backfire; China has been active in pressing the junta to introduce greater political and economic reform; Chinese officials have also quietly raised the issue of freeing the detained opposition leader Aung San Suu Kyi.

Earlier this year, China vetoed a U.S.-backed UN Security Council resolution censuring Myanmar’s human rights record. Chinese Ambassador Wang Guangya’s public statement at the UN stated that the “current domestic situation in Myanmar does not constitute a threat to international or regional peace and security.” This was seen by some observers to imply that should the situation in Myanmar worsen or unravel toward greater chaos and disorder, one that constitutes a threat to regional peace or security, Beijing could consider a stronger response.

On June 28, 2007 Beijing hosted a closed-door dialogue and helped broker talks between Myanmar and U.S. officials. It was the highest level of dialogue between Washington and Naypyidaw since 2003. Deputy Assistant Secretary of State for East Asian and Pacific Affairs Eric John led the delegation from Washington and met Foreign Minister Nay Win. Such a move may imply greater communication and coordination between Beijing and Washington to try to overcome some of the issues related to Myanmar.

Hu in Australia, APEC meetings

President Hu Jintao's week-long visit to Australia included active participation in the annual APEC summit and meetings with Southeast Asian and other regional leaders.

Hu spent several days visiting Australian cities before meeting on Sept. 6 with Prime Minister John Howard in Sydney, where the two leaders agreed to an Australia-China annual strategic dialogue and witnessed the signing of various agreements, notably a deal for Chinese purchase of Australian liquefied natural gas worth \$35 billion. Official Chinese media hailed the as-yet poorly defined new dialogue as "a major step forward" in the development of China-Australia ties, and *China Daily* said Sept. 7 "it is believed the meetings will be similar to discussions Australia currently has with the U.S. and Japan." Those discussions have been the cause of repeated and generally low-level Chinese complaints. Howard reassured Hu that the trilateral dialogue was not directed at any particular country. Standing alongside Howard at their press conference in Sydney, Hu said that he had no concerns about the trilateral dialogue and added that no other country should be worried about the new strategic dialogue between Australia and China.

At the APEC meeting, Hu underscored existing Chinese positions on climate change and sustainable development – key themes of the meeting. His Sept. 8 speech to the APEC Business Advisory Council highlighted the importance of "China's enormous domestic demand and vast domestic market" for Asia-Pacific growth, said that China had no intention of seeking a large trade surplus, and pledged to increase Chinese imports and to strengthen protection of intellectual property rights.

Among the Chinese president's many bilateral meetings with regional leaders at APEC, Hu met Indonesia President Susilo Bambang Yudhoyono on Sept. 8. The two leaders discussed energy security and sustainable development. Hu said that China "highly regards the influence and role of Indonesia" in ASEAN and world affairs. The Chinese president noted in this regard the launching of a high-level dialogue mechanism, rapid expansion of bilateral trade, security cooperation, and closer communication and coordination on regional issues.

ASEAN Regional Forum, ASEAN 40th Anniversary

Chinese Foreign Minister Yang Jiechi actively participated in the 14th ASEAN Regional Forum (ARF) foreign ministers conference in Manila on Aug. 2. Official Chinese media highlighted Yang's broadly positive assessment of regional economic development, security cooperation, and the expansion of regional and sub-regional organizations. Yang took pains to cite the positive results coming from the meetings of all the major regional groupings: ASEAN Plus Three, ARF, East Asian Summit, Asia Cooperation Dialogue, and APEC.

Yang duly cited regional security issues and problems flowing from imbalanced development, natural disasters, infectious diseases, energy insecurity, and environmental degradation. He gave pride of place to highlighting the importance of "a new security concept" of "mutual trust, mutual benefit, equality, and coordination" that he said is widely evident in regional affairs and conforms to the broad interests of regional peoples and states. He juxtaposed that positive development with low-key criticism of what he saw as a "worrying" tendency of some unnamed governments to "reinforce bilateral military alliances" and seek "absolute military superiority." Western media interpreted Yang's criticism as directed against efforts by the U.S., Japan, and their allies and associates to strengthen their alliances and security cooperation as China rises in regional prominence.

Yang's remarks recalled the Chinese publicity campaign begun in the late 1990s that for several years saw top-level Chinese officials and official Chinese media offer very sharp criticism of the U.S. alliance structure in the Asia-Pacific and the alleged Cold War thinking and hegemonism evident in U.S. policy and behavior. China, at that time, strove to promote its version of a "new security concept" that is very similar to what Yang described on Aug. 2. Chinese officials and official media muted these anti-U.S. attacks beginning in 2001, but they have offered lower level criticism of strengthening U.S. alliances in the Asia-Pacific from time to time in recent years.

Reporting on Yang's participation in the ASEAN Plus Three foreign ministers meeting that preceded the ARF session in Manila, Chinese media highlighted China's strong attention to ASEAN through the China-ASEAN Free Trade Agreement, and deepening partnerships in finance, infrastructure, information, and communication. The media said China-ASEAN trade is growing at a rate of almost 40 percent a year and is slated to reach a value of \$200 billion in 2008. *China Daily* on Aug. 1 cited Secretary of State Condoleezza Rice's failure to attend the ARF "for the second time in three years" and then offered positive comments about China's strong commitment to the region and regional organizations. It quoted a Chinese expert for the observation, "As a large country in Asia, China pays more attention to regional affairs, while as a global power, the U.S. is distracted by many other concerns..."

Official Chinese media marked ASEAN's 40th anniversary Aug. 8 with prominent coverage emphasizing the positive significance of the regional group and China's growing relationship with it. There also was coverage of some differences between China and Southeast Asian states. Chinese government Southeast Asia expert Zhai Kun claimed that "after 40 years of highs and lows, ASEAN has emerged as the second most successful example of regional cooperation after the European Union." The expert said that ASEAN has fostered "all-win" efforts to promote economic cooperation and security that was contrasted with the competitive approaches of the

U.S. and Japan that were seen as designed to seek those states' more narrow influence and "hegemony." Zhai's assessment also contained a list of problems facing ASEAN that centered on the weaknesses of the individual governments and of the ASEAN organization.

Chinese media assessments of China's relationship with ASEAN on the anniversary were similarly balanced, placing an emphasis on positives while noting some negatives. Highlighted achievements included the ASEAN-China FTA process begun in 2002, the Declaration on the Conduct of Parties in the South China Sea of 2002, the ASEAN-China strategic partnership established in 2003, and China signing the Treaty of Amity and Cooperation in Southeast Asia in 2003. Trade in 2006 was valued at \$160.9 billion and ASEAN investment in China reached \$41.8 billion by the end of 2006. Chinese media said that China is broadening security cooperation over maritime safety and other issues with ASEAN, and the media cited a Chinese foreign ministry official for the observation that China hopes to join soon the Treaty on the Southeast Asia Nuclear-Weapon-Free Zone. The negatives cited in Chinese media included territorial disputes that complicate development in the South China Sea, and the "quite small" Chinese investment into ASEAN countries. According to *China Daily*, by mid-2006 China had invested \$1 billion in ASEAN countries while Southeast Asian countries' investment in China was valued at over \$40 billion.

U.S.-ally exercises; Chinese aircraft carrier

The large-scale U.S.-backed military exercises *Valiant Shield*, near Guam in August, and *Malabar*, in the Bay of Bengal in September, elicited statements of concern in official Chinese media and in the Chinese-directed newspaper in Hong Kong, *Ta Kung Pao*. The comments suspected the intentions of the U.S. and its military partners were to "encircle" rising China. The large size of each exercise and the active participation of allied and other navies, notably those of Japan, Australia, and India, in one or both exercises were duly noted. Some Chinese commentaries linked the exercises to increased security cooperation in recent years between and among the U.S., Japan, India, and Australia. Some commentaries highlighted differences among the four that would make a "four state alliance" difficult to achieve, but other commentaries saw U.S. and allied motives to contain China with an emerging "Asian NATO."

Chinese concerns with securing energy supplies and sea lanes through the Malacca Strait have been subject to sometimes divergent treatment among Chinese official experts. Zhao Hongtu, an expert in the China Institute for Contemporary International Relations (CICIR), wrote an article in the June 20 *Xiandai Guoji Guanxi* that criticized "most people" who think that China's maritime lifeline in the Malacca Strait is vulnerable to U.S. interdiction. Zhao's colleague at CICIR, Zhang Xuegang, wrote an article earlier in 2007 that stressed China's energy insecurity in the face of U.S. power because of dependence on the Malacca Strait. (Zhang's article was reviewed in last quarter's *Comparative Connections*.) Zhao argued that the U.S. threat was overblown and that China should focus on more realistic threats to the Malacca Strait posed by piracy and terrorism.

Meanwhile, remarks of Chinese officials and other public signs in China showed strong interest in developing a Chinese aircraft carrier to protect China's growing maritime interests. An Aug. 1 *China Daily* report of an interview with Adm. Yang Yi, director of the Institute for Strategic

Studies at the National Defense University, saw Yang make a case for China building an aircraft carrier. “Why can’t China – a country with a 1,800 km coast line, more than 3 million sq. km of ocean territory, and more than 6,000 islands, build an aircraft carrier?” he asked. Those checking the official *People’s Daily* website for military affairs in August 2007 saw a banner across the front page declaring in Chinese “Go Forward, Chinese Aircraft Carrier.”

Trade Issues

Chinese leaders from Hu Jintao on down endeavored this quarter to reassure APEC and other Chinese trading partners that China is not seeking a permanent world trade surplus and that international complaints of unsafe Chinese-made consumer products are being dealt with appropriately. Assessing mid-year trading data, official Chinese media made clear that at least the short-term Chinese trading surplus is going up, not down, despite government targets to reduce the surplus. *China Daily* Aug. 21 said that the surplus for the first six months of 2007 was \$112 billion, up dramatically from the surplus of \$61 billion in the same period in 2006. It forecast a Chinese trade surplus of \$250-300 billion for 2007, compared to the record Chinese surplus of \$177 billion in 2006.

Complaints against Chinese exports of unsafe consumer products affected Chinese trade relations with Indonesia, Philippines, Malaysia, and Thailand among other Southeast Asian countries. According to non-Chinese media, these complaints were met with a mix of Chinese tactics that included threatened or actual retaliation. A *Washington Post* report of Sept. 5 was particularly critical of Chinese pressure tactics against “vulnerable” economies like those in Southeast Asia, while generally sticking to persuasion and corrective action when dealing with the more powerful U.S. economy. Official Chinese media on Sept. 7 denounced the *Washington Post* article reporting how Chinese and Indonesian officials had resolved their differences; the report stated the Chinese used retaliation against Indonesia by suspending imports of Indonesian aquatic products because of contamination after Indonesia prohibited what it claimed was contaminated Chinese food products from entering the Indonesian market.

South China Sea tensions

The *Straits Times* reported July 19 that continued tensions over conflicting territorial claims over the Spratly Islands in the South China Sea resulted in a clash July 9 between Chinese naval vessels and Vietnamese fishing boats. One of the Vietnamese boats sank; one Vietnamese was killed and several injured. Barry Wain, in a *YaleGlobal Online* article Aug. 14, said the clash followed Chinese detention in April of four Vietnamese fishing boats operating near the Spratly Islands. The clash also followed British Petroleum’s decision to halt seismic survey work off southern Vietnam on behalf of Vietnam until Vietnamese-Chinese tensions subside. Wain warned that despite the general peaceful state of the South China Sea over the past decade, the contest for these waters and their bounty is far from settled.

Assessing China’s Rise, U.S. Decline

The APEC summit prompted officials, experts, and media commentators to take stock of China’s rise in Southeast Asia and the broader Asia-Pacific and what this means for U.S. leadership in

the region. The commentary generally depicted the U.S. government as distracted by the war in Iraq and other concerns, while China grew in stature and importance on the basis of burgeoning trade and effective bilateral and multilateral diplomacy. In an interview with Australian media, Richard Armitage was particularly damning of his former colleagues – “It’s not that we’re ignoring Asia a little bit; we’re ignoring it totally.” And the former deputy secretary of state added, “In every measure, China is making real hay right throughout Asia.”

The Congressional Research Service this quarter added to its line of reports detailing China’s rise in Southeast and other parts of Asia as the U.S. is seen as distracted and in decline. A new report was published on China’s growing influence in the Southwest Pacific and how this challenges the United States. Renato Cruz de Castro, a Philippines specialist well known for his balanced and sometimes wary view of China, concluded in an assessment posted on the American Enterprise Institute website on July 9 that U.S. power and influence in Southeast Asia are gradually being eroded by China’s “soft-power diplomacy and hard power buildup.”

Others were less impressed by China’s gains or perceived U.S. decline. Ian Storey reviewed Malaysia’s posture vis-à-vis China and the U.S. for the Jamestown Foundation *China Brief* on July 11. He found important trade and security differences as well as much common ground between Malaysia and China. Against this background, he assessed in detail the long-standing and multifaceted Malaysian-U.S. military relationship to conclude, “Overall, Malaysia’s military-to-military ties with the U.S. far outweigh anything it has with China.” In July, Richard Cronin posted on the Henry Stimson Center website a detailed assessment of the second Bush administration and Southeast Asia. The assessment carefully considered Chinese gains in the region but concluded that the U.S. remains the security guarantor and vital trade and investment partner for the leading Southeast Asian governments, and that each of these governments remains determined to avoid domination by a rising China and seeks the establishment of diversified relations with other powers, notably the U.S. Speaking at an international meeting on China and Asia in Beijing on July 27, Lee Lai To, president of the Political Science Association of Singapore, reviewed the careful balancing and hedging approaches adopted by Southeast Asian states to deal with a rising China. China still has an image problem because of history, ideology, and the psychological insecurity of smaller ASEAN states faced with China’s new and growing power, while the United States, though distracted, for now remains an essential presence in Southeast Asian hedging strategies.

A few days before the APEC summit, Bronson Percival had a launch in Washington DC for his new book on China and Southeast Asia. Percival’s study is balanced in assessing both the strengths and limitations of China’s rise in Southeast Asia, and the strengths and limitations of the U.S. and its position in Southeast Asia. His analysis adds an important argument not seen in most assessments that China’s rise in Southeast Asia actually has little negative impact on core U.S. interests in the region. Percival therefore is not seriously concerned that China’s rise has affected or will likely affect negatively what he sees on balance as a continuing strong U.S. position in Southeast Asia.

Percival endeavors to provide a clear view of what China has been doing in Southeast Asia in recent years, the strengths and weaknesses of the Chinese efforts, how well or badly the Chinese efforts conform to the interests of Southeast Asian governments and other concerned powers, and

what all this means for the U.S. and its position in the region. His review of the various components of Chinese behavior toward Southeast Asia gives important insights on why specialists and other readers need to be wary of trade and especially aid and investment data that can make China's influence seem more important than it actually is. His assessment of various limitations seen in prevailing U.S. "schools of thought" about China's rise is sobering and seems justified. His critique of the use of the concept of soft power in assessing China's rise seems particularly relevant in light of other books and articles that emphasize this often nebulous subject.

Looking ahead

Although beautiful October weather usually means that Chinese leaders welcome to Beijing large numbers of foreign leaders, including those from Southeast Asia, at this time of year, this year promises to be different given the requirements of the 17th Party Congress. For several weeks, senior leaders will be focused on the lead-in to the Congress, careful execution of the events of the Congress, and dealing with the fall-out of the decisions made at the Congress. Most foreign policy issues, including policy toward Southeast Asia, probably will get lower priority. For now, the main exception to this pattern will be dealing with the crackdown in Myanmar and its important and mixed implications for Chinese interests.

Chronology of China-Southeast Asia Relations July-September 2007

July 5, 2007: Newly appointed Chinese FM Yang Jiechi wraps up his first official visit to Indonesia after meeting President Yudhoyono. Both sides agree to further strengthen strategic partnership in the fields of foreign affairs, economy and trade, science and technology, energy, and culture.

July 5, 2007: In a public statement at the Malaysia-China Business Forum 2007, Malaysia's Prime Minister Abdullah Badawi calls for more investments from China. Badawi says that currently, Malaysia receives less than \$30 million of direct investment from China while Malaysia's total investments in China reached \$320 million.

July 6, 2007: The Chinese Ministry of Public Security and the Department of Foreign Affairs of the Philippines announce that they jointly cracked a trans-border case in June in which drugs worth \$7.09 million were seized. The success was attributed to close police cooperation over the past three years.

July 12, 2007: Following a visit by Chinese Vice Premier Wu Yi, Singaporean Deputy Prime Minister Wong Kan Seng announced that Singapore can expect to conclude its free trade agreement with China by 2008. Bilateral trade reached nearly \$41 billion in 2006, Singapore is China's seventh largest trading partner, and China is Singapore's third largest partner.

July 14, 2007: Chinese Minister of Commerce Bo Xilai and his Malaysian counterpart agree that China will extend its biggest loan for a single project to Malaysia in the form of an \$800

million loan for the construction of the second Penang bridge. The 20-year loan agreement by China's Exim Bank will carry an interest rate of 3 percent annually.

July 16, 2007: China's Vice Minister of Health Wang Guoqiang visits Brunei, meeting his counterpart. They agree to renew their plan of action on health cooperation and increase the exchange of health officials and working visits. There will also be further enhancement of cooperation between the health institutions, training and research and the recruitment of medical workforce and paramedics in fields such as traditional medicine, children and maternal healthcare, oncology, neonatology, and hepatitis.

July 18, 2007: According to Thai press reports, the Chinese People's Liberation Army and the Thai Royal Army are conducting a special combined training military exercise in Guangzhou. The exercise, which involves 30 officers from both armies' Special Forces, is code-named *Strike 2007*. It will last for two weeks and will include military demonstrations, a series of workshops that cover combat techniques and jungle crossing, and a joint study of tactics deployed by Special Forces.

July 19, 2007: Shanghai-based Guan Sheng Yuan Co., a Chinese candy-making company, denies claims by the Philippine Bureau of Food and Drugs that one of its products contains potentially cancer-causing formaldehyde.

July 20, 2007: According to Indonesian press reports, Beijing and Jakarta are exploring joint maritime operations. According to the agreement, it would cover various joint activities in navigation security, maritime security, ship building, naval cooperation and maintenance of Malacca Strait security. The operations will also be conducted in coordination with the International Maritime Organization (IMO).

July 28, 2007: According to the Singaporean *Straits Times*, a group of Vietnamese boats fishing in waters near the Spratly Islands came under fire from Chinese naval vessels in July. Military sources reported that one of the Vietnamese boats sank after the attack. One fisherman was killed and several others hurt. Following the incident, Vietnamese officials were in Beijing for crisis talks with senior Chinese officials in an attempt to stop more hostilities. The two sides agreed to meet later this year in Hanoi.

July 31-Aug. 1, 2007: FM Yang holds separate talks with counterparts from the Philippines, Singapore, and Australia in Manila while attending the 14th ASEAN Regional Forum. In each meeting, Yang reaffirms Beijing will work with regional partners to promote peace, stability, and development in the Asia-Pacific.

Aug. 1, 2007: At the sidelines of the ASEAN ministerial meeting, FM Yang meets Singaporean counterpart George Yeo to discuss the China-ASEAN free trade agreement. Beijing expresses hope that it would be signed during the ASEAN summit in Singapore in November 2007. According to the China-ASEAN Business Council, two-way trade between China and ASEAN is expected to reach \$190 billion in 2007.

Aug. 11, 2007: Philippine President Gloria Macapagal-Arroyo reaffirms that the tripartite marine seismic program in the South China Sea among the Philippines, Vietnam, and China would be the “biggest bridge” to peacefully resolve the territorial dispute over the Spratly Islands. The agreement is seen as a breakthrough, imposing the provisions of the Code of Conduct in the South China Sea for all members. It also involves a joint exploration project for oil.

Aug. 14, 2007: The ASEAN-Beijing Committee and the China-ASEAN Association jointly hold a reception marking the 40th anniversary of ASEAN in Beijing. At the reception, China’s FM announces that China will continue to back ASEAN as a strategic partner and a leading player to maintain regional peace and development.

Aug. 16, 2007: Thailand’s Public Health Ministry discloses a long list of hazardous food imported from China. According to Thai officials, they have found excessive insecticide residues in cabbages, pears, lotus roots, carrots, celery, and spinach imported from China, while high levels of sulfur dioxide have been found in dried vegetables and dried chrysanthemum.

Aug. 23, 2007: Vice chairman of China’s Central Military Commission, Xu Caihou, meets the General Political Department Chief of the Lao People’s Army, Sengnouane Sayalat. They agree to maintain high-level exchanges of visits and strengthen cooperation in all fields, especially on military and security issues.

Aug. 27, 2007: A 10-member delegation of the PLA, led by Gen. Liu Dongdong, political chief of military sub-division of Jinan, arrives in Phnom Penh for an official four-day visit. The delegation will meet top-level Cambodian military officials, parachute troops, and visit the Preah Ketomealea hospital in Phnom Penh.

Sept. 3, 2007: Chinese Defense Minister Cao Gangchuan visits the Philippines, holding talks with Philippine Defense Secretary Gilberto Teodoro in Manila. The two militaries exchange views on international and regional security situations, relations between the two nations and their militaries, and other issues of common concern.

Sept. 5, 2007: Chairman of the National Committee of the Chinese People’s Political Consultative Conference Jia Qinglin meets his Indonesian counterpart Hidayat Nur Wahid in Beijing. The two leaders agree to increase dialogue and bilateral cooperation.

Sept. 8, 2007: President Hu meets Indonesian President Yudhoyono on the sidelines of the annual Leaders’ Meeting at the APEC forum in Sydney, Australia. Hu says China is willing to expand cooperation with Indonesia in sustainable development issues and energy exploitation, including development of renewable and alternative energy sources.

Sept. 9, 2007: Hu meets his counterpart from the Philippines, Macapagal-Arroyo, at APEC. The two leaders pledge closer cooperation by maintaining frequent high-level visits to deepen mutual trust. On the South China Sea issue, both sides agree that progress has been made and that they would continue to cooperate in the next phase to promote peace, stability, and common development of the South China Sea.

Sept. 13, 2007: Tang Jiaxuan, Chinese former foreign minister and ranking member of the State Council, meets Myanmar's foreign minister, U Nyan Win. Tang expresses hope Myanmar can restore stability and promote national reconciliation.

Sept. 17, 2007: Vietnamese trade authorities announce that the largest Vietnam-China trade fair will be held in Vietnam's northern Lao Cai province in early December 2007. Trade between Vietnam and China increased to over \$9.95 billion in 2006 from \$8.2 billion in 2005, according to the Chinese Ministry of Commerce.

Sept. 20, 2007: Permanent Secretary of Thailand's Ministry of Defense Winai Phattiyakul visits Beijing for the sixth Sino-Thai annual defense and security consultations, meeting with Defense Minister Cao Gangchuan. Both sides agree to further promote military exchanges and deepen bilateral cooperation.

Sept. 26, 2007: On the sidelines of the 9th Joint Commission meeting between China and Indonesia in Beijing, visiting Indonesian Trade Minister Mari Elka Pangestu announces that the two countries will form a working group under the framework of the Joint Commission to address various trade and investment issues including quality, food product security, and illegal shipment of products.

Sept. 29, 2007: Marking China's highest-level public statement on the government crackdown against street demonstrations in Myanmar, Chinese Prime Minister Wen Jiabao tells British Prime Minister Gordon Brown that "China hopes that all parties concerned in Myanmar show restraint, resume stability through peaceful means as soon as possible, promote domestic reconciliation, and achieve democracy and development."



**China-Taiwan Relations:
In the Throes of Campaign Politics**

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Beijing is preparing for the 17th Party Congress, projecting an image of orderly authoritarian politics. In Taiwan, the volatile and unpredictable democratic politics of the presidential campaign are raising issues and prompting expressions of serious concern in Beijing and Washington. The focal points have been President Chen Shui-bian's quixotic appeals to join the UN as "Taiwan," the Democratic Progressive Party's (DPP) promotion of a referendum on UN membership under that name and DPP Chairman Yu Shyi-kun's proposal for a new DPP resolution on making Taiwan a "normal country." The strong international reaction to these maneuvers has not deterred Chen or the DPP from the referendum on UN membership that is driven by their domestic political calculations. However, the U.S. position did provoke debate and contributed to a DPP decision to reject the most provocative aspects of Yu's proposals on the "Normal Country Resolution." What the Taiwan voters will do remains to be seen. Against this background, it is hardly surprising that the few authorized cross-Strait contacts that have occurred have produced no results.

"Taiwan" applies to the UN

Taiwan's 15-year quest for representation in the UN took a dramatic new turn when President Chen decided to apply for membership as "Taiwan" and to make this proposal directly to the UN in a series of letters. His first application to Secretary General Ban Ki-moon was rejected and the letter returned. Chen followed up quickly with letters to Ban and the Security Council president, then PRC Ambassador Wang Guang-ya, protesting that the Secretariat's rejection violated membership application procedures. Both these letters were also rejected and returned. A subsequent appeal to the outgoing UN General Assembly (UNGA) president was also turned aside with a note that the issue would be considered by the next UNGA. On Sept. 19, the UN General Committee voted for the 15th year not to put Taipei's case on the UNGA agenda. However, two days later the General Committee's report sparked a four-hour UNGA debate, most of which related to Taiwan. The outcome was as expected, but the debate accomplished one of Chen's purposes: focusing more international attention on Taiwan's exclusion.

These international events were but grist for Chen's campaign to hold a referendum on joining the UN as "Taiwan" at the time of the presidential election in March 2008. That campaign was in full swing throughout the quarter. The Executive Yuan, overruling the action of the Referendum Review Commission, approved the wording of the DPP resolution in July and DPP Chairman Yu Shyi-kun launched the signature drive immediately thereafter. Responding to this,

the Nationalist Party (KMT) proposed an alternative resolution that Taipei should “rejoin” the UN using whatever name would be most effective in garnering support. Chen and Yu have been promoting the referendum ceaselessly. On the eve of the UN General Committee vote, the DPP held a rally in Kaohsiung that attracted around 250,000 supporters.

Chen’s public explanation of his application and of the UN referendum has argued that 14 years of failure in applying to the UN as the Republic of China (ROC) justified a new approach, that Taiwan is a sovereign independent state not part of the People’s Republic of China (PRC), that its exclusion is an injustice and an affront to the principle of UN universality, and that his appeal enjoyed wide public support in Taiwan, which would be demonstrated through the referendum. While this rationale does reflect Chen’s deeply held beliefs, his real motivation is domestic political considerations. As laid out this spring in his “four wants” speech, Chen sees Taiwan identity as the fundamental issue in Taiwan politics. The UN application and referendum campaign are vehicles for using the identity issue to mobilize electoral support for DPP candidates in the coming legislative and presidential elections. Chen’s fondest hope is that these efforts will provoke a threatening military response from the PRC that will not only mobilize the DPP base, but also drive moderate voters into the DPP’s arms. In addition, Chen believes these efforts will create political realities in Taiwan to which the future president, whoever it is, will be forced to adjust.

Beijing’s response

In Beijing, preparations for the 17th Party Congress have been proceeding smoothly. Indications are that General Secretary Hu Jintao is succeeding in consolidating his leadership. There are no signs of any leadership disagreement over Hu’s basic policies toward Taiwan. It is expected that Jia Qinglin, who has played a visible supporting role on Taiwan policy, will leave the Politburo Standing Committee. Whom Hu will choose to become his new right-hand man on the Taiwan Affairs Leading Small Group is a matter of speculation, but not apparently of controversy.

Unfortunately, the events in Taipei have compelled Beijing’s attention and left it as often responding rather than initiating. President Chen’s application to the UN only confirmed and vindicated Beijing’s warnings that he would be able to “create trouble” even as a lame duck. Since Beijing is confident of its ability to block Taipei’s application, its concerns have focused primarily on the DPP referendum on UN membership. Beijing perceives the referendum as a step toward *de jure* independence. It fears that if the referendum is passed and the DPP wins the presidency, Hsieh Chang-ting will be compelled some how to cross Beijing’s red lines and force a military response. Beijing commentators have hinted ominously that the referendum might cross the Anti-Secession Law’s threshold and require resorting to non-peaceful means.

Beijing’s dilemma has been that efforts to block the referendum might end up promoting it. Recognizing Chen’s desire to lure Beijing into a harsh threatening response, Beijing has avoided this by keeping military rhetoric and maneuvers under control. Nor have there been any serious public threats from the leadership. There have been a few leadership statements, such as official reports that Hu had told President Bush at APEC that the next two years would be “highly dangerous.” However, most of the public response has been relatively mild and has come from the Taiwan Affairs Office (TAO) or Ministry of Foreign Affairs. For example, TAO officials

encouraged international opposition to the referendum in order to preserve peace and warned that Chen was playing with fire and must bear the consequences of his actions. Beijing's official media have also reported routinely on minor positive developments involving Taiwan.

Once again, Beijing has turned to Washington through diplomatic channels for help, urging that Washington check Chen now to avoid Beijing being forced into a military response later. President Hu raised his concerns with Bush and thereafter TAO Minister Chen Yunlin made a quiet visit to Washington for further consultations.

U.S. posture

From concern for U.S. national interest, the Bush administration reached conclusions about Chen's actions that were similar to Beijing's. Since Taipei chose to apply for World Health Organization (WHO) membership as Taiwan this spring, Washington has been concerned that the Chen administration was pursuing steps aimed at unilaterally changing the status quo. Washington tried through its unofficial channels to dissuade Chen from applying to the UN as Taiwan and from promoting a referendum on that subject. In addition, Washington delayed approving arrangements for Chen's transit through the U.S. to Central America in August and in the end only approved brief refueling stops in Anchorage to signal its displeasure. Chen, nevertheless, went ahead with both.

Under pressure from Beijing and anticipating appeals from President Hu at APEC, Deputy Secretary of State John Negroponte laid out Washington's position publicly in an interview with *Phoenix TV*. Negroponte began by reaffirming that the U.S. was a friend committed to the defense of Taiwan, but then went on to explain that it opposes applying to the UN as Taiwan because doing so is a step toward *de jure* independence and a unilateral effort to change the status quo. Negroponte urged Taipei to act in a responsible manner and avoid provocative actions that would raise tension across the Taiwan Strait. A few days later, National Security Council Director Wilder commented publicly that UN membership requires statehood and that "Taiwan, or the Republic of China, is not at this point a state in the international community." Wilder went on to say that the status of the ROC is an issue that has been left undecided for many years. Beijing publicly welcomed these statements (and chose to protest Wilder's reference to Taiwan's status being undecided only in confidential demarches).

These public U.S. statements aroused a variety of responses in Taiwan, usually reflecting the commentator's domestic political interests. President Chen and the DPP claimed that the U.S. misunderstood Taiwan's intentions and reaffirmed their plan to proceed with the UN referendum despite U.S. opposition. Against this backdrop, Deputy Assistant Secretary of State Tom Christensen laid out in much greater detail the administration's reasons for opposing the referendum and for doing so publicly. His remarks, addressed directly to the Taiwan public, did not change the Chen administration's course, but did provoke a further lively debate in Taipei and raised awareness in Taiwan of the extent of U.S. disagreement with the Chen administration.

UN Secretariat view of Taiwan

One sidebar to all this attention to Taiwan and the UN relates to the UN Secretariat's position on

Taiwan. In March, Taiwan had asked Nauru to convey to the UN Secretariat Taipei's instrument acceding to the UN Convention on the Elimination of All Forms of Discrimination Against Women – another modest step by Taipei both to act responsibly and to advance its international standing. In denying this request, Secretary General Ban signed a letter prepared by the Secretariat stating that under UN resolution 2758, “the UN considers Taiwan for all purposes to be an integral part of the People's Republic of China” and therefore cannot accept accession by the Taiwan authorities. This expansive and inaccurate interpretation of 2758 incensed Taipei and raised concerns in Washington.

Washington conveyed to the Secretariat its views about Ban's letter. Subsequently in explaining their position on Chen's application for UN membership, the secretary general and Secretariat have trimmed their comments, stating that, based on resolution 2758, the UN position is that the PRC is the sole legal government in China and that Taiwan is a part of “China.” The latter part of that position still goes beyond what 2758 actually states. Unfortunately, the Secretariat's interpretation puts the UN in a legal straitjacket in which it must get Beijing's approval for anything it, or any of its specialized agencies, does with Taiwan. This is apparently the legal basis for the WHO Secretariat's MOU with Beijing defining how the WHO deals with Taiwan – an arrangement that has in many practical ways limited Taiwan's participation in WHO technical meetings to the detriment of international health cooperation.

Chairman Yu's normal country resolution

DPP Chairman Yu, an unsuccessful candidate for the DPP's presidential nomination, used his position to promote a new party resolution designed to write President Chen's unfinished agenda into party policy. Distrusting Hsieh's pragmatism, Yu's original draft included specific language on changing the country's official name to Taiwan, on drafting a new constitution that would redefine Taiwan's territory and population, and on holding a referendum to declare that Taiwan is a sovereign, independent state. The draft provoked an extended controversy within the party. When the DPP Central Executive Committee considered the draft on Aug. 30, Hsieh Chang-ting and other moderate elements in the party exercised their influence to shorten and tone down the draft, to omit Yu's specifics, and to preserve some tactical flexibility on how to achieve party goals. Hsieh commended this revised draft saying that now was not the time to adopt combative positions that would not be supported at home or abroad (implying the U.S.).

Yu would not relent. He proposed amendments to reinsert some of his specifics. After Yu was indicted on misuse of funds, President Chen brokered a meeting of party and administration leaders on Sept. 26. The meeting thrashed out a compromise that restored some of the specifics sought by Yu. Not satisfied, Yu abruptly announced his resignation the following day. Yu's supporters made one final effort at the DPP Congress to include in the resolution a specific commitment to change the country's name to Taiwan. The U.S. policy was a factor in the debate over this proposal. On Sept. 30, the congress rejected that proposal and adopted the draft brokered by Chen.

The “Normal Country Resolution” moves the DPP's formal policy beyond that defined in its 1999 resolution on Taiwan's future. For example, it now commits the party to “name change,” though stopping short of explicitly changing the country's official name, and to applying to the

UN as “Taiwan.” It now commits the party to write a new (rather than revise the existing) constitution, though without setting a timetable or defining elements of the new constitution. Both these changes can be seen as inconsistent with President Chen’s “four noes” commitments. The DPP Congress adopted the resolution as a part of the platform on which Hsieh will campaign for president.

Hsieh Chang-ting

How has Hsieh been defining himself? In interviews addressed to foreigners and Beijing, Hsieh has conveyed the image of the pragmatist that these audiences hope to see. He has talked of rebuilding trust with Washington, of seeking stable cross-Strait relations, of expanding economic links with China, and of realizing direct travel and Chinese tourism. At home, he has sought to appeal to party fundamentalists and moderate voters. For fundamentalists, he has placed himself firmly in the DPP mainstream, endorsing the core positions in the party’s 1999 resolution on Taiwan’s future that defines Taiwan as a sovereign independent state, rejects Beijing’s “one China” principle, and conceives of cross-Strait relations as between two separate states. Hsieh has endorsed joining the UN as Taiwan, said he is campaigning to be president of Taiwan and at times supported the party’s UN referendum. In addition, he has accepted the new party positions in the “Normal Country Resolution.”

To appeal to moderate voters, Hsieh has tried to sustain his image as being more pragmatic than President Chen. He has spoken of his desire for cross-Strait peace and stability and of the need to build consensus before acting on controversial issues. He worked hard behind the scenes to tone down Yu’s draft of the “Normal Country Resolution.” As someone who values conciliation and who is conscious of U.S. opposition, Hsieh proposed to the DPP that the two competing UN resolutions be merged to maximize support for Taiwan’s desire for UN membership. The party leadership roundly rejected this idea.

Hsieh has had only limited success in maintaining control of his campaign. He appears less than enthusiastic about the UN referendum, but has had to accept it as a core element in the campaign. He was only partly successful in toning down the “Normal Country Resolution,” promoted by fundamentalists in the party Secretariat. As the DPP Congress ended without resolving who will be party chairman, it is unclear how relations will develop between the Secretariat and Hsieh’s campaign staff.

Hsieh’s various statements leave considerable room for speculation about just what he would do if elected. Commentators from China now seem less certain of their ability to work with Hsieh. Those who are more optimistic doubt that conditions will permit a resumption of political talks, but hold out hope that it will be possible to reach agreements on economic and functional issues. Those who are more pessimistic believe Chen, Yu, and the party fundamentalists are hijacking Hsieh’s campaign in ways that will constrain Hsieh if he is elected.

Functional talks remain stalled

As would be expected in this politicized environment, the conditions are not ripe for progress on functional issues. According to the Mainland Affairs Council (MAC), there have been some

contacts on charters and tourism. At times the MAC has expressed some hope that progress may be possible. But no breakthroughs have been achieved. Nevertheless, both sides continue to implement existing agreements. The first series of direct flights over Mid-Autumn Festival began in late September.

Further and intense discussions were held between the 2008 Olympic Committees of Taipei and Beijing about routing the Olympic torch through Taiwan. At one point, the MAC optimistically indicated that agreement was about to be reached, only to learn from its Olympic negotiator that new issues had arisen. In late September, the talks were suspended with Taipei claiming that Beijing's new demands related to Taiwan's anthem and flag were unacceptable. On Sept. 20, the International Olympic Committee (IOC) announced the torch route had been finalized and that it would not pass through Taiwan.

Economic trends

Cross-Strait trade has continued to grow at a moderate double-digit rate. According to PRC statistics, trade reached \$55.3 billion, in the first half of 2007. PRC exports to Taiwan increased 15.1 percent to \$11 billion and PRC imports from Taiwan grew 9 percent to reach \$44.3 billion. As usual statistics from Taiwan were lower. Taipei's Board of Foreign Trade put first half trade at \$46 billion. It reported exports to the PRC of \$33 billion up 14 percent. These exports represented a record 29 percent of Taiwan's global exports. The BOFT put Taiwan's imports at \$13 billion also up 14 percent.

Looking ahead

The 17th Party Congress report will contain an authoritative restatement of Hu Jintao's policies toward Taiwan. No significant departures are expected. Someone in the new Politburo Standing Committee will eventually be revealed to be Hu's new deputy on the Taiwan Affairs Leading Small Group. It is also expected that between now and the National People's Congress session next March, TAO Minister Chen Yunlin will retire and be replaced by Vice Minister Zheng Lizhong, who is already playing a prominent role in cross-Strait contacts.

In Taipei the legislative and presidential campaigns will continue to dominate the news and policy. Predictions are that the KMT will win a larger majority in the new Legislative Yuan in January. However, the presidential campaign remains wide open. These elections will be test of the temper of the Taiwan electorate – whether the electorate's mood will be pragmatic or idealistic?

China-Taiwan Chronology

July – September 2007

July 1, 2007: Vatican notes willingness to switch relations as soon as agreement is reached with China.

July 2, 2007: MAC Chairman Chen Ming-tong sees signs China wants to reopen functional talks.

July 4, 2007: President Chen's Op-ed in *Washington Times* on UN membership.

July 6, 2007: President Chen tells *Washington Post* UN referendum will be held.

July 10, 2007: Taipei announces anti-dumping duty of 43 percent on Chinese shoes.

July 12, 2007: Hsieh Chang-ting's *Phoenix TV* interview.

July 12, 2007: Executive Yuan (EY) committee approves DPP's UN referendum.

July 12, 2007: Hong Chi-chang appointed president of SEF.

July 18, 2007: President Chen sends letter to UN Secretary General Ban applying for admission as "Taiwan."

July 23, 2007: UN Secretariat rejects and returns Taiwan's application.

July 23, 2007: Hsieh Chang-ting's *Financial Times* interview.

July 24, 2007: Hsieh in Washington for consultations with Bush administration.

July 25, 2007: KMT delegation led by Chiang Ping-kun meets TAO Deputy Zheng Lizhong.

July 26, 2007: EU criticizes DPP's UN referendum, saying it does not support membership for Taiwan.

July 30, 2007: President Chen writes UNSC President Amb. Wang and Secretary General Ban again applying for UN membership.

Aug. 1, 2007: Amb. Wang states that Chen's letter was immediately rejected.

Aug. 1, 2007: On its 80th anniversary, PLA expresses zero tolerance for Taiwan independence.

Aug. 5, 2007: China repatriates ex-KMT lawmaker Chang Wen-yi to Taiwan.

Aug. 7, 2007: U.S. carriers in operation *Valiant Shield* operate east of Taiwan.

Aug. 12-13, 2007: Hsieh Chang-ting visits Singapore and Indonesia.

Aug. 14, 2007: District Court acquits Ma Ying-jeou on charges of misuse of funds.

Aug. 14, 2007: Two PRC plane hijackers repatriated to China after serving sentences.

Aug. 15, 2007: Hsieh formally announces Su Tseng-chang as his running mate.

Aug. 16, 2007: Prosecutor announces intention to appeal Ma's acquittal.

Aug. 17, 2007: MAC Chairman Chen says talks on flights and tourism almost complete.

Aug. 20, 2007: PRC's Jia Qinglin meets youth delegation from Taiwan.

Aug. 21, 2007: President Chen transits Anchorage, stays on plane to express discontent.

Aug. 22, 2007: EY 08 budget includes NT\$340 billion for defense (3 percent GDP).

Aug. 23, 2007: President Chen meets Central American allies in Honduras.

Aug. 23, 2007: China opens embassy in Costa Rica.

Aug. 26, 2007: President Chen visits El Salvador.

Aug. 27, 2007: Deputy Secretary Negroponte's *Phoenix TV* interview.

Aug. 27, 2007: President Chen meets President Ortega in Nicaragua.

Aug. 28, 2007: Referendum Review Committee approves KMT UN referendum.

Aug. 28, 2007: PRC MOFA expresses appreciation for Negroponte's remarks.

Aug. 29, 2007: President Chen transits Anchorage.

Aug. 29, 2007: TAO Deputy Zheng Lizhong calls for opposition to independence activities.

Aug. 30, 2007: NSC Wilder's comments to press on Taiwan.

Aug. 30, 2007: DPP Central Executive Committee adopts modified 'Normal Country Resolution.'

Aug. 30, 2007: MAC approves visit by Yao Ming.

Aug. 31, 2007: PRC letter to UN labels Taiwan's application as step toward independence.

Sept. 4, 2007: In Changhua, Hsieh Chang-ting says he is running for president of the “Republic of Taiwan.”

Sept. 5, 2007: Ma criticizes Hsieh’s statement, Hsieh reiterates it.

Sept. 5, 2007: Hsieh proposes combining two UN resolutions; DPP rejects proposal.

Sept. 5, 2007: *Xinhua* reports 600 Taiwanese apply to volunteer at 2008 Olympics.

Sept. 6, 2007: President Chen’s video teleconference with Washington.

Sept. 6, 2007: Presidents Bush and Hu meet at APEC.

Sept. 6, 2007: Vice Premier Wu Yi meets Taiwan investors; Beijing announces new economic measures for Taiwan.

Sept. 7, 2007: MAC Chairman Chen Ming-tong hints at agreement on Olympic torch.

Sept. 8, 2007: MAC Chairman Chen says new glitches threaten agreement on torch.

Sept. 9, 2007: Five African allies attend summit in Taipei.

Sept. 10, 2007: DPP Chairman Yu proposes amendments to strengthen ‘Normal Country Resolution.’

Sept. 11, 2007: UN General Assembly president returns letter from President Chen.

Sept. 11, 2007: DAS Christensen speech at US-Taiwan Business Council Conference.

Sept 12, 2007: TAO’s Li Weiyi says Taiwan must bear consequences of its actions.

Sept. 12, 2007: DPP and Chen administration say UN referendum will go forward despite U.S. opposition.

Sept. 12, 2007: U.S. announces plan to sell 12 P-3C’s and 122 SM-2 missiles to Taiwan.

Sept. 13, 2007: KMT’s Wang Jin-pyong urges both parties to drop UN referendums.

Sept. 13, 2007: TAO Minister Chen Yunlin in Washington DC for consultations.

Sept 14, 2007: President Chen holds video teleconference with press in New York.

Sept. 15, 2007: DPP stages UN march in Kaohsiung; KMT holds rally in Taichung.

Sept. 16, 2007: TAO warns that UN issue creates “serious situation.”

Sept. 16, 2007: Beijing MOFA protests US arms sales to Taiwan.

Sept. 17, 2007: DPP Chairman Yu proposes amendments to 'Normal Country Resolution.'

Sept. 19, 2007: UNGA General Committee decides not to put Taiwan on UNGA agenda.

Sept 20, 2007: IOC announces Olympic torch route will not include Taiwan.

Sept. 21, 2007: Prosecutors indict Chairman Yu and others on misuse of funds; DPP Chairman Yu announces intention to resign.

Sept. 21, 2007: Two-week Mid-Autumn Festival charter flights begin.

Sept. 21, 2007: UNGA debates and adopts General Committee report.

Sept. 23, 2007: Secretary Rice and Minister Yang meet at UNGA.

Sept 24, 2007: PRC's Jia Qinglin says UN referendum "endangers peace."

Sept. 23, 2007: Hsieh Chang-ting's interview with *Straits Times* published.

Sept. 26, 2007: President Chen brokers compromise that strengthens Normal Country Resolution draft.

Sept. 27, 2007: DPP Chairman Yu abruptly resigns.

Sept. 27, 007: President Bush receives Foreign Minister Yang at White House.

Sept. 30, 2007: Divisive DPP Congress adopts 'Normal Country Resolution.'



**North Korea-South Korea Relations:
Summit Success?**

**Aidan Foster-Carter
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The main event between the two Koreas in the third quarter of 2007 was, obviously, President Roh Moo-hyun's visit to Pyongyang. This was the first North-South summit meeting in seven years, and only the second in the 59 years since two rival states were declared in 1948 under respective U.S. and Soviet patronage, each claiming – as they do still, even after a decade of “Sunshine” – to be the sole legitimate government on the peninsula. Originally scheduled for late August, the summit was postponed until early October after North Korea was hit – yet again, and worse than ever – by crippling floods. Strictly, then, it fell outside the third quarter. But it would be perverse to exclude so key an event, especially since anticipation of how it would go dominated August and September.

Moreover, the fact that the summit coincided, almost to the day, with further progress at the Six-Party Talks (SPT) added an extra twist to what, however one evaluates it, was a crucial moment in the tangled history of inter-Korean relations. Time will tell, and we shall have a clearer idea by the year's end; or maybe not till early 2008, when a new and almost certainly more conservative leader in Seoul – Roh's successor will be elected Dec. 19, taking office Feb. 25 – must decide how far to accept and implement the eight-point agreement that Roh signed with Kim Jong-il.

To this writer, skeptical like many, this looks a better deal than feared. Despite regrettable if predictable brevity on the nuclear issue, and a deafening silence on human rights, the new agreement, if implemented – always a big proviso with the DPRK – presages the start of serious, large-scale, and wide-ranging inter-Korean economic cooperation. If some critics still find this one-sided – no prizes for guessing who will write the checks – at least now the focus is on solid infrastructure and joint business; it's not simply aid (much less cash) that Kim Jong-il can use as he pleases, as was too often the case hitherto.

Assorted spats

As the quarter began, the surface atmosphere hardly seemed propitious for a summit, even though, as reported in earlier issues of *CC*, rumors that Roh wanted one had abounded for months, and secret talks to that end – initially denied – had been confirmed in the spring.

With memories still fresh of rows at events held in Pyongyang in June to commemorate the seventh anniversary of the first inter-Korean summit talks in 2000 between Kim Jong-il and the

then Southern president, Kim Dae-jung, the bad temper continued into the second half of the year. Military talks continued to run aground on the Northern Limit Line (NLL) issue, with the North demanding that this *de facto* postwar western marine border (which it never officially accepted) be redrawn, and the South refusing to entertain this. On July 26, a North Korean People's Army (KPA) general swore and stormed out of the latest round of talks, held as usual in the truce village of Panmunjom in the Demilitarized Zone (DMZ), saying there was no point in continuing.

Barely a week later on Aug. 4 the North pulled out of another now customary joint event: celebrating Liberation Day (from Japan in 1945) on Aug. 15, a holiday in both Koreas. This year the host was to be Busan, South Korea's second city and main port. The North's pretext was the hoary old one of protesting what are in fact routine annual joint U.S.-ROK military exercises, codenamed *Ulchi Focus Lens*. Two days later there was a brief exchange of gunfire across the DMZ, the first in over a year. No one was hurt.

Summit set for end of August

Yet behind all this play-acting, evidently, the North was happy to arrange a summit. It was announced on Aug. 8 that Roh Moo-hyun would visit Pyongyang later that month, on Aug. 26-28. Critics at once smelt a rat, or several. For a start, the venue: why Pyongyang again, when the Dear Leader had never fulfilled his pledge to reciprocate Kim Dae-jung's 2000 visit by coming south to Seoul – or even Jeju Island? Security concerns were adduced.

Then there was the timing. A lame duck with less than four months to go before his successor is elected, Roh hardly had the clout to make a deal that would stick, especially as all polls give a huge lead to the conservative opposition Grand National Party's (GNP) Lee Myung-bak, a former mayor of Seoul. The GNP accordingly cried foul, accusing the ruling camp of blatant electioneering in the hope (surely vain) of boosting a beleaguered center-left which after a decade in power looks stale, has been through all manner of bewildering party splits and reamalgamations, and, by early October, had yet to choose its candidate from among several hopefuls – none of whom has even double-digit public support.

A third concern was how this was arranged. Secret talks, initially denied, were hardly an exercise in transparency. Much of the ROK government was kept in the dark; only a few people in the Blue House and National Intelligence Service (NIS) knew the plan.

Personalities and experience were another worry. Some feared that a wily old bird like Kim Jong-il, on his home turf, would run rings around Roh, who can often come across as naïve.

Help or hindrance to SPT?

A wider question was how the summit would mesh with the SPT. At first glance they could seem mutually reinforcing, as twin or at least parallel tracks of a broader peace process. Yet in Washington and Tokyo, behind the *pro forma* noises of approval for the summit, there was worry lest Roh – ever mercurial, and now politically beleaguered – might run ahead of the SPT and thereby undermine them. Reports that the ROK would offer a \$20 billion mini-Marshall

plan, with no mention of strings attached, raised fears that this would strengthen Kim Jong-il, thus enabling him to resist the strict step-by-step conditionality of the SPT.

The risk in all this was seen when South Korea said it would partially pull out of the *Ulchi Focus Lens* war games with the U.S. The North complains about these every year, and this time they were due to coincide with the summit. Fearing trouble, Seoul told U.S. Forces Korea (USFK) that it would still participate in the main computer-based exercise, while postponing the field component until after the Pyongyang meeting. In the event the full exercise went ahead, because the summit was postponed – but no doubt the Pentagon was not best pleased.

Flooded out

Lively debate about the summit's pros and cons was put on hold Aug. 18, when the event itself was postponed to early October (2-4) after the worst floods in 40 years hit North Korea, including Pyongyang. Suspicious minds speculated whether this was a pretext, but for once there is no reason to suspect Kim Jong-il – he was stranded in the northeast of the country, according to one report – of guile. Unusually, DPRK media reported the damage swiftly and in detail, including TV pictures of floods in Pyongyang itself, the first since 1967.

By all accounts this was a body blow to an already suffering economy and people. *KCNA* was coy on casualties, but aid agencies were told that almost 300 people were dead or missing; 11 bodies, more than ever before, floated downriver into South Korea. Over 46,000 homes were destroyed, rendering 88,000 families or over 300,000 people homeless.

In a state already unable to feed itself, at least 11 percent (South Korea reckons 14 percent) of all farm land, paddy and dry alike, was hit at a critical season, with both rice and maize coming into ear. *KCNA* spelt out the harm to irrigation: “Over 200 pumping stations, more than 1,600 sections of waterway, upward of 30 reservoirs, 450 agricultural structures and at least 800 sections of river and stream bank were destroyed.” Nor was industry spared, as the floods knocked out 400 factories, 60 coal mines, and 500 electricity pylons. *KCNA* admitted that rail transport – creaky at the best of times – was “paralyzed”: tunnels inundated, bridges destroyed, track buried by landslides, and 55,000 sq. meters of roadbed washed away.

Few areas of the country escaped. Upper and middle reaches of the Taedong River, which flows through Pyongyang, had their highest ever rainfall with average precipitation of 524 mm between Aug. 7-11, exceeding the 472mm at the severe floods of Aug. 25-29 1967. The 378mm that deluged the capital itself was more than double 1967's 154mm. In a rare plaintive note, *KCNA* lamented, “The beautiful parks in Panwol, Ssuk, Konyu and other islets and on the sides of river were buried under silt beyond recognition.”

Dear Leader cut off

South Pyongan and North Hwanghae provinces had nearly a year's rainfall in just a week. The latter lost 37,000 hectares of fields flooded, buried, or washed away. South Hwanghae in the southwest, the main granary, lost 20,000 hectares of crops, while Kangwon in the southeast bore the worst of the damage to housing with 27,700 homes wrecked. North Pyongan in the northwest

and South Hamgyong in the northeast also suffered, with forestry hit there and in mountainous Jagang on the border with China. Even Kim Jong-il was affected, reportedly stranded in the Hamgyong area where he was making guidance visits. Reluctant to fly, his inability to get back to Pyongyang was one probable reason to postpone the planned inter-Korean summit.

As in 1995 and intermittently since, the DPRK appealed for international aid. Both the UN and Red Cross promptly issued appeals, but immediate pledges seemed far smaller than the scale of the problem required. The UN World Food Program (WFP), which once had its largest operation worldwide helping 6 million vulnerable North Koreans, sprang into action despite being forced since last year to drastically curtail its operations, having been told that humanitarian (as opposed to development) aid was no longer needed. In truth, North Korea resents WFP's insistence on monitoring delivery. It thought it could get by on aid from a less intrusive China and South Korea, but Seoul withheld its usual annual 400,000 tons of rice in 2006 to protest the North's missile and nuclear tests; it was reinstated this year.

For the floods, Seoul at once sent aid worth \$7.5 million on Aug. 17. A week later it pledged a further \$40 million. Roh Moo-hyun sent a personal message of condolence to Kim Jong-il, which *KCNA* ran as its lead item Aug. 22. That note of gratitude is rare, and did not last. On Sept. 5, when North Korea thanked several countries by name for their flood aid, South Korea was conspicuous by its absence – though it gave more than any.

SPT Working Groups: ROK runs energy and economy

While the wider SPT process is beyond the scope of this bilateral review, mention must be made of the Working Group on energy and economy, which South Korea chairs. On Aug 6-7, this Working Group held its second meeting – at Panmunjom, interestingly. Discussion centered on how to supply the 950,000 tons of heavy fuel oil (HFO) promised if North Korea fulfils the next phase of denuclearization, given that it has capacity only to store 200,000 tons a year. Other forms of energy could be substituted, but Pyongyang has yet to make any known specific request on this. Earlier, in July, South Korea sent the first 50,000 ton tranche of the 1 million ton total offered under February's SPT accord, as a reward for the North's shutting down its Yongbyon nuclear site.

Plans are laid

As the revised date for the summit drew nigh, arguments in Seoul continued, while working talks – initially in Gaesong, followed by two advance parties to Pyongyang – ironed out the nitty-gritty. Those who feared the worst found the lack of a published agenda ominous, and were appalled when Roh breezily said he would not even raise the nuclear issue so as not to offend his host.

Where Kim Dae-jung flew to Pyongyang, Roh was keen to travel overland across the DMZ. The North was unready as ever to use the cross-border railways, which the South has spent half a billion dollars reconnecting, but agreed he could come by road. Roh's chauffeur was allowed to test-drive the armored ROK presidential limousine to Pyongyang in advance, so he could get acquainted with the distinctly bumpy Gaesong-Pyongyang "expressway."

He came, he saw; he conquered?

On Oct. 2 the world's media watched – from a distance: only Korean journalists were allowed on the trip – as the motorcade set out in Seoul's gray dawn. In an unforgettable image, no less effective for being pre-planned, Roh and first lady Kwon Yang-suk alighted and walked across the DMZ into North Korea, crossing a yellow strip bearing the words Peace and Prosperity, the name by which the Sunshine Policy has been rebranded.

Arriving in Pyongyang, Roh transferred to a DPRK limousine for an outdoor first meeting with Kim Jong-il. The dour leader, as *Reuters* quipped, after an initial handshake neither smiled nor talked to his guest as they inspected an honor guard; they left in separate cars. Some in Seoul saw this as a slight. In 2000, by contrast, Kim Jong-il had greeted Kim Dae-jung warmly on the tarmac at Pyongyang's Sunan airport, and they rode into town together; DJ fended off unscripted pressure from his host to make a detour via the mausoleum of his late father Kim Il-sung, an image that would not play well in Seoul.

On both occasions Kim Jong-il's showing up for a welcome greeting was not in the script, if less of a surprise this time. Perhaps having read his press, as he does, he was much warmer the next time he met Roh. Again, connoisseurs of protocol nuance noted that when Roh controversially visited the Arirang mass display, which some in Seoul condemn as not only propaganda but child abuse, his host was not the dear leader – who in 2000 did the honors for Madeleine Albright – but Kim Yong-nam, the DPRK's titular head of state.

The by now less dour leader still had another curveball up his sleeve, exhorting his guest to “loosen his belt” and stay on an extra day. Although visibly thrown, Roh very properly said he must consult his security and protocol chiefs – whereupon Kim quipped: “Can't the president decide?” Caught on camera, this was a nice illustration of how governance differs. In the event Roh declined and Kim withdrew the idea, saying they'd had enough discussion after all. Quite what this all signified is unclear – possibly, fear of Arirang being rained off – but Roh acquitted himself properly, to his credit and general relief back home.

Eight-point agreement signed

Indeed, that judgment arguably holds more broadly. On Oct. 4 the two leaders signed an eight-point “Declaration on the Advancement of South-North Korean Relations, Peace and Prosperity.” The full text of the agreement is on the [ROK Ministry of Unification](http://www.unikorea.go.kr/english/EPA/EPA0101R.jsp?main_uid=2181) website (www.unikorea.go.kr/english/EPA/EPA0101R.jsp?main_uid=2181) and the DPRK version is on [KCNA's](http://www.kcna.co.jp/item/2007/200710/news10/05.htm#2) site at (www.kcna.co.jp/item/2007/200710/news10/05.htm#2). They are not quite identical. The final sentence in the ROK version stipulates that “the South and the North have agreed that their highest authorities will meet *frequently* for the advancement of relations between the two sides”; the DPRK text renders this as “The north and the south reached an agreement on ensuring that the top leaders of both sides meet *from time to time* to discuss pending issues for the purpose of developing the inter-Korean relations.” (Emphasis added.)

Overall, this is a meaty and even exciting agreement, on several fronts. If little was said on the nuclear issue, the wider security agenda was not neglected. The two defense ministers will meet in Pyongyang in November to discuss confidence building. While the DPRK's then defense minister visited Seoul in 2000, this led to neither continuity nor reciprocity – until now: ROK Defense Minister Kim Jang-soo visited Pyongyang with his president, so November will be his second trip north. The hope in Seoul is that such meetings will be institutionalized and so become regular in the future.

High on the military agenda will be establishing a “special zone for peace and cooperation” in the West (Yellow) Sea, including a common fishery zone, to avoid fatal clashes such as occurred in 1999 and 2002. Depending on one's viewpoint, and how the talks go, this may either resolve or fudge the NLL issue. Defense Minister Kim has denied conservative charges that Seoul has any plan to cede sovereignty, yet it was widely reported before the summit that his ministry was in conflict with the Ministry of Unification on this matter. We shall see in November.

A permanent peace regime?

More ambitiously, both Koreas committed to seek to “end the current armistice regime and build a permanent peace regime.” To that end, “the leaders of the three or four parties (sic) directly concerned [should] convene on the Peninsula and declare an end to the war.” That numerical ambivalence is peculiar. Critics gloss it as the DPRK still trying to exclude the ROK because it never signed the 1953 Armistice, while sections of the Seoul press reckon the odd one out is China. But neither will wash: China is a signatory to the Armistice, while no permanent settlement could conceivably exclude South Korea.

In any case, by definition – if to Korean chagrin – this cannot be a matter for Koreans alone. Here the summit ventured into territory also raised at the SPT, which conversely is too big a forum: neither Russia (officially) nor Japan was a belligerent in 1950-53. The Feb. 13 SPT accord envisages a separate meeting in due course to discuss a peace regime, but the fear in Washington is that Seoul – or at least the outgoing administration – might press for this too soon, whereas in U.S. eyes North Korea's denuclearization should take precedence.

Open for business?

But the main theme of the summit was business. Most of the new accord's clauses relate to this in some way. Thus the proposed West Sea special zone for peace and cooperation will be centered on North Korea's southwestern port city of Haeju, which may thus be developed alongside the Gaesong area. The North also wants Gaesong to expand faster, suggesting a real commitment – although Pyongyang's own foot-dragging held it up.

A decade ago, when the idea of economic zones in North Korea was but a gleam in the far-seeing eye of Hyundai group founder Chung Ju-yung, it was in fact Haeju that Chung first requested. At that stage the North tried to fob him off with Sinuiju, which being on the Chinese border was too far from the South to be economical. It was at the 2000 summit that Kim Jong-il offered Gaesong, the best possible site, just an hour's drive north of Seoul.

Infrastructure is another core area. Although the North would not let Roh come by rail, cross-border freight service will at last begin on the reconnected west coast railway, from Munsan to Bongdong, so in effect from Seoul or beyond to Gaesong – but not beyond, or not yet. Next year, though, a joint supporters' squad will go by train from Seoul to Beijing for the Olympics – where they may yet cheer a single Korean team. The new accord also states that the two sides “have agreed to discuss repairs of the Gaesong-Sinuiju railroad and the Gaesong-Pyongyang expressway for their joint use.” This hints at further opening, and presages the beginning, at last, of restoring the peninsula's infrastructural sinews. In time, full freight and passenger services will follow: not only reintegrating Korea, but laying the groundwork for a Northeast Asian economic region linking the Koreas, China, and Russia.

Other areas for cooperation include natural resources – surveys for joint mining ventures have already begun – as well as farming, health, medicine, and the environment. No detail was given on these. More specifically, joint shipbuilding complexes will be built at Nampo (the port for Pyongyang) and Anbyon, on North Korea's west and east coasts, respectively. This will not only upgrade the DPRK's outdated facilities, but also give ROK shipbuilders – which dominate the global market, but here as everywhere face growing competition from China – valuable new facilities and cheap labor. (Hyundai's famously militant workers in Ulsan may be less keen to strike if their well-paid jobs start migrating north of the DMZ.)

Higher level

To take all this forward, the existing committee on economic cooperation, which has met 13 times since the June 2000 summit – and has discussed, but not implemented, some of this agenda before – will be upgraded to a joint commission at the level of deputy prime ministers. Also, DPRK Premier Kim Yong-il will visit Seoul in November. This may be the first in a series of meetings, as in the early 1990s when the two prime ministers met regularly for a few years. That again would upgrade an existing forum: the Cabinet-level or ministerial talks, held 21 times since 2000 alternately in each Korea (usually the capitals).

Ready for business?

Continuing the economic theme, Roh's 300-strong entourage included the heads of major companies like Hyundai Motor, Samsung Electronics, LG, and Posco. Unlike Taiwanese firms in China, these *chaebol* (conglomerates) have conspicuously failed to invest thus far in North Korea. The exception that proves the rule is Hyundai, where Chung Ju-yung's generous enthusiasm was rewarded by being fleeced shamelessly: a major cause, along with family infighting, for the demise of what was once Korea's largest business group. (Today the shipbuilding, auto, and other divisions have been spun off as wholly separate enterprises, again with scant interest in the North, while what remains as the Hyundai group is but a shadow of its former self, and all too dependent on Kim Jong-il's goodwill.)

Both in Pyongyang and since, the other *chaebol* were admirably forthright about what the North must do if it is to attract them. The DPRK business environment remains adverse on every level, from lousy infrastructure – road, rail, ports, power, telecoms – to bureaucratic red tape. The new accord commits both sides to “promptly complete various institutional measures, including those

related to passage, communication, and customs clearance.” At present, even the Gaesong zone lacks internet or mobile phone service. This sort of thing has to change if Kim Jong-il is serious about economic progress.

More family reunions

While business loomed large, humanitarian concerns hardly figured. Roh said later that he tried to raise this, but got short shrift. The new agreement anticipates expanded reunions of separated families, especially once a new center being built for this at the North’s Mount Kumgang resort is complete. Whether regular phone, letter, or email contact will be allowed remains unclear.

Two neglected factors: China and the KPA

While the proof of the pudding will be in the usual place, those who rush to criticize this as a poor summit outcome are arguably overlooking two key factors. One is China. Alongside its (largely positive) diplomatic role in Pyongyang, Beijing is busy extending its economic influence: buying mines, port rights, and more. This has caused alarm in Seoul, where the conservative daily *Chosun Ilbo* warned earlier this year that North Korea risked becoming a fourth province of northeast China. Hence one major goal of the summit was to combat this new Chinese hegemony, playing the pan-Korean card to reassert South Korea’s interests north of the DMZ. On paper, at least, this looks to have been a successful start. Those in the U.S. and elsewhere who rush to attack Seoul for yielding too much are neglecting this vital geo-economic dimension. Whatever the emotional dimension of reunification rhetoric, here surely the ROK is rationally pursuing its national interests vis-à-vis neighboring powers. Into whose lap, if anyone’s, would U.S. hawks rather that North Korea should fall?

Second, the political dynamics in Pyongyang, though opaque, are crucial. As with Gaesong, only more so, for Kim Jong-il to agree to open Haeju is hardly good news for the KPA. As yet another piece of the front line morphs into a front door, the clout of the military can only decline. This must be a delicate balancing act for the Dear Leader, who is beholden to his generals – and also faces health issues, and a problematic succession yet to be arranged.

Half full or half empty?

Immediate evaluations of the summit differed almost as much as advance prognoses had. Some deplored the near-absence of the nuclear issue, and the inattention to human rights. In South Korea, however, polls showed that 74 percent thought the summit useful, with 21 percent taking a negative view. Roh’s personal rating rose 10 points to 43 percent. But come election time, a big majority (54 percent) of voters is still rooting for the opposition GNP’s Lee Myung-bak, with no wannabe for the quasi-ruling United New Democratic Party even in double figures.

One country, two planets

Debate at once broke out in Seoul about how much the new economic cooperation will cost the ROK, and how to fund it. Space and time constraints preclude a detailed account now. But if inter-Korean economic cooperation is to expand and deepen, numbers will be needed.

Pyongyang stopped publishing regular statistics in the 1960s, when its economy first hit setbacks after very rapid initial postwar growth. In recent years the Bank of Korea (BoK), South Korea's central bank, has attempted to shed light on what the North would rather keep dark, with annual efforts to estimate basic macro-economic data. While some have queried BoK's methodology, its consistency should at least help in detecting trends. After missing a year in 2006 for unexplained reasons, to the alarm of Pyongyang-watchers around the planet, BoK is back in the game; it published its latest estimates Aug. 16.

Worryingly, BoK reckons that after modest growth since 1999, hitting 3.8 percent in 2005, North Korean gross domestic product (GDP) shrank by 1.1 percent last year to \$22.8 billion. That is less than it had been at the end of the 1980s, before the abrupt end of aid from Moscow precipitated a decade of severe decline. Bad weather saw farm sector output fall by 2.6 percent – which suggests that 2007 will be even worse. Construction fell by 11.5 percent.

Comparing the numbers for South Korea, as BoK also does, is more than ever a case of one country, two planets. Soon to be a trillion-dollar economy – measured by purchasing power parity (PPP), it already is – the South's \$887 billion gross national income (GNI, another slightly different measure) dwarfs the North's \$25.6 billion by 34.7:1. Put another way, if South Korea's economy grows by 4.5 percent this year as forecast, it will add the equivalent of one and a half North Koreas in extra output. True, the South has twice the population, but even per capita the gap is 16.6:1 – meaning that South Koreans earn more each month than Northerners do in a year. Other chasms are wider yet. Last year South Korea's exports of \$325 billion dwarfed the North's \$1.467 billion by a factor of 222; meaning that the South clocks up the equivalent of the North's entire annual exports every 40 hours.

A new government in Seoul next year

Magnitudes like this show the sheer size of the task on which South Korea is embarking, if indeed the summit provisions are fulfilled. By the year-end it should be clearer whether (say) Haeju – which alone may cost up to \$30 billion – is for real; which in part depends in turn on how far Pyongyang has fulfilled its SPT denuclearization pledges. Also, crucially, by then South Koreans will have elected the new president who will govern them until 2013. Deciding how far or fast to implement the new summit accord will thus be the prerogative not only of Kim Jong-il, but also (probably) of Lee Myung-bak. In that light, the fact that so much of the new agreement is business-oriented should make it palatable to Lee. Whether – or how soon – Pyongyang will accept the people's choice and stop insulting the GNP is another matter. If he is wise, Kim Jong-il will soon come to terms with this.

Given all this, it is surely possible to see the SPT and the summit as broadly parallel tracks in a single peace process, albeit by different routes. While fears that Seoul may prop up the Northern regime are understandable, so also is the ROK's goal of drawing the DPRK into a web of win-win business and economic dependency. The respective timings of these two tracks will be crucial, but it is not the end of the world if the Seoul train runs ahead a little.

Chronology of North Korea-South Korea Relations July-September 2007

July 2, 2007: Following severe flooding, South Korea says it will provide emergency food aid worth \$20 million to North Korea through the UN World Food Program (WFP), separate from its own bilateral rice aid. This includes 2,000 tons of corn, 12,000 tons of beans, 5,000 tons of wheat, 2,000 tons of flour and 1,000 tons of powdered milk. This is the ROK's first aid to the DPRK via WFP since 2004.

July 3, 2007: A North Korean meeting to mark the 35th anniversary of the first inter-Korean joint statement on July 4, 1972, issued by the late Presidents Kim Il-sung (DPRK) and Park Chung-hee (ROK), praises this for establishing the "three principles of national reunification: independence, peaceful reunification and great national unity."

July 3, 2007: Meeting Chinese Foreign Minister Yang Jiechi in Pyongyang, Kim Jong-il reportedly says that tensions are easing on the peninsula.

July 4, 2007: A GNP task force unveils a radical new policy on North Korea, shifting the party away from containment toward engagement with Pyongyang.

July 4, 2007: MOU says South Korea will begin shipping 6,200 tons of heavy fuel oil to the North next week, and that it expects Pyongyang to start shutting down the Yongbyon nuclear reactor once the shipment arrives.

July 5, 2007: *Yonhap* reports that the two Koreas will hold working-level military talks at the truce village of Panmunjom on July 10, to pave the way for a resumption of higher-level dialogue between each side's generals.

July 5-7, 2007: After an all-night final session, talks at Gaesong agree on payments for the South to supply light industrial raw materials in exchange for mining rights. Prices of 62 items are agreed, with 32 more still to be settled. North Korea will pay for transport, cargo working, and demurrage costs, while the South will cover shipping and insurance.

July 9, 2007: *Yonhap* quotes MOU as saying that 50,000 tons of its 400,000 tons of rice aid will be sent by rail over five weeks, beginning July 20: 30,000 tons on the western Kyongui line, and 20,000 tons on the east coast Donghae line. Next day *Yonhap* amends this, substituting road for rail (there are parallel road and rail tracks in each corridor).

July 10, 2007: MOU says it has contracted with SK Energy, the ROK's largest refiner, to supply 50,000 tons of HFO costing \$22 million. The first shipment will be sent to North Korea on July 12.

July 16-18, 2007: South Korea's Unification Minister Lee Jae-joung makes a three-day visit (his first) to Mt. Kumgang. Besides tourist facilities, his itinerary includes a Southern-aided hospital and village – but no formal talks with Northern counterparts.

July 19, 2007: AP reports that the FBI has charged a U.S.-Korean businessman, Steve Park, with regularly reporting to the ROK government on his frequent business trips to North Korea without registering in the U.S. as an agent of a foreign power.

July 24-26, 2007: A sixth round of general-level military talks at Panmunjom ends in rancor when the North walks out over the South's refusal to countenance redrawing the Northern Limit Line (NLL), the *de facto* western sea border between the Koreans.

July 25, 2007: South Korea ships a first batch of 500 tons of polyester fiber to the North.

July 26, 2007: ROK Korea International Trade Association (KITA), a private sector group, says that inter-Korean trade in the first half of 2007 rose 28.6 percent year on year to \$720 million. In a sign that commercial trade is replacing aid, Northern exports, up 63 percent at \$390 million, exceeded those from the South, which fell 9 percent to \$330 million.

July 26-27, 2007: Civic leaders from North and South meet at Mt. Kumgang resort to discuss holding joint events celebrating Liberation Day – from Japan, in 1945: a holiday in both Koreas – on Aug. 15.

July 28, 2007: A Southern team begins a fortnight's inspection tour of three Northern mines: Komdok, East Asia's largest zinc mine, and Taehung and Ryongyang, which have the world's third largest deposits of magnesite.

July 29, 2007: South Korea completes the shipment of 50,000 tons of HFO to the North.

Aug. 1, 2007: Pyeonghwa Motors, a Southern firm (linked to the Unification Church), which assembles cars in Nampo, says it is in talks with Brilliance, a Chinese automaker, to assemble trucks in North Korea. This could change a largely symbolic exercise – annual output is just 700 units – into a serious commercial venture.

Aug. 2, 2007: Good Friends (GF), a South Korean Buddhist NGO, which aids the North, calls for 100,000 tons of emergency corn. GF claims that hundreds have died from hunger recently, especially in remote mountainous provinces.

Aug. 2, 2007: Hyundai Asan, which runs the Mt. Kumgang resort, says that (subject to Pyongyang's permission) it will invest \$3 billion by 2025 to develop the DPRK's southeastern coast as far up as the port city of Wonsan.

Aug. 3, 2007: North Korea proposes a 22nd round of ministerial talks in mid-September in Pyongyang.

Aug. 4, 2007: North Korea pulls out of planned celebrations of Liberation Day (from Japan in 1945) on Aug. 15 in Busan, in protest at routine U.S.-ROK military exercises.

Aug. 6, 2007: The two Koreas briefly exchange gunfire across the DMZ. No one is hurt.

Aug. 8, 2007: Both Koreas announce that Roh Moo-hyun will meet Kim Jong-il Aug. 28-30 in Pyongyang.

Aug. 13-14, 2007: A sixth round of videolink reunions of separated families is held.

Aug. 14, 2007: KCNA reports that torrential rain and floods in the past week have caused “huge human and material losses.”

Aug. 14, 2007: A preparatory for the summit agrees that Roh will travel to Pyongyang by road across the DMZ. No agenda for the summit is published.

Aug. 15, 2007: In his Liberation Day speech, Roh says he will discuss the formation of an inter-Korean economic community with Kim.

Aug. 16-17, 2007: Second meeting of the SPT Working Group on Nuclear Disarmament is held in Shenyang, China, but fails to reach agreement on disabling DPRK nuclear facilities.

Aug. 17, 2007: MOU says it will send the North emergency flood aid worth \$7.5 million this week.

Aug. 18, 2007: The North asks to postpone the inter-Korean summit, in view of severe flood damage. The South accepts and it is rescheduled for Oct. 2-4.

Aug. 20, 2007: President Roh sends a personal message of condolence to the DPRK leader Kim Jong-il over the recent floods. *KCNA* carries this as its lead item the next day.

Aug. 21, 2007: South Korea’s GNP demands that the summit be postponed until after the inauguration of the next president – widely predicted to be the GNP’s Lee Myung-bak – in February 2008.

Aug. 21, 2007: Citing ongoing U.S.-ROK wargames, the DPRK Foreign Ministry warns it will end dialogue and take “strong countermeasures” if such “hostile” actions persist.

Aug. 23, 2007: ROK delivers 40 truckloads of instant noodles, blankets, emergency kits, and mineral water to Gaesong. The rest of the flood aid will follow by the month’s end.

Aug. 24, 2007: Unification Minister Lee Jae-joung announces an extra \$40 million worth of flood aid for the DPRK, comprising 100,000 tons of cement, 5,000 tons. of iron bars, 80 trucks, 500 tons of gasoline, 20 road restoration vehicles, and 20,000 tons of pitch. Delivery will start in mid-September.

Aug. 30, 2007: The DPRK’s Committee for the Peaceful Reunification of the Fatherland denounces ROK opposition leader Lee Myung-bak’s criticisms of the upcoming summit and the North’s nuclear program as an “unpardonable ... criminal act.”

Sept. 4, 2007: Kim Yang-gon, who as director of the ruling Workers Party of Korea is the North's point man on South Korea, makes a rare public appearance with Kim Jong-il at a military arts performance. He was last seen in March, when he accompanied the dear leader on a visit to the Chinese embassy in Pyongyang.

Sept. 5, 2007: North Korea thanks half a dozen countries by name for sending flood aid. South Korea's assistance, larger than any of these, goes unmentioned.

Sept. 6, 2007: North Korea says it has repaired flood damage to the motorway from Gaesong to Pyongyang.

Sept. 9, 2007: MOU announces Roh's nongovernmental entourage for the summit. The 43 names include the heads of Hyundai Motor, Samsung Electronics, Posco, the LG and SK business groups, and 21 "social and cultural representatives." The government team will include ministers of defense, finance and economy, unification, agriculture, health, and science and technology.

Sept. 10, 2007: Sixty trucks bring the first batch of the South's second-phase flood aid overland to the North.

Sept. 11, 2007: The North's Korean Central Broadcasting Station thanks 11 foreign leaders for their countries' flood aid. Roh Moo-hyun is not among them.

Sept. 18, 2007: A 35-strong ROK summit advance party crosses the border for a four-day visit. Roh's chauffeur is allowed to drive an official ROK limousine to Pyongyang to familiarize himself with road conditions.

Sept. 19, 2007: The Six-Party Talks fail to resume as expected in Beijing.

Sept. 20, 2007: Kim Jae-hyun, president of Korean Land Corporation, which runs the Gaesong Industrial Park, is added to the ROK summit party.

Sept. 27, 2007: Second Southern advance party visits Pyongyang to check arrangements.

Sept. 27, 2007: The delayed Six-Party Talks open in Beijing.

Sept. 29, 2007: North Korea's *Rodong Sinmun* says that "improved inter-Korean relations are urgent for achieving national unity and the country's reunification." It calls critics of the summit "traitors," and says Koreans should "put up a more resolute struggle against the foreign forces' domination and interference, and the traitors."

Sept. 30, 2007: SPT recess so that a draft accord can be referred back to all six capitals for approval.

Oct. 2, 2007: Roh and his 300-strong delegation drive to Pyongyang. He is greeted in Pyongyang by Kim Yong-nam, the DPRK titular head of state, and later by an unsmiling Kim Jong-il. Roh holds talks with Kim Yong-nam.

Oct. 3, 2007: Roh holds summit talks with a now more cordial Kim Jong-il, who asks him to stay an extra day; Roh declines. The Dear Leader does not attend a banquet hosted by Roh, nor accompany him to the Arirang mass games. ROK parliamentarians, industrialists, cultural figures, scientists, journalists, and others hold talks with their DPRK opposite numbers.

Oct. 3, 2007: SPT agreement is announced in Beijing. North Korea agrees both to disable Yongbyon and to declare all its nuclear facilities by the end of the year.

Oct. 4, 2007: Roh and Kim sign eight-point “Declaration for Development of North-South Relations and Peace and Prosperity.” Roh returns to Seoul via Nampo, where he visits the West Sea Barrage and Pyeonghwa Motors factory and the Gaesong industrial zone.



China-Korea Relations:
Teenage Angst: 15th Anniversary of Diplomatic Relations

Scott Snyder
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China and South Korea commemorated the 15th anniversary of diplomatic normalization Aug. 24. In contrast to the unbridled optimism and buoyant lure of mutual economic opportunity that characterized the 10th anniversary of normalization, this one was greeted with more realism and mixed feelings about the future of the relationship. China's relationship with North Korea, in contrast, remained estranged as ever despite an important meeting between Foreign Minister Yang Jiechi and National Defense Commission Chairman Kim Jong-il in Pyongyang. This was the first Chinese high-level contact with Kim Jong-il since Tang Jiaxuan went to Pyongyang as a special envoy immediately following North Korea's nuclear test in October of 2006.

Changes in the Sino-South Korean economic relationship, driven by China's rising international competitiveness, changes in Chinese investment regulations safety, and concerns attached to Chinese consumer products, were reinforced by the sudden death due to medical error of South Korea's number two diplomat in Beijing. South Korean caution regarding Chinese policies toward North Korea remained a central focus of concern, as China's economic growth and influence continued to expand in both parts of the Korean Peninsula.

Happy Fifteenth! Past accomplishments and future anxieties

The China-South Korea relationship has shown vibrant growth over the past 15 years. Trade has grown over 18 times, from \$6.4 billion in 1992 to over \$118 billion in 2006. Sino-South Korean trade is projected to top \$150 billion this year and to reach \$200 billion by 2012. China has been South Korea's largest trading partner since 2004 and is set to surpass Japan as the leading source of South Korean imports this year. South Korea is China's fourth largest export market. Although South Korea ran a trade surplus of \$20.9 billion in 2006, the level of that surplus is steadily shrinking as South Korean imports from China are growing at twice the rate of exports to China. Meanwhile, nearly 43,000 Korean companies are operating in China. Official studies on a prospective Sino-South Korean FTA continue, but actual negotiations will have to wait until after a new president takes office in South Korea next year.

Over 3.9 million Korean tourists (almost 10 percent of South Korea's population) visited China and 900,000 Chinese visited South Korea last year. Almost 900,000 Koreans went to China during the two-month July-August summer vacation period alone, making China the leading vacation destination during that period. Chinese make up 44 percent of the approximately 1 million foreign residents in South Korea, while the 57,000 South Korean students in China

represent a third of all foreign students in China. The popularity of Korean pop culture and films in China known as the “Korean wave” appears to have peaked as Chinese authorities are now limiting distribution channels and popular Korean dramas are now emphasizing episodes from the Koguryo period that vilify China’s role on the Korean Peninsula. Needless to say, those dramas will not find commercial success in China.

The growth in trade has also had a significant influence on South Korea’s trade dependence profile in recent years. Korean exports to the U.S. during the first seven months of the year represented only 12.9 percent of Korean total exports, down from 29.8 percent in 1990 and 20.2 percent in 2002. Meanwhile, China received 22 percent of South Korean exports, double China’s share in 2000, and up from less than 2 percent at the time of normalization in 1992.

Despite the rapid expansion, the tone surrounding the Sino-South Korean relationship has changed dramatically compared to the 10th anniversary of diplomatic normalization five years ago. Perhaps the best indicator of the shift is that Korean citizens keep voting for King Kwanggaet’o the Great, a Koguryeo dynasty ruler, as the figure they want to see on a new ₩100,000 note, even though the Bank of Korea has not listed him as a choice for fear of antagonizing China. China’s exports have eroded Korean export shares by 6.9 percent per year as China continues to replace Korea in third-country markets according to a Korea Development Institute report by Seoul National University economics professor Kim Dae-il. The report projects that the decline in Korean exports is negatively influencing Korea’s domestic job market.

Chinese goods now make up over 35 percent of South Korea’s imported consumer products, according to a survey by the Hyundai Research Institute, up from 9.8 percent in 1992. The survey reports that the market share of Chinese steel products has expanded from 4.03 percent in 1992 to 26.2 percent in 2006 and the market share of Chinese electronic goods rose 26 times from 0.92 percent in 1992 to 26.1 percent in 2006. The report concludes that South Korea has been losing competitiveness against Chinese goods since 2004. To add insult to injury, South Korea is even being invaded by a type of cicada indigenous to southern China, the *Lycorma Delictula White cicada*, which feeds on tree sap and has no natural enemies on the Korean Peninsula.

A recent KOTRA survey of South Korean firms operating in China showed that half believe they have lost their comparative advantage in technology. These firms are also facing challenges from the Chinese government’s application of much stricter criteria for overseas investment in China. The new criteria encourages projects involving transfer of high technology and promoting effective management of environmental issues while restricting investments focused on processing or that attempt to take advantage of low labor costs. According to one Korean businessman, “Competition is getting fiercer in China. China, once recognized as ‘a land of opportunity,’ has been transformed into a battlefield for survival.”

There were also new trends. First, individual Korean investors have begun to take an interest in the Chinese equities market. This quarter Korean investments in Chinese equities have doubled while investment in other markets dropped. The U.S. sub-prime mortgage crisis has further encouraged this trend. In addition, two Chinese companies – an artificial fingernail

manufacturer and a plywood producer – have shown interest in building factories in the Gaesong Industrial Zone. The South Korean company Nodesystem has found a niche in China’s software sector by working with Chinese partners to develop GPS navigation and smart payment systems for Chinese consumers. Japan, South Korea, and China continue to cooperate on environmental issues related to yellow dust, with the establishment of a steering committee for joint research on dust and sandstorms resulting from consultations at the director general-level held in Tokyo.

China-North Korea relations and the nuclear issue

PRC Foreign Minister Yang Jiechi visited Pyongyang at the beginning of the quarter. He was the first high-level Chinese visitor to meet Kim Jong-il since PRC State Councilor Tang Jiaxuan visited Pyongyang as a special envoy in October of 2006 shortly after North Korea’s nuclear test. Yang reaffirmed Sino-North Korean economic cooperation, but the main focus of the visit was to convey China’s hope that all parties would “fulfill their commitments and take initial actions in a comprehensive and balanced manner.”

China has continued to play a key role as host for the Six-Party Talks despite anxieties related to the growth of U.S.-DPRK bilateral talks as a venue for discussion of the core issues on the six-party agenda. China’s hosting and drafting role provides an opportunity for Chinese input and leadership, but this role is constrained to the extent that the U.S. and DPRK remain the key parties and China has little leverage to decisively influence either one, especially following North Korea’s active defiance of – despite Pyongyang’s reliance on – Beijing. The PRC hosted a Working Group on denuclearization in Shenyang and, for the first time, has been called upon to provide 50,000 tons of heavy fuel oil to North Korea under the six-party framework, just prior to the latest round of talks at the end of September. The joint statement, released in Beijing Oct. 2, addressed implementation of “second phase” commitments under the Feb. 13 implementing agreement. Specifically, North Korea pledged to disable three nuclear facilities and make a declaration regarding its nuclear program by the end of the year, while the U.S. pledged to take steps to improve diplomatic relations and promote expanded exchanges with North Korea. The parties also pledged to complete the delivery of 1 million tons of heavy fuel oil or energy equivalent.

A recent study by Li Kaisheng of Xiangtan University used quantitative methods to analyze the policy effectiveness of Chinese interactions in the Sino-North Korean relationship. He concluded that China’s efforts to intensify regular high-level visits with Pyongyang had positive results in easing nuclear tensions and that without Chinese pressure, the situation was likely to move in a negative direction. The study shows that China does not have the capacity to fundamentally resolve the North Korean nuclear crisis and U.S. policies toward North Korea are the primary limiting factor affecting China’s influence. China is playing the role of coordinator and rescuer, but the final solution of the issue will be mainly determined by the U.S. and the DPRK. On this basis, Li concludes that U.S. attempts to push China toward using greater pressure on North Korea are counterproductive to China’s interests and should be resisted.

During a speech in New York in September, former ROK President Kim Dae-jung made an appeal to the international community to promote investment and to allow international financial institutions to assist North Korea based on the rationale that there is a need to balance Chinese

economic dominance in North Korea. Kim and others have noted that up to 80 percent of the goods in North Korean markets originate in China and that China supplies over 90 percent of North Korea's energy and most of its food supplies. No doubt, one motivation behind the push for an inter-Korean summit was South Korean fear that China has consolidated its economic influence in the North in ways that could either prevent Korean unification or suck all the economic value out of the North during Pyongyang's period of economic dependency and hardship.

Sino-South Korea military issues

China and South Korea have marked slow and gradual improvements in military-to-military relations in recent years, but this quarter highlighted new challenges. An agreement last quarter to establish military hotlines between South Korea and China has foundered over which operational facilities should be linked, apparently due to concerns about the response of the North Korean military. The PRC has proposed that a naval hotline link be handled via the ROK Navy's 2nd fleet at Pyongtaek rather than the naval operations command at Jinhae.

China has recently protested South Korea's occupation of a small geographic feature known as Ieo-do in Korean and Suyan Jiao in Chinese. The feature, located 149 km southwest of South Korea's southernmost Mara Island and 245 km from China's Tongdao Island, has been the site of a South Korean maritime observation facility and helicopter landing pad since 2001.

China consumer product safety reverberations

Questions about consumer safety of goods produced in China have been a persistent concern in the South Korean media for years, but the international focus on quality of Chinese products has had additional reverberations in the Korean market. Korean consumers are paying extra attention to product origin. More distributors are noting customer preferences and attempting to provide "China-free" products, for instance by providing high-quality Korean teas rather than distributing Chinese imports. In July, the Korean International Trade Association (KITA) called for more active crackdowns on fake goods made in China. There have also been attempts by KOTRA to encourage Korean companies to take advantage of China's current consumer safety concerns by moving into key areas to secure market shares on the basis of better quality.

Issues regarding Chinese health safety were driven home in a much more personal way by the sudden death of South Korean Minister Whang Joun-gil, who became sick while eating a sandwich and sought treatment at a well-known private clinic in Beijing. Whang died suddenly following the administration of Ringer's solution, raising questions about whether the clinic provided proper treatment or committed a medical error. The subsequent investigation became a point of difference between South Korean and Chinese officials. The timing of this incident served to illustrate the difficulties associated with China's unwillingness to take active responsibility for problems in these areas.

The international furor over food safety has again put the spotlight on the Korea Food and Drug Administration (KFDA), as various types of food products continue to show up in the Korean marketplace that contain higher than allowable amounts of chemicals. The KFDA has been slow

to regulate or to pass limits on what is allowable, a concern that has been fed by Chinese imports of confectionary or instant noodle products containing high amounts of aluminum. In September, the concern was that sauces from China and other countries were found to contain high levels of di-phthalate, or DEHP, stimulating product recalls by KFDA. The oriental medicine market is also unregulated and those medicines, the bulk of which are imported from China, have recently been found to contain higher than acceptable levels of chemicals. Ironically, even South Korea's discount retail stores based in China such as E-mart have been influenced by consumer safety and quality concerns: the most popular consumer product at such stores is Chinese Wuliangye liquor, which Chinese consumers prefer to buy at Korean outlets because they are viewed as more trustworthy retailers than their Chinese counterparts!

China's shipbuilding challenge

This is by all accounts a good year for Korean shipbuilders, as prices have increased and orders remain backlogged by at least four years as a result of increased demand driven by growth in China's international trade. Korean shipbuilders gained a 43 percent share of new shipbuilding orders during the first half of the year worth \$33.2 billion. The growth has assured orders for most Korean shipbuilders through 2010. Korea has distinguished itself in high-margin double-hulled large container vessels, and several major Korean shipbuilders are actively pursuing expansion plans.

But China's capacity is growing and is expected to double by 2010. China will be able to compete in construction of liquefied natural gas carriers by 2012. Chinese shipyards have expanded output for lower value-added ships, increasing market share in the low-margin segment of the market. In recognition of anticipated tough competition from China, shipbuilders such as Samsung Heavy Industries are moving to compete in higher-value added sectors such as cruise vessel and ferry construction, currently the stronghold of Scandinavian producers. Korea's maverick shipbuilder STX has hit a roadblock in its aggressive expansion strategy through construction of new facilities in Dalian. The Chinese government is reluctant to see STX construct a dry dock, a move that will prevent STX from constructing larger or more profitable ships; i.e., over 100,000 tons. The company had secured permission from Dalian local authorities, but has been unable to get permission from the central government, which has cited concerns regarding oversupply.

South Korean auto sales in China stall

Hyundai Motor has faced a paradoxical situation this year in the China market: while its locally produced models have fallen into a tailspin, requiring lowered sales targets and deep discounts on production of local models, its share of the import vehicle market was 10 percent, second only to Toyota. Hyundai sales of locally produced vehicles have dropped to eighth place in terms of market share after having been as high as fourth in 2005. Locally produced models such as the Avante, Sonata, Accent, and Tucson are apparently less attractive to Chinese consumers than the higher-end import models like the Grandeur, Equus, Santa Fe, and Veracruz. Overall, South Korean exports of automobiles to China dropped slightly to \$600 million in 2006 from \$620 million in 2005 and exports of Korean-made auto parts to China have also stagnated. However,

this is partly explained by the fact that South Korea auto and parts makers have rushed to invest in Chinese plants in recent years.

Following the inter-Korean summit and six-party process

The latest Six-Party Talks statement released on Oct. 3 provides a clear roadmap for implementation of North Korean pledges to disable three existing nuclear facilities and make a declaration regarding all its nuclear programs by the end of the year. It is less clear what the timing will be for the U.S. to make tangible steps to improve its diplomatic relationship with the DPRK through promotion of exchanges or possible removal of North Korea from the U.S. list of state sponsors of terrorism. North Korea's chief negotiator has stated that the U.S. should remove North Korea from the State Sponsors of Terrorism List by the end of the year, but this appears to be based on bilateral U.S.-DPRK talks, not the Six-Party Talks. As the emphasis shifts to U.S.-DPRK bilateral coordination, one effect is to sideline China, even though the U.S. is doing exactly what China has called upon the Washington to do. Despite North Korea's economic dependency, China still struggles with its lack of political leverage over the North and fears that the U.S. and North Korea will achieve a reversal that damages China's strategic position vis-à-vis the Korean Peninsula. Combine this with former President Kim Dae-jung's public call for investment in North Korea as a way of balancing China's influence and a picture emerges that might fan Chinese strategic concerns about the future of the peninsula.

For this reason, it is instructive to examine Chinese reactions to the 2007 inter-Korean summit, which by its nature emphasizes autonomous inter-Korean peacebuilding efforts. Back in 2000, Chinese North Korea specialist Yu Meihua had predicted that the summit would increase pressure on U.S. forces to withdraw. Yu said at that time, "If the 'North Korean threat' no longer exists, the U.S. will find no convincing reason to keep its troops in the ROK or even in East Asia as a whole." An early Chinese response to the 2007 summit came from the Hong Kong-based *Wen Wei Po*, which again emphasized that with an improvement in inter-Korean relations, "U.S. troop withdrawal from the ROK has become inevitable." Yet both North and South Koreans have made statements that publicly challenge Chinese expectations regarding the peninsula, and the inter-Korean summit declaration talks about peace talks through either a three- or four-party format, raising questions about which of the four parties most directly involved in this issue could be excluded from peace talks. This comes despite Chinese verbal expressions of support for reduction of tensions on the Korean Peninsula, criticisms of U.S. policy, and emphasis on China's contributions, "displaying the demeanor of a responsible power." Now that concrete steps are outlined in the joint statement, China's leaders should have additional opportunities to reassure the two Koreas while further demonstrating that sense of responsibility.

Chronology of China-Korea Relations July-September 2007

July 2-4, 2007: Chinese Foreign Minister Yang Jiechi visits Pyongyang and meets National Defense Chairman Kim Jong-il.

July 5, 2007: South Korean wireless network producer Nodestory announces a deal with China's Zondy Cyber Group on the use of China's digital map, which can be used to produce GPS car-navigation systems for the Chinese market.

July 10, 2007: Following a second feasibility study in preparation for negotiation of a China-South Korea free trade agreement (FTA), focusing primarily on the impact of an FTA on the South Korean agricultural market, ROK Minister of Trade Kim Hyun-chong predicts that South Korea's next administration will begin FTA negotiations with China.

July 11, 2007: The Korea International Trade Association requests that the ROK government crack down on the sale of Chinese counterfeit goods in Korea.

July 18-20, 2007: Six-Party Talks resume in Beijing to discuss further steps in the implementation of the Feb. 13 agreement.

July 24, 2007: POSCO announces the completion of a cold-rolling steel mill in Liaoning province with Benxi Iron & Steel Company.

July 26, 2007: Samsung Economic Research Institute President Jung Ku-hyun says that South Korea is not being "sandwiched" between Japan and China, arguing instead that Southeast Asia has been hurt by diversion of global investment to China.

July 29, 2007: ROK Minister Whang Jung-il, the number two official at the South Korea embassy in China, dies suddenly after eating a sandwich and receiving incorrect medical treatment at a clinic in Beijing.

Aug. 4, 2007: China's State Oceanic Administration affirms its claim to Ieodo Island, known in China as Suyan Rock, a feature on which South Korean authorities have erected a maritime observation facility and a helicopter landing site.

Aug. 4, 2007: Nodestory, a Korean wireless network equipment manufacturer, wins a contract to provide 80,000 smart payment terminals to CnOffice.Net, China's top portal site for mixed-used office and residential buildings.

Aug. 16, 2007: Two Chinese companies apply to build factories at the Gaeseong Industrial Park, the first foreign companies to express interest in the project.

Aug. 16, 2007: The Korea Institute of Science and Technology announces that many oriental medicines including those from China exceed government-set standards on the density of lead, mercury, cadmium, and arsenic.

Aug. 16-17, 2007: Six-Party Talks Working Group on Denuclearization meets in Shenyang.

Aug. 24, 2007: Fifteenth anniversary of the normalization of relations between the ROK and the PRC.

Sept. 3, 2007: Hyundai Motors announces deep discounts on automobile prices in response to sluggish sales in China.

Sept. 3, 2007: The Korea Food & Drug Administration announces that a health-threatening chemical known as di-phthalate, or DEHP, has been found in food products from China.

Sept. 6, 2007: Hynix sells its 200 mm DRAM (8-inch) chip wafer line at its Wuxi plant to Chinese Resources Holdings (CRH) for about \$400 million.

Sept. 7, 2007: LG Chem Ltd., announces completion of a primary products plant for production of polyvinyl chloride (PVC) based in Tianjin.

Sept. 8, 2007: Presidents Roh Moo-hyun and Hu Jintao meet on the sidelines of the APEC meeting in Sydney.

Sept. 13, 2007: Allegations surface that South Korean high school students in Pyeongtaek, South Korea bought sex on a school-supervised trip to Shandong, China, sparking a government investigation.

Sept. 17, 2007: Date for Six-Party Talks is delayed from third week of September, apparently in connection with NK not yet receiving anticipated PRC supplied oil.

Sept. 18, 2007: China begins shipment of 50,000 tons of heavy fuel oil to North Korea as part of its commitment to the Six-Party Talks Feb. 13 Implementing Agreement.

Sept. 19-20, 2007: A meeting in Tokyo among director generals from the ministries of environment of China, Korea, and Japan calls for the establishment of a steering committee for joint research on dust and sandstorms.

Sept. 20, 2007: ROK opens new consulate general in Xian, responsible for consular affairs in Shaanxi and Gansu Provinces and the Ninxui Hui Autonomous Region.

Sept. 25, 2007: Former South Korean President Kim Dae-jung encourages the U.S. and international financial institutions to provide investment and economic help to North Korea to balance Chinese influence on the Korean Peninsula.

Sept. 27-30, 2007: Six-Party Talks reconvene in Beijing to discuss second-phase commitments under the Feb. 13 Implementing Agreement.



Japan-China Relations:
Politics in Command

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As the second half of 2007 began, Japan focused on the Upper House election held July 29. Beset by political scandals and dogged by questions of competency, the Liberal Democratic Party (LDP) suffered a historic defeat. Following the election, Prime Minister Abe Shinzo was preoccupied with a Cabinet reshuffle that resulted in the appointment of Machimura Nobutaka as foreign minister and Komura Masahiko as minister of defense. At the same time, the government was preoccupied with preparations for the Japan-North Korea Working Group meetings as the Six-Party Talks appeared to gather momentum. Meanwhile, Beijing worked to accentuate the positive, the approaching anniversary of the normalization of Japan-China relations (1972) and to downplay history, the July anniversary of the Marco Polo Bridge Incident (1937).

The tempo in the bilateral relationship began to pick up with the late August visit to Japan of China's minister of defense and the early September meetings between Prime Minister Abe and President Hu Jintao on the sidelines of the APEC meeting in Sydney. On Sept. 12, Abe announced his resignation. Beijing's reaction was to make clear the importance China places on the development of a stable bilateral relationship. On Sept. 25 Beijing congratulated Prime Minister Fukuda Yasuo on his accession to office and expressed hope that the reciprocal strategic relationship would continue to develop in a healthy and stable manner.

Responding to political change in Japan

The day after Abe's resignation, China's Foreign Ministry spokesperson emphasized the continuing importance China places on relations with Japan and indicated that discussions would continue regarding the invitation to Japan's prime minister to visit China later in the year.

Meanwhile, Jia Qinglin, the fourth ranking member of the Standing Committee of the Chinese Communist Party's Politburo, in Japan for a week visit, met with LDP Secretary General Aso Taro and Democratic Party of Japan (DPJ) leader Ozawa Ichiro on the day after Abe's resignation. Both agreed on the need to work to assure the stable development of China-Japan relations, with Aso noting that efforts to improve the relationship are accelerating. Jia was highly complimentary of the "positive and constructive" role Abe had played in the "remarkable development" of bilateral relations and underscored that China's consistent policy was to stabilize relations with Japan and that China would adhere to that policy whatever the change in

Japan's political leadership. With Ozawa, Jia asked about the differences among the LDP, Komeito, and the DPJ. Ozawa pointed to the dominant strength of the bureaucracy and the contradictions in Japan's political system, in which the LDP lacked the power to effect fundamental change. He emphasized that the DPJ, whether as ruling or opposition party, is building strong bonds with China and will make every effort to continue to develop relations with China.

Upturn continues

Building on the spring visit of Premier Wen Jiabao to Japan, the leadership in Tokyo and Beijing worked to solidify gains and minimize abrasions. With Upper House elections in Tokyo and an October Party Congress for China's leadership, both governments were intent on using the bilateral relationship to demonstrate policy management skills.

July 7 marked the 70th anniversary of the Marco Polo bridge incident, which touched off the Sino-Japanese War. Reporting from Beijing, *Kyodo News Service* characterized the Chinese observance as "low key." China's press avoided commentary on the incident. The *Asahi Shimbun* suggested that the lack of commentary was attributable to party guidance "to treat the anniversary as a sensitive political and historical problem." Official ceremonies were limited to the opening of a new exhibition at the Anti-Japanese War Memorial located near the site of the incident. At the ceremonies, the deputy director of the Communist Party's Beijing propaganda department focused his remarks on the upcoming September anniversary of the normalization of China-Japan relations, telling attendees "China-Japan friendship is the policy of the Communist Party." Anti-Japanese demonstrations did not take place in Beijing, while security was increased in the neighborhood of the Japanese embassy. A member of a group that regularly holds demonstrations in front of the embassy told *Kyodo* that the group "had been told to refrain from holding any demonstrations."

On Aug. 15, the anniversary of Japan's surrender, Prime Minister Abe did not visit Yasukuni Shrine. Instead, he offered flowers at the Chidorigafuchi National Cemetery and attended the annual ceremonies commemorating the end of the war at the Nippon Budokan. Speaking on behalf of the Japanese people, Abe expressed "deepest condolences and remorse" for those whose lives were sacrificed. The emperor, also in attendance, expressed similar sentiments.

Earlier, when questioned by the media about his intention to visit the shrine Aug. 15, Abe refused to comment, though he did make it clear that other countries should refrain from giving advice with respect to visits to the shrine. With regard to members of his Cabinet, the prime minister took the position that a decision to visit the shrine was a matter of individual choice. Of 16 Cabinet ministers, only the state minister in charge of Okinawa and the Northern Territories visited the shrine Aug. 15. Forty-six members of the Diet also visited the shrine.

On Aug. 20, Hong Kong authorities revoked the license of a ship chartered by a protest group that planned to land on the Senkaku Islands to defend China's claims to sovereignty. The *Sankei Shimbun* commented that the revocation by the Hong Kong government possibly reflected Beijing's concerns that a landing on the Senkakus would adversely affect relations with Japan.

The 76th anniversary of the Manchurian incident fell on Sept. 18. While Beijing was quiet, anti-Japanese demonstrations did take place in Shenyang. The Japanese consulate in Shenyang reported that a crowd estimated to be between 1,000-2,000 people gathered at the Sept. 18 Historical Museum. Air-raid sirens sounded to honor the victims of the war against Japan, while demonstrators shouted anti-Japanese slogans, called for a boycott of Japanese goods and burned the Japanese flag.

Public opinion

In mid-August, the Japanese think tank Genron NPO, the *China Daily*, and Beijing University released the results of a joint public opinion poll conducted in mid-May. The results pointed to a continuing upward trend in relations – at least in China. Of 1,600 Chinese respondents, 50.5 percent said that their impressions of Japan had improved a lot or somewhat, up 12.7 percent over the previous year. Meanwhile, 18.8 percent of 1,000 Japanese respondents said that their impression of China had improved, up 10.6 percent over 2006. However, 27.1 percent of Japanese respondents said that their impressions had worsened. In contrast, only 4.3 percent of Chinese respondents said their impression of Japan had worsened. Indicative of Japan's improved image among the Chinese, the Japanese tourist industry recorded a 13 percent increase in Chinese visiting Japan during the first six months of 2007.

Security

On July 6, the Abe government approved the 2007 edition of the *Defense of Japan*. The defense White Paper expressed concerns over China's continuing military modernization and the 19 consecutive years of double-digit increases in military spending, including a 17.8 percent increase over 2006. As for the military balance in the Taiwan Strait, which China claims to be the objective of its defense build up and modernization program, the White Paper noted a continuing shift to China's advantage observing that China may "have surpassed what is needed to respond to the Taiwan issue." It judged that China aims to build a naval capability to allow for "tactical operations in waters even farther away than before" and an air capability "to command the air as well as an air-to-ground and air-to-ship attack capability that is even more forward positioned." Commenting on the document, then Minister of Defense Koike Yuriko told reporters that China's military strength "has been steadily growing, greatly affecting the regional situation and the security of Japan."

On Aug. 29, China's Defense Minister Cao Gangchuan arrived in Japan for meetings with his Japanese counterpart. Cao's visit was the first by a Chinese defense minister in close to a decade; his meeting with Komura represented the first meeting of defense ministers since a 2003 meeting in Beijing. Pointing to China's double-digit increases in defense spending, Komura raised the issue of transparency and called on China to "clarify" details in its defense budget, in particular troop deployments, equipment and training. Cao replied that China had increased transparency, noting that spending increases were largely related to salaries and modernization of equipment. He also said that China needed to be prepared to deal with a Taiwan contingency. The two ministers agreed to advance defense exchanges and make preparations for reciprocal port calls by the Chinese Navy and the Maritime Self-Defense Force. They also agreed to establish a hotline connection between defense ministries. Cao characterized the talks as

“amicable, frank, and sincere.” He invited Komura to visit China “at an appropriate time next year.”

Following the meeting with Komura, Cao paid a courtesy call on Prime Minister Abe and Foreign Minister Machimura. Abe emphasized the importance of enhancing “mutual trust through defense exchange and security dialogue” as part of the two countries’ efforts to build a strategic reciprocal relationship. At the Foreign Ministry, Machimura again cited the double-digit increases in China’s defense spending and called for greater transparency. He also asked for an explanation of the 2004 incident in which a Chinese nuclear submarine intruded into Japanese territorial waters as well as an explanation of China’s January anti-satellite weapon test. The *Nihon Keizai Shimbun* reported that Cao failed to provide “clear-cut” answers and turned the conversation to the Japan-U.S. alliance relationship, and the Japan-U.S. security arrangements and Taiwan.

Visiting India: thinking about China and history?

A month after the LDP’s stunning defeat in the Upper House election, Abe embarked on a late August diplomatic tour that highlighted India and spanned Southeast Asia. The Japanese media framed the visit to India as part of a larger strategy aimed at countering China’s growing influence across Asia. On Aug. 22, Abe met India’s Prime Minister Manmohan Singh and addressed the Indian Parliament. In his address Abe emphasized Japan’s interest in expanding economic cooperation and set a target of doubling bilateral trade in three years. Abe also called for enhanced strategic dialogue among Asia’s democracies – Japan, India, Australia, and the U.S. – countries that “share the values of freedom, democracy, basic human rights, and the rule of law.”

While in India, Abe also met with Proshanto Pal, eldest son of the late Radhabinod Pal, who served as a judge on the International Military Tribunal for the Far East following World War II. Pal questioned the legitimacy of the tribunal and was the sole dissenting vote in the cases against the Class-A war criminals. Abe also visited the memorial to Chandra Bose, the leader of the Indian independence movement during World War II, who allied with Japan.

In early September, the navies of Japan, India, Singapore, Australia, and the U.S. conducted a joint exercise in the Bay of Bengal. Although the participating countries declared that the exercise was not aimed at China, Beijing was not entirely reassured. The *People’s Daily* described the exercise as “the biggest-ever war games in the international waters between Vasahapatnam and the Andaman and Nicobar islands.” Equipment involved included “three aircraft carriers, hundreds of military aircraft, destroyers, frigates and submarines.” During a Sept. 6 news conference, Chinese Foreign Ministry Spokesperson Jiang Yu called on neighbors to engage in “dialogue and cooperation based on the new security concept of mutual trust, mutual benefit, equality and cooperation...”

Leaders meet at APEC

On the evening of Sept. 8 and again on the morning of Sept. 9, President Hu and Prime Minister Abe met on the sidelines of the APEC meeting in Sydney, Australia. Hu again noted the

continuing improvement in the bilateral relationship since Abe came to office last year and said that he “wanted to strengthen the friendship” between the Chinese and Japanese people. He thought it “exceedingly important that their efforts demonstrate concrete results to the people of the world.” In particular, Hu said China wanted to strengthen bilateral cooperation in the area of environmental protection, and Abe agreed that the environment offered many opportunities for cooperation. In light of the 35th anniversary of normalization, Hu called on both countries to cooperate in making a success of the various exchanges that will take place over the coming months. Hu also invited Abe to visit China later in the year. Foreign Ministers Yang Jiechi and Machimura met Sept. 6. Their discussion focused on joint efforts to develop an international framework to deal with global warming. Both ministers extended invitations for reciprocal visits, which were positively received by each side.

Business and economics

On Aug. 23, the Japan External Trade Organization (JETRO) released trade and investment figures for the first six months of 2007. The JETRO office in Beijing reported that Japanese investment in China during the January-June period declined 11.2 percent over the first six months of 2006. Looking ahead, the report observed that: “Manufacturers’ initial investments in China have been all but completed, and those in the future will be for enlarging existing facilities or for sales, so a major increase in the near term is not expected.” Investment in the wholesale and real estate sectors were up, but the sums involved were not significant and did not compensate for the drop in manufacturing investment. In contrast, the report showed Japanese investment in Southeast Asia was up 72.8 percent to ¥427.5 billion and up 25 percent in India to ¥107.3 billion over the same period.

During the summer, concerns about the safety of imported foodstuffs and manufactured items surfaced as an issue in Japan-China commercial relations. As a result of a July 20 government-private interest group conference on the safety of imports, the Japanese government, proposed consultations with China on food safety issues. At the same time, the government asked the Japanese private sector to strengthen its inspection of imports. Ninety-one private sector organizations participated in the deliberations.

Foreign Minister Aso also raised the issue of food safety with Foreign Minister Yang on Aug. 1 during the ASEAN Plus Three meeting in Manila. Aso proposed that Japan send a team of working-level officials, predominantly from the health ministry, to China to assist in developing a food inspection program. Yang replied that China had emphasized the safety of its food exports and “the Japanese media companies are making too much of a big deal.” At the end of August, Beijing announced the launching of a four-month campaign aimed at restoring international confidence in Chinese products and foodstuffs.

Indicative of intensifying commercial ties, Chinese entrepreneurs from over 30 countries met in Kobe Sept. 15 for the Ninth World Chinese Entrepreneurs Convention. Huang Yao-ting, president of the Chinese Chamber of Commerce in Japan, attributed the convening of the biennial conference in Japan to the improvement of Japan-China relations under Abe. Jia Qinglin, fourth ranking member of the Standing Committee of the Chinese Communist Party’s Politburo, attended the opening ceremonies at the start of a week-long visit to Japan. Also

attending the convention were Toyota Motor Corporation Chairman Cho Fujio and Matsushita Electric Corporate Counselor Morishita Yoichi and Lenovo Group Chairman Liu Chuanzhi. In remarks delivered at the opening of the convention, Jia, echoing the party line, said he “would like to develop long-term relations between both countries in a sound and stable manner.” In a surprise development, Fukuda Yasuo and Aso Taro, the leading contenders to succeed Abe, delivered a video message to the Chinese entrepreneurs.

LDP succession and Yasukuni

On Sept. 15, in announcing his candidacy to succeed Prime Minister Abe, Fukuda stated that he would not, as prime minister, visit Yasukuni Shrine. Fukuda posed the rhetorical question whether one would do something that a friend would find objectionable and then explained “That goes for relationships between countries too.” He did not think “it necessary to do something that another doesn’t want you to do.”

Four days later, during a joint press conference at the Foreign Correspondents Club of Japan, Aso and Fukuda both said that that they would not make Yasukuni a political issue. Both also said they would adhere to the statement issued by former Prime Minister Murayama in 1995 expressing remorse for Japan’s aggression and wartime colonial rule. That day, the *Mainichi Shimbun* reported that the directors of Japan’s War Bereaved Families Association were meeting to endorse Fukuda’s candidacy. The association’s chairman, Koga Makoto, who is a former LDP secretary general, was among the first to support Fukuda.

Fukuda succeeded Abe as LDP president Sept. 23 and as prime minister Sept. 25. Beijing congratulated Fukuda on his accession to office and expressed China’s hope that the strategic reciprocal relationship would continue to develop in a healthy and stable manner. More concretely, Beijing also expressed the hope that, as previously agreed to, the visit of Japan’s prime minister would materialize during the autumn followed by the visit of Premier Hu to Japan in the spring of next year.

Prospects/Outlook:

In contrast to former Prime Minister Abe’s studied ambiguity on Yasukuni, Fukuda made clear in his campaign for the LDP presidency that he would not pay homage at the shrine. China’s leadership welcomed his election as LDP president and his accession to the office of prime minister and expressed the hope that Fukuda would pay an early visit to China. Fukuda reciprocated interest in an early visit to China. Although testing issues, such as the East China Sea and China’s on-going military modernization, have not fallen off the diplomatic agenda, the political atmospherics of the Japan-China relationship continue to warm.

Chronology of Japan-China Relations July-September 2007

June 28, 2007: Sapporo High Court rejects an appeal from Chinese laborers seeking compensation for wartime forced labor.

July 2, 2007: Japan's Foreign Ministry awards first prize in *manga* competition to a Hong Kong cartoonist.

July 3, 2007: Abe government establishes a new maritime ministry.

July 6, 2007: Japan releases its defense White Paper, *Defense of Japan 2007*.

July 7, 2007: Seventieth anniversary of the Marco Polo Bridge incident.

July 9, 2007: A senior official of Beijing organizing committee expresses hope that Japanese emperor will attend the 2008 Olympics.

July 18, 2007: Tokyo High Court reverses a lower court ruling and rejects damages awarded to Chinese plaintiffs seeking compensation for injuries suffered from weapons abandoned in China by the Imperial Army.

July 20, 2007: A government-private interest group conference on the safety of Japanese imports.

July 29, 2007: The LDP suffers an historic defeat in the Upper House election, Abe vows not to resign.

Aug. 1, 2007: Vice Chairman of the National Committee of the Chinese People's Consultative Committee Luo Haocai meets in Beijing with former Japanese Prime Minister Hata.

Aug. 1, 2007: Foreign Ministers Yang and Aso meet during ASEAN meetings in Manila. They discuss food safety and East China Sea.

Aug. 3, 2007: The Chinese Foreign Ministry protests the playing of Taiwan's national anthem during the Asian men's basketball tournament held in Tokushima, Japan.

Aug. 13, 2007: PM Abe makes a private votive lantern offering at a memorial service at the Yasukuni Shrine.

Aug. 13, 2007: China's Vice FM Wu meets in Beijing with Japan's former Finance Minister Tanigaki. The talks center on the progress of Six-Party Talks.

Aug. 13, 2007: China for first time publishes seven volumes containing the names of victims and survivors of the Nanjing massacre.

Aug. 15, 2007: PM Abe does not visit Yasukuni Shrine on the anniversary of Japan's surrender at end of World War II. One Cabinet minister and 46 Diet members visit the shrine, as does former Prime Minister Koizumi.

Aug. 20, 2007: Hong Kong government authorities revoke the license of ship chartered by a private group planning to land on the Senkaku Islands.

Aug. 21, 2007: *Kyodo News Service* reports that China has informally decided to name Assistant Foreign Minister Cui Tiankai as the next ambassador to Japan.

Aug. 22, 2007: Abe meets India's Prime Minister Singh and addresses Indian Parliament. The speech calls for cooperation among Asia's democracies.

Aug. 23, 2007: Abe meets son of late Indian judge Pal, who served on the International Military Tribunal for the Far East.

Aug. 23, 2007: Agriculture and Environment Minister Wakabayashi meets Premier Wen to discuss bilateral cooperation. He also meets Chinese counterpart Zhou Shengxian and offers technology assistance to deal with China's greenhouse gas emissions.

Aug. 23, 2007: JETRO releases trade figures for the first half of 2007.

Aug. 26, 2007: Former Japanese PM Mori meets in Beijing with Jia Qinglin, fourth ranking member of the Standing Committee of the Chinese Communist Party's Politburo.

Aug. 27, 2007: *Sankei Shimbun* reports that a former Japanese trading company executive was involved in Chinese effort to obtain confidential defense information regarding U.S.-Japan defense missile defense research.

Aug. 29, 2007: China's Defense Minister Cao arrives in Japan.

Aug. 29, 2007: Maebashi District Court dismisses suit brought by a Chinese national seeking compensation for wartime forced labor.

Aug. 29-30, 2007: China's Defense Minister Cao visits Japan and meets Minister of Defense Komura, FM Machimura and PM Abe.

Sept. 4-9, 2007: Naval forces from Japan, Singapore, India, Australia, and the U.S. conduct exercises in the Bay of Bengal.

Sept. 6, 2007: Foreign Ministers Yang and Aso meet in Manila.

Sept. 8-9, 2007: PM Abe and President Hu meet on the sidelines of the APEC meeting in Sydney.

Sept. 12, 2007: Abe resigns as prime minister.

Sept. 13, 2007: Jia Qinglin visits Japan and meets LDP Secretary General Aso, Democratic Party of Japan head Ozawa, and LDP General Council Chairman Nikai.

Sept. 15, 2007: Jia opens the Ninth World Convention of Chinese Entrepreneurs in Kobe.

Sept. 15, 2007: Fukuda Yasuo announces candidacy to succeed Abe as president of the LDP.

Sept. 19, 2007: Candidates Fukuda and Aso hold joint press conference at Foreign Correspondents Club of Japan; Japan's War Bereaved Families Association announces support for Fukuda.

Sept. 18, 2007: Seventy-sixth anniversary of the Manchurian Incident with anti-Japanese protests in Shenyang.

Sept. 23, 2007: Minister of Defense Komura announces that Japan's Ground Self-Defense Force will send two observers to attend PLA exercises Sept. 24-25.

Sept. 23, 2007: LDP elects Fukuda party president, succeeding Abe.

Sept. 25, 2007: Fukuda succeeds Abe as prime minister.



Japan-Korea Relations:

With a New Japanese Leader, New Opportunities?

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If the previous quarter was marked with little movement in the stalemate between Tokyo and Pyongyang, this quarter appears to be transitional. North Korea shut down the Yongbyon nuclear reactor and announced its intention to disable other nuclear facilities by the year's end. In Japan – Abe Shinzo who gained national popularity for his hardline approach to North Korea – stepped down in September, and Japan's new Prime Minister Fukuda Yasuo has hinted at softening Japan's stance toward the North. Arguably, the quarter's developments signaled that the pendulum of Japanese foreign policy may swing back closer toward dialogue with Pyongyang.

Abe's decision not to visit Yasukuni Shrine on Aug. 15 was welcomed by Seoul, keeping bilateral relations relatively cool compared to the wars of words that had occurred under Koizumi. History issues continued to linger between Japan and South Korea, as Seoul made noises about Japan's "lack of repentance" on its 62nd Liberation Day and the two countries continued to clash over the naming of the Sea of Japan/East Sea and over Japan's 2007 *Defense White Paper's* inclusion of the Dokdo/Takeshima islets as part of Japanese territory. But the quarter also witnessed important efforts aimed at strengthening bilateral cooperation. Tokyo and Seoul agreed to conduct joint surveys on the level of radiation in waters near the Dokdo/Takeshima islets and on daylight savings time policies. South Korea seemed reasonably happy with Fukuda as Japan's new prime minister, as he said early on that he would seek more friendly relations with China and South Korea and not visit Yasukuni Shrine. Tokyo expressed concerns over the timing of the inter-Korean summit, watchful of its possible impact on the December presidential election in South Korea, and of one-sided payoffs from Seoul to Pyongyang.

Japan-North Korea relations: Fukuda, the antithesis of Abe?

This quarter, after a half-year hiatus, Japan and North Korea held a new round of normalization talks as part of the Feb. 13 agreement, meeting alongside the Six-Party Talks in July and September as well as during the ASEAN Regional Forum (ARF). Although the overall tone of their exchanges remained contentious with no immediate progress, the normalization talks did not break down as they had previously in March, and Pyongyang saw "some progress in Japan's attitude." Of note throughout the quarter were Pyongyang's ever more vociferous criticisms of Tokyo over a Japanese court decision regarding the headquarters of the General Association of Korean Residents in Japan (*Chongryun*), and tactics aiming to isolate Tokyo from the rest of the

Six-Party Talks participants in an attempt to change Japan's hardline policy toward Pyongyang. For its part, Japan has been particularly skeptical about North Korea's moves toward the disablement of nuclear facilities, and continued to insist on progress in the abduction issue before providing any energy and economic assistance to Pyongyang.

On July 1, as North Korea prepared to shut down its main nuclear reactor in Yongbyon in accord with the Feb. 13 agreement, the North Korean Foreign Ministry raised "a serious question as to whether there is any need for Japan's continued participation in the Six-Party Talks." Behind the North's criticism was anger at Tokyo's move in the late spring to seize the headquarters of the pro-Pyongyang group *Chongryun*, after the Tokyo District Court ordered it to repay debts of ¥62.7 billion. On July 20, the same court rejected a lawsuit filed by a limited partnership company operated on behalf of the *Chongryun* that was seeking exemption from fixed asset taxes on its headquarters and two other properties in Tokyo.

Because there are no formal diplomatic relations between Japan and North Korea, the *Chongryun*, established in 1955, has been North Korea's de facto embassy. The Tokyo Metropolitan Government had recognized that their properties were being used for a state delegation and therefore exempt from taxes under the Vienna Convention. But in 2003, Tokyo Gov. Ishihara Shintaro imposed taxes of ¥42 million for that year, 10 months after Pyongyang's admission of the abductions of Japanese nationals in September 2002. According to Japan's Justice Ministry, there were 600,000 Korean residents in Japan as of the end of 2006 with about 384,000 pro-Seoul *Mindan* members and roughly 200,000 pro-Pyongyang *Chongryun* members. *The Japan Times* reported on July 10, however, that *Chongryun* has been losing members over the past five years due to North Korea's bad reputation, and that actual membership may be less than 50,000. *Chongryun* has been under surveillance from the Japanese authorities due to its alleged involvement in illegal activities including the abductions of Japanese in the 1970s and 1980s. The group has also been fundraising for the North Korean regime.

Although there was nothing unusual about Pyongyang's accusations against Japan's "black-hearted intentions," this time the level of criticism was much more pronounced and direct. While the topic appeared almost daily in North Korea's official media, there was a rare public meeting held in Pyongyang to denounce Tokyo's actions against *Chongryun*, the first such anti-Japanese gathering since the September 2002 summit that produced an agreement toward the normalization of bilateral diplomatic ties.

Meanwhile, Japanese government reaction to North Korea's claim that it had shut down the Yongbyon reactor was skeptical, expressing uneasiness about rumors that the U.S. might take the North from its list of State Sponsors of Terrorism. On July 15, *Kyodo News* quoted Japan's senior Foreign Ministry official as saying that shutting down the reactor was "no more than the first step," and that there was "no guarantee that North Korea will positively take such moves [toward disablement of all existing facilities.]" Japanese media editorials echoed a similar tone of "little optimism" toward such progress, and urged other members of the Six-Party Talks not to drop their guard against North Korea, reminding them of the fact that North Korea was already three months behind schedule.

The bilateral meetings that followed on the sidelines of the Six-Party Talks and the ARF carried the same old stories from the previous quarters. On July 21, after the bilateral meeting on the sidelines of the Six-Party Talks, North Korea Vice Foreign Minister Kim Kye-Gwan complained that “problems will not be resolved only with pressure,” while Sasae Kenichiro reiterated Japan’s policy of not participating in energy and other aid to the North unless progress is made toward the resolution of the abduction issue. On Aug. 2, at the plenary session of the ARF, North Korea Foreign Minister Pak Ui-Chun raised issues of unresolved history under Japanese colonial rule and warned that “inhumane treatment” of the *Chongryun* members could jeopardize the Six-Party Talks. Responding to the North’s complaints, Japanese Foreign Minister Aso Taro said that Japan found North Korea’s remarks “unacceptable,” as they included details that were contrary to facts, reported *The Japan Times* on Aug. 3.

The first day of the normalization talks between North Korea and Japan, held in Ulaanbaatar Sept. 5, focused on Japan’s reparations for its 1910-1945 colonial rule of the Korean Peninsula, while the second day dealt mainly with the abduction issue. In contrast to the normalization talks held in March of this year and despite a lack of any tangible outcome, there seemed at least to be “meaningful exchanges of opinion” with a promise to meet more often to work through these bilateral issues. Japan urged North Korea to reopen the cases of 12 of the 17 abductees, all on its official list except those five who returned to Japan in 2002. The North said that the cases were now closed but did not rule out a reinvestigation in the event of “warmer relations” between the two countries. According to *Kyodo News* Sept. 8, North Korean delegate Song Il-Ho felt that there had been a change in Japan’s attitude regarding suggestions that the two countries discuss Japan’s atonement of its past colonial history. However, according to *Yonhap* Sept. 10, Song did not forget to warn Japan of “irrevocable consequences” if Japan extends financial sanctions on Pyongyang beyond the October deadline.

The highlight of the quarter came when former Chief Cabinet Secretary Fukuda Yasuo, known for his flexible approach to North Korea, was elected president of the Liberal Democratic Party (LDP) Sept. 23, replacing Abe. Fukuda had laid the groundwork for Koizumi’s visit to Pyongyang in September 2004, and is known to have clashed with Abe, then deputy chief Cabinet secretary, over how to handle North Korea. While Abe had stressed measures to pressure North Korea with his priority being the resolution of the abduction issue, Fukuda has focused more on engaging the North in dialogue. Japanese media reported that Fukuda might try to woo Pyongyang with a hint of economic and energy assistance, but some political analysts also noted that he might face strong opposition from conservative members within the LDP were he to take such a route.

Japan-South Korea relations: “We don’t need to do what other nations dislike, do we?” says Fukuda

On July 6, South Korea opened the quarter by lodging a complaint against the Japanese government and expressed “deep regret that Japan had again claimed South Korea’s sovereign Dokdo islets as its territory” in Japan’s 2007 *Defense White Paper*. The *Korea Times* editorial of July 9 wrote that the move was an attempt to “revive its militarism and colonialism.” In late August, territorial disputes over the naming of the Sea of Japan/East Sea moved to New York, as Seoul, Pyongyang, and Tokyo sent delegations to the UN Conference on the Standardization of

Geographical Names. Seoul and Pyongyang have been lobbying the international community to establish the concurrent use of “Sea of Japan” and “East Sea,” while Tokyo claims that “Sea of Japan” designation had been established even before Japan’s occupation of the Korean Peninsula. At the conference, “Sea of Japan” remained the term of reference and the chair of the panel encouraged “the three countries concerned to find a solution acceptable to all of them, taking into any relevant solutions.”

In mid-September, the fight moved to Japan’s Kotoura, Tottori Prefecture, as the town decided to scratch out the “East Sea” reference from a monument that was built in 1994 to commemorate Japan-South Korea ties when Japanese locals helped Koreans who had washed ashore in a shipwreck in 1819. The monument originally referred to both the “East Sea” and “Sea of Japan,” but Kotoura officials scratched out “East Sea” in Japanese after some citizens deemed it “unnecessary.” After the protest by pro-Seoul group *Mindan* that “it is the same as saying ‘let’s stop international exchanges,’” the town announced that the new inscription would have “Sea of Japan” in Japanese script and “East Sea” in Korean script. But after the plan drew criticism, the town decided to make a new inscription that does not refer to “East Sea” at all.

On Aug. 28, Japan and South Korea reached agreement to conduct joint research about whether to adopt daylight savings time. The South Korean Ministry of Commerce, Industry and Energy said that both sides agreed on the need to work together in consideration of close economic relations and the possible impact of a unilateral move by the other country. On Sept. 3, the annual assembly of lawmakers from the two countries brought to Seoul 80 Korean lawmakers led by Moon Hee-Sang, the ruling Uri Party chairman, and 20 Japanese lawmakers led by former Prime Minister Mori Yoshiro. They discussed regional issues such as North Korea’s nuclear development program and the Free Trade Agreement (FTA) between Japan and South Korea.

Another welcome development of the quarter was a joint survey on radioactive contamination in the Sea of Japan/East Sea following up efforts in October 2006. Despite the original plan that Tokyo would carry out the survey by itself, Japan’s Vice Foreign Minister Yachi Shotaro visited Seoul to urge joint research in the disputed waters “to avoid confusion.” Seoul has agreed. According to the Aug. 19 *Yomiuri Shimbun*, Japan made an apparent conciliatory gesture, giving priority to avoiding confrontation with Seoul as it feared Japanese survey ships might be intercepted by South Korea near the disputed Exclusive Economic Zone.

As Tokyo and Seoul were eyeing the upcoming inter-Korean summit and Japanese foreign policy directions of the newly inaugurating Fukuda Cabinet, respectively, the results of an interesting tri-nation joint survey by Japan’s *Yomiuri Shimbun*, South Korea’s *Korea Times*, and China’s *Oriental Outlook* were revealed. According to the *Yomiuri Shimbun* on Sept. 23, a poll conducted in early September asked what issues the people of Japan, South Korea, and China thought should be resolved together. Sixty-six percent of Japanese believed the three countries should work together to solve the dispute over North Korea’s nuclear program; 75 percent of Chinese and 68 percent of South Korean respondents said they should promote trade and economic cooperation; while in South Korea, 47 percent of respondents said that should tackle the North Korean issue.

Upon Fukuda's inauguration as Japan's new prime minister, South Korean President Roh Moo-hyun sent a congratulatory message. In a telephone conversation that followed on Sept. 28, Fukuda and Roh agreed to work closely for future-oriented bilateral relations and decided to meet on the sidelines of the ASEAN Plus Three meetings to be held this coming November in Singapore. South Korea's conservative daily *Choson Ilbo* on Sept. 27 reported that the selection of the Fukuda Cabinet has improved prospects for bilateral ties because Fukuda might remove one of the main obstacles in the bilateral relations, visits to Yasukuni Shrine, and also because Fukuda's engagement strategies with the North would be better accepted in South Korea.

Economic relations

The trends of competition and cooperation continued side-by-side in Japan-South Korea economic relations during this quarter. In July, the World Trade Organization ruled that Japan's imposition of duties on computer chips from South Korea's Hynix Semiconductor Inc., the world's biggest memory chip maker, was illegal. In January 2006, the Japanese government had applied a 27.2 percent tariff on Hynix chips on the grounds that the company had been benefiting from export aid in the form of government-backed loans.

The signing of an "open skies" pact between the two neighbors was good news this quarter. Under the agreement signed Aug. 2, South Korean and Japanese flagged carriers can freely increase flights between the two countries except for routes between Korea and Tokyo (due to a lack of runways at Narita International Airport.). Currently, Korea's leading carriers, Korean Air and Asiana Airlines, fly a combined 330 flights per week to 25 cities in Japan, while Japanese airlines offer 92 flights weekly to Kimpo and Incheon. According to an Aug. 2 *Korea Times* report, South Korean government data from 2005 showed more than 1.9 million South Koreans visit Japan annually, while 2.4 million Japanese visit South Korea.

In August, a financial coordination meeting was held between South Korean Finance Minister Kwon O-Kyu and his Japanese counterpart Omi Koji, and they discussed ways to contain the fallout from the U.S. sub-prime mortgage problems on the regional financial market. Kwon said that the two countries faced similar challenges, such as an aging population and business restructuring, and urged his counterpart to join hands to tackle instabilities in the global economy and financial markets. In his opening speech, Omi said that officials should try to prevent any sharp fluctuation from occurring in financial markets. The *Mainichi Shimbun* reported on Aug. 15 that Japanese stocks fell sharply, affected by global jitters over the U.S. sub-prime loan crisis and by broader concerns over the U.S. economy.

In September, Trade Ministers Kim Jong-Hoon of South Korea and Amari Akira of Japan agreed that they would meet frequently to discuss bilateral trade issues. Amari said that the two sides should try to find ways to restart the FTA negotiations that have been suspended since November 2004. The *Joongang Ilbo* on July 13 quoted South Korean Deputy Minister for Trade Cho Tae-Yul as saying that "South Korea's relentless pursuit of free trade agreements is setting off alarm bells for the Japanese." South Korea has recently completed an FTA deal with the U.S. and is pursuing other agreements with the EU, Canada, and China.

Meanwhile, an interesting report on the structure of South Korean trade relations was published this quarter. According to South Korea's Customs Service, South Korea's trade dependence on the U.S. and Japan is on the decline. With regard to trade with Japan, South Korean exports during the first seven months of this year fell by 1.1 percentage points compared to the same period last year. South Korea exported \$14.9 billion of goods to Japan, or 7.2 percent of its total exports. The downward trend occurred with imports, as well. Imports from Japan have been constantly dwindling, falling to 16.1 percent of total imports from January through July this year. By comparison, in 1991, Japan accounted for more than 25 percent of South Korea's total imports.

Society and culture

On Aug. 15, Seoul loudly celebrated Liberation Day, while South Korean dailies were busy editorializing about how Japan "should stop beautifying its past misdeeds." A glimpse of the day shows how "anti-Japanese" catchphrases are pervasive in South Korean society, bringing together many interest groups and NGOs with different political agendas in the streets of Jongno near the Japanese Embassy: Korea Alliance of Progressive Movements held a demonstration against Japan's anti-North Korea policies and discrimination against Japanese-Koreans, and called for Japanese rightists to stop expanding Japan's military; the Korean Council for the Women Drafted for Military Sexual Slavery by Japan claimed the Japanese government has been avoiding admitting its crimes in their 774th regular Wednesday demonstration; The Solidarity for Practice of the South-North Joint Declaration had a celebration event wishing for the success of the inter-Korean summit; civic groups of war veterans issued a statement that the inter-Korean summit should not be used to disturb the December presidential election and that they will take action to punish pro-North Korean collaborators.

In contrast, according to the *Yomiuri Shimbun* of July 11, the number of high schools offering Korean quadrupled from 73 in 1995 to 296 in 2005. Chinese came next, increasing by three-fold from 192 schools to 553 during the same period. An official from the Japanese Ministry of Education, Culture, Sports, Science and Technology attributed the trend to increasing economic and cultural exchanges between the two countries. Korean language schools have also seen a growing number of students, doubling from 1,693 in 2006 to 3,854 in 2007.

On Aug. 13, South Korea's Presidential Agency decided to confiscate land that is owned by the descendants of 10 pro-Japan collaborators during Japan's colonial rule of the Korean Peninsula. This was the second move after the Investigative Commission on Pro-Japanese Collaborators' Property announced last May that it would seize 254,906 sq. meters of land owned by the descendants of nine pro-Japan collaborators. The South Korean government enacted a special law in December 2005 as part of efforts to "clear away" the colonial-era legacy. The seized property will go to independence fighters and their offspring to compensate for their sacrifices says the Commission.

The *Joongang Ilbo* July 6 reported that more North Koreans in Japan are switching citizenship to South Korea. Pro-Pyongyang Korean residents in Japan have long been "North Korea's lifeline," sending billions of yen in money and goods to their relatives in North Korea. According to Sato Katsumi, director of the Modern Korean Institute in Tokyo, although the exact figures are

impossible to know, the annual total of money and supplies sent to North Korea was estimated at some 60 billion yen (\$500 million) in the early 1990s. According to the newspaper, thousands of Korean residents have made a decision to switch their citizenship to South Korea. One wave came in the mid-1990s after pro-North Korean residents had made visits to their relatives in North Korea and had seen their poor living conditions. Hundreds more switched citizenship when Hwang Jang-Yop, North Korean Workers Party secretary, defected to South Korea in February 1997. Other factors include demographic elements, since younger generations have fewer direct ties with their North Korean relatives.

The coming quarter

The final quarter of 2007 promises to be an interesting one. Not only will Fukuda have an opportunity to chart his own foreign policy toward both North and South Korea, but North Korea has a series of explicit deadlines it must meet with regard to the Six-Party Talks and denuclearization of the peninsula. Whether the North actually meets its deadlines for disabling reactors and fully accounting for its nuclear facilities will have a major impact on relations between North Korea and the world. Furthermore, how Fukuda manages relations with both North and South Korea is yet to be seen. In South Korea, the presidential election to be held in December will result in a new president by early 2008, whose foreign policies with respect to both North Korea and Japan may move in new directions. With new leadership in both Japan and South Korea, 2008 promises to be an eventful year.

Chronology of Key Events: Japan- Korea Relations July- September 2007

July 1, 2007: North Korea's Foreign Ministry raises concerns over Japan's participation in the Six-Party Talks after the Japanese government-affiliated collection agency Resolution and Collection Corp. took over the property of pro-Pyongyang group *Chongryun*.

July 6, 2007: Seoul lodges a complaint against the Japanese government over Japan *Defense White Paper's* inclusion of the Dokdo/Takeshima islets as Japanese territory.

July 11, 2007: Japan's *Yomiuri Shimbun* reports that the number of high schools offering Korean increased from 73 in 1995 to 286 in 2005.

July 14, 2007: WTO publishes its ruling that Japan illegally imposed duties on computer chips from South Korea's Hynix Semiconductor Inc.

July 15, 2007: North Korea announces that it shut down its nuclear reactor at the Yongbyon facility in line with the Feb. 13 agreement.

July 18-20, 2007: Six-Party Talks held in Beijing.

July 19, 2007: Delegates of Japan and North Korea meet on the sidelines of the Six-Party Talks and agree to make mutual efforts to resolve bilateral issues and to move the talks forward.

July 20, 2007: Tokyo District Court rejects a lawsuit filed by a limited partnership company by *Chongryun* seeking exemption from fixed asset taxes on its headquarter buildings in Tokyo.

July 21, 2007: North Korean Vice Foreign Minister Kim Kye-Gwan complains about Tokyo's pressure after the bilateral meeting on the sidelines of the Six-Party Talks.

July 29, 2007: Abe's LDP loses in the Upper House election.

Aug. 1, 2007: Second Hallyu Expo Forever, Asian Star Culture Expo (FACE) opens in Tokyo.

Aug. 2, 2007: Foreign Ministers of Japan Aso Taro and North Korea Pak Ui-Chun meet on the sidelines of the ARF.

Aug. 2, 2007: Tokyo and Seoul reach an open skies agreement.

Aug. 13, 2007: South Korea's Investigative Commission on Pro-Japanese Collaborators' Property decides to confiscate land owned by the descendants of 10 pro-Japanese collaborators during the 1910-45 Japan's colonial rule.

Aug. 15, 2007: Two Koreas commemorate Liberation Day.

Aug. 17, 2007: Japanese and South Korean governments announce that they plan to carry out a joint survey on the level of radiation in waters near the Dokdo/Takeshima islets.

Aug. 22, 2007: Finance Ministers of Japan and ROK hold bilateral financial coordination meeting and agree to cooperate to reduce instability in the global political economy.

Aug. 27, 2007: Abe reshuffles his Cabinet, naming Machimura Nobutaka as foreign minister.

Aug. 28, 2007: Japan and ROK agree to conduct joint research on daylight savings time.

Sept. 3, 2007: Lawmakers of South Korea and Japan meet in Seoul to discuss bilateral issues including North Korea's nuclear development program and FTA.

Sept. 4, 2007: Chief Cabinet Secretary Yosano Kaoru says Japan must consider providing humanitarian assistance to North Korea's flood victims regardless of political considerations.

Sept. 4, 2007: North Korea's delegate Song Il-Ho expresses expectations for upcoming normalization talks with Japan.

Sept. 5, 2007: Trade ministers of Japan and South Korea agree to meet frequently to pave ways to resume the FTA talks.

Sept 5-6, 2007: Japan and DPRK hold normalization talks and produce no agreement.

Sept. 8-9, 2007: Asia-Pacific Economic Cooperation forum is held in Sydney. ROK President Roh and Japanese PM Abe attend, but do not meet.

Sept. 12, 2007: Abe announces intention to resign, citing refusal by Democratic Party Japan leader Ozawa to agree to a meeting to discuss extension of the Maritime Self-Defense Force mission.

Sept. 13, 2007: Japan's Kotoura in, Tottori Prefecture decides that a new inscription of a monument commemorating Japan-South Korea ties will exclude a previous reference to "East Sea."

Sept. 17, 2007: Nintendo Korea says that it has filed a suit against those who violated its copyright for game software through internet sites in South Korea.

Sept. 23, 2007: Fukuda Yasuo is elected president of the LDP.

Sept. 23, 2007: *Yomiuri Shimbun* reports that a tri-nation survey shows that 77 percent of Japanese respondents think that Japan, South Korea, and China should work closely to resolve the North Korean nuclear development program.

Sept. 25, 2007: Fukuda is elected Japan's prime minister.

Sept. 27, 2007: The Six-Party Talks begins aiming at reaching an agreement over specific methods for disabling North Korea's nuclear facilities.

Sept. 28, 2007: Japan's new PM telephones President Roh and they agree to meet on the sidelines of ASEAN Plus Three meeting in November.



**China-Russia Relations:
Between Cooperation and Competition**

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By any standard, the third quarter appeared to be the finest moment for the Shanghai Cooperation Organization (SCO): the seventh summit in Bishkek, Kyrgyzstan was the largest summit ever held by the regional organization; the SCO heads of state signed its first multilateral treaty (Treaty among the Member States of Good Neighborliness, Friendship and Cooperation, or “The Friendly Treaty”) and it was the first time all member countries participated in a joint antiterrorism military exercise in Russia.

A closer look at the chemistry between Russia and China, however, reveals a far more complex interactive mode of cooperation, competition, and compromise. While security cooperation moved forward culminating in the *Peace-Mission 2007* military exercise, the game of petropolitik was heating up in Central Asia with Beijing gaining the upper hand, at least for the time being. The quarter ended, however, with significant progress in energy cooperation as the long-awaited Eastern Siberia-Pacific Ocean (ESPO) oil pipeline was about to extend a branch line to China’s energy-thirsty northeast region. Thus, in his eight years as Russian president, Putin seems to have set a solid record in dealing with Russia’s southern neighbor: pure geostrategy has outweighed market fundamentals and friendly partnership with Beijing.

SCO Summit in Bishkek

With 12 nations participating, the SCO gathering in Bishkek was the largest since its inception in 2001. Besides the six member countries (China, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, and Uzbekistan), representatives of SCO observer countries (Mongolian President Nambaryn Enhbayar, Iranian President Mahmud Ahmadinejad, Indian Minister of Petroleum and Natural Gas Murli Deora, and Pakistani Foreign Minister Khurshid Kasuri) also attended. Among the guests were Turkmen President Gurbanguly Berdimuhamedow, Afghan President Hamed Karzai, and UN Deputy Secretary General Mark Molloch Brown. The summit was also joined by some 1,400 other guests and participants, and was covered by 508 journalists from 16 countries.

The summit produced the first multilateral treaty in the Eurasian region when the six heads of state signed “The Friendly Treaty,” the Bishkek Declaration, which outlines SCO priorities and future challenges, the SCO Action Plan on Ensuring International Information Security, and other documents. Of these, the friendship treaty is viewed as the most important and was proposed by Chinese President Hu Jintao at the Shanghai summit in 2006. It reportedly provides a legal framework to ensure member countries will continue cooperation from generation to generation.

Many of these documents, declarations, and treaties overlap in their basic wording: multilateralism, equality, international law, UN, regional stability, development, environmental protection, cultural, educational, and sports exchanges, etc. The real goal for adopting the friendship treaty at this time was perhaps to provide a legal framework for the existing mode of cooperation and interaction between SCO members and observers, as well as reciprocity with the rest of the world. This may well be timely given the current and potential sources of instability in many parts of Eurasian.

Many firsts for *Peace-Mission 2007*

The inception of the *Peace Mission 2007* antiterrorism exercise was April 26, 2006 when the SCO defense ministers met in Beijing. They worked out a scenario for the exercise: deteriorating domestic political situation in state “A” (a nominal state in the Chelyabinsk and Kurgan regions in Russia that joined the SCO); the masterminding of a coup by separatists and the opposition to topple the legitimate president and the government of the country; and the escalation of internal armed conflict. The SCO states respond with political, diplomatic, economic, and forcible measures to settle the conflict, including a joint antiterrorist operation in cooperation with the state authorities and the law enforcement agencies of state “A” in order to destroy illegal armed units.

It took SCO military experts six rounds of talks to iron out and coordinate the details of the exercise. The bulk of the troops were Russian (2,000) and Chinese (1,600). Kazakhstan and Tajikistan contributed one airborne company each, while Kyrgyzstan and Uzbekistan sent an airborne platoon and staff officers, respectively. There were also more than 1,000 pieces of equipment including 500 combat and special vehicles and 70 fixed-wing airplanes and helicopters.

The actual exercise was conducted in two phases: On Aug. 9, SCO defense chiefs held strategic consultations in Urumqi, China followed by a series of rehearsals at the Russian Army’s 34th Motorized Rifle Division range near Chebarkul town, about 80 km west of Chelyabinsk, in Russia’s Volga-Urals Military District. Execution of the antiterrorist drill was observed by SCO heads of state on Aug. 17 after the Bishkek summit.

Peace-Mission 2007 was unprecedented in many dimensions. For the first time in its 11 years of existence (from 1996-2001 it was known as the “Shanghai Five”), the SCO conducted a joint military exercise involving armed forces from all its member states. Although this was the fifth joint exercise, previously these exercises were either bilateral or there was a “missing link.” This was also the first SCO exercise conducted in conjunction with its annual summit meeting.

Moving thousands of non-Russian troops and their heavy equipment to the drill area was not easy, particularly for the Chinese military. Some 1,600 troops of the People’s Liberation Army (PLA) and 45 aircraft were transported by rail (10,300 km) and air (2,700 km) to Russia, the longest force projection operation for the PLA in recent memory. It was also the first time China sent its airborne units to drills abroad.

Peace-Mission 2007 was by no means the SCO’s largest drill, but it was perhaps the first time that the drill both looked and “tasted” right. Not only did SCO members dispatch their best units,

they also integrated more closely and efficiently: generals gathered in the same situation room; all units interfaced through a Russian communication mechanism, though communication between Russian and Chinese forces had to rely on 200 interpreters; and commandos of different SCO states boarded and dropped from the same helicopter.

The actual exercise lasted only two hours before the SCO leaders. The intense two-week rehearsal with the elite 34th division of the Russian Army, however, was a media frenzy. Both Chinese and Russian media offered extensive reports of the drill, though for different reasons. Moscow's strained relations with the West and the U.S. may require a higher than normal military posture. Beginning early this year, the PLA has apparently switched from minimum to maximum in unveiling and publicizing its indigenously developed weapons systems, in reporting military drills, and in providing more transparency in its structure, procurement, and doctrine. Though this may be for transparency and/or deterrence purposes, the Chinese media lost no time in promoting the image and capability of the PLA, particularly those elite units dispatched to *Peace-Mission 2007*.

Beyond brothers in arms

More than other activities of the SCO, *Peace-Mission 2007* attracted considerable attention and even generated alarm, particularly from the U.S. From Washington's perspective, the SCO is close and yet far away: close because both of its ongoing antiterrorism wars (Afghanistan and Iraq) are being fought around the peripheries of SCO member countries; far away because the SCO is the world's only regional security organization without direct participation of the U.S. Worse, the SCO allowed some 80 nations to observe the rehearsals, but not the U.S. As a result, there is a growing perception that Moscow and Beijing are not merely creating their own "space," but are also poised to shape this regional security group into a military alliance.

Despite the media extravaganza, SCO leaders repeatedly stated that *Peace-Mission 2007* did not target any third party. Indeed, in its 11 years the regional group has been preoccupied with issues between or among its members within the confines of its own space: Shanghai Five (1996-2001) focused on confidence building and reducing border tensions and the SCO (2001-present) focused on antiterrorism and institution building. Meanwhile, the trend is to connect the SCO to the rest of the world. The SCO's official rhetoric, therefore, deserves serious consideration.

Shortly after the two-hour exercise, Putin denied that the SCO was anti-NATO. He pointed to the danger of terrorism in the region, which NATO does not face, and the growing and "predominant" economic aspect for SCO member states.

Putin's view of the SCO's mission was echoed by his Chinese counterpart. In his official speech at the Bishkek summit, President Hu Jintao focused on political coordination, economic cooperation, cultural exchanges, and external outreach. Indeed, the summit agenda and declaration tilted heavily toward political consolidation and socio-economic integration, in spite of the military exercise. Almost all of the specifics Hu proposed in Bishkek were focused on the expansion of cultural and educational cooperation: more scholarships for students from the other five SCO members, "exchange workshops" for middle-school students, winter holidays for college students on China's Hainan Island, and promoting the teaching of one another's language and cultures. Hu's cultural-social focus serves China's own interests with the nation fast

extending its economic reach into central Asia. More “soft” touches with a predominantly Muslim dominated area would provide lasting lubrication for Beijing’s more tangible presence in the region.

Hu’s educational offer was matched by Putin, who suggested creating a “SCO university.” Partially based on this de facto competition between Beijing and Moscow for cultural exchanges among SCO members, the Agreement on Inter-governmental Cultural Cooperation was signed in Bishkek.

Beyond the focus on education and cultural exchange, Kyrgyzstan President Bakiyev proposed more transport services and more favorable conditions for road freight, including the extension of Kyrgyzstan’s ongoing rail construction into China to the rest of the region. Kazakhstan and Russia were more interested in creating a SCO energy system, consisting of an information center, a database, and a trading market for energy products. Moscow appears eager for an energy network for the SCO since Russia’s role in the world’s energy market would be further enhanced. The joint communiqué signed by the SCO leaders, accordingly, addresses the idea of a single, coordinated, and efficient “energy club.”

In retrospect, economic cooperation has always taken a prominent role for SCO members. Three days after Sept 11, 2001, SCO held the first prime ministers meeting held in Almaty, producing a memorandum focused on economic cooperation. Although the agenda was pre-arranged, the fact that it was convened and went ahead with its agenda indicated the SCO’s devotion to economic development, regardless of external events. Subsequently, the SCO has moved steadily into the realm of economic interactions.

It may be some time before a SCO energy club takes definitive shape. Other ideas for SCO development were also tossed around. Putin went so far as to propose a SCO “health organization” so that member states could more efficiently coordinate efforts in dealing with infectious diseases such as tuberculosis. Some actions have already been taken as several groups of doctors performed missions to prevent infectious diseases in Tajikistan and Kyrgyzstan while the SCO summit was taking place in Bishkek. Also, a mobile railway medical center will start operating in the SCO countries in the fall, according to Putin.

A league of its own

Given these non-security aspects of the SCO, military and security affairs are only a relatively small portion of the SCO, though they do attract more outside attention. In certain ways, the SCO operates more like the European Union, with most of its functional activities within the political, economic, and social areas. Even the EU, however, is not a close analogy for the SCO in that the EU originated in and admits new members based on political and cultural, if not racial, criteria (such as democracy and Christianity).

Contrary to the EU’s political and religious uniformity, SCO members represent a diverse background of Christianity, Islam, Buddhism, and Confucianism. If observer members are counted, Hinduism can be added to the list. Beyond religion, the SCO unites the East and West, democracies and non-democracies, large and small nations, and relatively developed, newly industrialized, and less developed countries. Finally, the SCO member states boast a total area of 30 million sq. km., occupying about three-fifths of the Eurasian continent and claim nearly 1.5 billion people, accounting for a quarter of world population. If the observer states are included,

the SCO covers almost half the world's population and 300 different ethnic groups: the SCO is a league of its own.

Such a vast landmass and mix of civilizations have many implications for both the international system and for the organization itself. At a minimum, the SCO serves as a forum for leaders at various levels to interface, for symbolic purposes and on substantive issues. The mere fact that such a large portion of the world is willing and able to talk to one another, pursue stability, development, and peace with itself and the rest of the universe is no small matter. This is despite the fact that the economies of the key member and observer states relate more to the outside world than to each other: Russia's energy, China's manufacturing, and India's information technology. For the foreseeable future, the SCO will remain preoccupied with its own issues and problems. Decision-making may never be swift and decisive given the equality of member states and its consensus-building process. It also means that many of its declared goals will not be reached any time soon. One example is that for the first time in three years, the SCO's Regional Anti-Terrorist Structure (RATS) produced on July 24 the first list of dozens of international religious extremist organizations (17 in Russia, six in China, and 24 in Uzbekistan). They include the Ul-Shura Higher Military Majilis of the United Forces of Mujahideen of the Caucasus, Al-Qaeda, Al-Jihad, the Muslim Brothers, Hizb-ut-Tahrir, Lashkar-i-Taiba, the Islamic Party of Turkestan, and the Taliban.

It is toward these multiple goals – security, stability, economic development, and cultural exchange – that the SCO reinforces its anti-terrorist “teeth.” In the aftermath of the Soviet collapse, the Taliban phenomenon (1996-2001 in Afghanistan) underscored a general state of instability in Central Asia because of those extremist forces. Even for large states like Russia and China, border stability remains a challenge. Three months before Sept. 11, the SCO came into existence with an explicitly defined mission of combating terrorism, separatism, and religious extremism in the region. In retrospect, the formation of the SCO and its collective effort to combat the challenges from the stateless terrorist forces foretold the terrorist attacks on the U.S. In contrast, the U.S. was preoccupied with missile defense for the next war with a major power “challenger” to its supremacy.

Even at the military-technical level, *Peace-Mission 2007* was a realistic application of the Russian-Chinese military power to the declared antiterrorist goal of the SCO. Unlike the *Peace-Mission 2005* joint exercise held in China, there were no strategic bombers involved this time. Both sides dispatched fighter-bombers, plus attack helicopters. For unknown reasons, the much-talked about participation of the Chinese *J-10* fighter (equivalent to *F16* and with a Russian engine) never materialized. On the ground, only infantry fighting vehicles and other supporting vehicles, rather than tanks, were involved. Border guards, security force, and special police units took part. The inland environment did not require naval forces. In 2005, cruise missiles were launched from submarines, while marines hit the beaches for targets that looked more like a regular military assault than those involving stateless transnational terrorist groups.

Taken together, these activities show that SCO member states are working toward a community of nations with multiple goals and identical interests. In both set-up and substance, the SCO differs substantially from a typical military alliance.

Russia and China: same bed, different dreams, or else?

A military alliance is perhaps the least likely outcome for the SCO because Russia and China, having gone through the “best” (alliance in the 1950s) and “worst” (enemies in the 1960s and 1970s) in their relationship, are seeking and learning to maintain a normal mode of interaction with both cooperative and competitive elements. An alliance may take shape only under the extreme circumstances in which the core interests of both Moscow and Beijing are perceived to be harmed and endangered by the same adversary at more or less the same time. Short of that, both Beijing and Moscow would live with, cope with, and benefit from the existing international system even if it is dominated by the West, particularly by the U.S. The reason is simple: China’s historical rise and Russia’s steady recovery are occurring at the moment.

Even within the SCO, Moscow and Beijing may not have entirely identical interests regarding Central Asia. Moscow is more interested in stretching the SCO’s military and security functions because of its stronger military presence in these former Soviet republics. In April, Russia drafted a document calling for more coordination and integration of the SCO defense infrastructure as a basis for more stability and economic development. Other SCO members, however, did not reciprocate.

Beijing’s priority is to tap the SCO’s economic potential and expand its non-security related ties with member nations both within and outside the SCO framework. This became evident in mid-July when President Hu entertained Turkmenistan President Berdimuhamedow in Beijing and secured a 30-year deal that will supply China with 30 billion cubic meters of natural gas per year. This “deal of the 21st century” for the small mountainous central Asian state, however, required transit rights through Kyrgyzstan and Kazakhstan before reaching China’s northwestern province of Xinjiang. For this purpose, Hu traveled to Kyrgyzstan (Aug. 14-15) and Kazakhstan (Aug. 18) to work out separate deals that will allow Turkmen gas to pass through their territories. In his first-ever visit to Kyrgyzstan prior to the SCO summit, Hu inked 12 cooperation agreements. During his one-day visit to Kazakhstan, Hu and Kazakh President Nazarbayev reached an agreement on the construction of the second phase of the oil pipeline from Kazakhstan to China and on the construction of the longest gas pipeline in the world (7,000-km including 188 km in Turkmenistan, 530 km in Uzbekistan, 1,300 km in Kazakhstan, and over 4,500 km in China) to deliver Turkmen gas to China from 2009.

China’s energy “drive” through Central Asian states during the third quarter occurred at a time when Sino-Russian energy talks ran into various difficulties, ranging from Gazprom’s pressure on Exxon to abort a contract to export natural gas from its Sakhalin I project and to redirect all supplies to Gazprom, a nearly 11 percent increase in the construction cost of the ESPO pipeline, and failure to reach agreement in the Sino-Russian talks for both eastern and western gas line routes. The much talked-about Russian gas supply to China may well be postponed to 2020. As a result, China’s petro-drive in Central Asia will essentially bypass Russia.

This prospect alarmed the Russian president, who immediately offered Kyrgyzstan – shortly after Hu’s official visit – an unusually generous \$2 billion for this small central Asian state of just 5 million people and a 2006 government budget of just \$600 million. “...We are talking about investments of up to \$2 billion,” Putin said in a meeting with Kyrgyz President Bakiyev.

“We only need good projects. We are ready to take all necessary measures in order to ensure the financing of these projects,” Putin added. Russia’s latest effort to “regain” Central Asian states means that the game of petropolitik is far from over. Despite all the assurances from Turkmenistan, it is common knowledge that it has not followed through on its intent to upgrade and expand its Soviet-era gas pipelines, as proclaimed in the meeting with heads of state of Russia and Kazakhstan in May. It remains to be seen if Turkmenistan’s “China card” is real or leverage for bigger and better deals with this new energy “kid.”

Although China’s economic drive and Russia’s expanding security interest in Central Asia may complement one another in dealing with extremist forces in the region, Beijing’s rapid economic advancement into these Central Asian states is not perceived as entirely harmless by Russia. Indeed, Russia’s embrace of the idea of an SCO “energy club” may well be an effort to regain influence, if not control, in the energy sector in this part of the world. At a minimum, Moscow wants to avoid competitive pricing at its expense when there are multiple energy suppliers for one big customer (China).

While Beijing and Moscow both prefer a multilateral world, they may differ on how to achieve such a global power configuration. *Peace Mission 2007* took place at a time of considerable tension in Moscow’s relations with the West. It is also true that Putin announced publicly that Russia’s strategic bombers would resume its routine patrol missions, which is reminiscent of the Soviet practice during the Cold War. Beijing, however, has essentially stood aside in this new round of posturing between Russia and the U.S. Most Chinese analysts do not believe that the two former superpower rivals would return to the “good-or-bad” old days. Some have warned that a return of the Cold War-type confrontation between the two former enemies would severely limit, not broaden, China’s strategic space because China would have to choose between the two and that is not in the interest of China and the rest of the world. A soft-landing of the current Russia-U.S. tension, therefore, serves the interests of all. For this reason alone, a military alliance for the SCO is perhaps the last thing that Beijing would like to see. Regardless of how Russia will deal with current tension with the West, a rapidly rising China is unlikely to alter its existing strategy for a peaceful rise.

Given these differences between Moscow and Beijing, it is safe, as well as realistic, to say that the strategic partnership between the two large powers is not as strong or weak as is commonly perceived. This does not necessarily mean that the SCO will never become a military alliance. The potential exists. What is more important, however, is to see that the potential for it not to become an alliance is perhaps greater.

Chronology of China-Russia Relations July-September 2007

July 2-4, 2007: Gu Xiulian, president of the All-China Women's Federation and vice chairwoman of the Standing Committee of the National People's Congress, visits Moscow and meets Boris Gryzlov, chairman of the State Duma, First Deputy Prime Minister Dmitri Medvedev, and Moscow Mayor Yuri Luzhkov. Gu was part of an 80-member delegation for the 4th China-Russia Women's Culture Week.

July 9, 2007: The Council of SCO foreign ministers meets in Bishkek to discuss preparations for the SCO summit in August. It approves the agenda for the summit including the text for the "Friendly Treaty" and agrees to step up contacts with SCO observer states and broaden the activity of the SCO-Afghanistan Contact Group.

July 9, 2007: The Sino-Russian energy sub-commission, part of the preparation for the annual prime ministerial meetings, meets in Beijing. Russian Industry and Energy Minister Viktor Khristenko says the construction of a branch to China of the East Siberia-Pacific Ocean (ESPO) pipeline is due to begin in 2008. The branch line will carry 30 million tons of oil annually and be financed and most likely constructed by China.

July 10-11, 2007: The 2nd Sino-Russian inter-ministerial financial dialogue is held in Moscow to discuss how to maintain macroeconomic balance and sustained growth against the backdrop of global economic imbalance including the U.S. dollar dependence of both the Russian and Chinese economies.

July 12-15, 2007: Chinese Foreign Minister Yang Jiechi visits Russia at the invitation of his counterpart Sergei Lavrov to "review the entire spectrum of international problems" including the Six-Party Talks on the DPRK nuclear issue, bilateral relations, and the upcoming joint military exercise in August. Yang met President Putin July 13.

Aug. 9-17, 2007: SCO's six member countries conduct a joint antiterrorism drill, *Peace Mission 2007*.

Aug. 13, 2007: The Russian-Chinese working group in charge of cross-border and interregional trade and business cooperation and preparations for regular meetings between the two countries' prime ministers meets in Vladivostok.

Aug. 16, 2007: SCO annual summit held in Bishkek, Kyrgyzstan. The "Treaty of Long-Term Good-Neighborliness, Friendship, and Cooperation among SCO Member States" is signed.

Aug. 24, 2007: Russian Economic Development and Trade Minister German Gref visits Beijing for the 10th session of the sub-commission for trade and economic cooperation of the Russian-Chinese commission in preparation for the regular prime ministerial meeting. His counterpart was Chinese Minister of Commerce Bo Xilai.

Aug. 29- 31, 2007: A unit of Chinese navy warships – the destroyer *Guangzhou* and the integrated supply ship *Lake Weishanghu* – visits St Petersburg after 30 days of continuous sailing. It is the first time China's naval vessels enter the Baltic Sea.

Aug. 31, 2007: The sub-commission for environmental protection, part of the bilateral commission preparing for regular meetings between prime ministers, held in Beijing.

Sept. 1-8, 2007: Chinese State Councilor Chen Zhili visits Russia at the invitation of Deputy Prime Minister Alexander Zhukov to co-chair the eighth session of the China-Russia committee on cultural and humanities cooperation in Moscow. She also participates in activities of Russia's China Year and meets Prime Minister Mikhail Fradkov Sept. 4.

Sept. 4-6, 2007: One hundred of China's elite Snow Leopard Commandos of the People's Armed Police (PAP) join 600 special task force Vityazj (Knight) of the Russian interior troops in the antiterrorism exercise *Sodruzhestvo-2007 (Cooperation-2007)*. The first time the PAP participated in an international, joint antiterrorism exercise outside China.

Sept. 5-9, 2007: A delegation led by President of the Supreme Arbitration Court Anton Ivanov visits China and meets President of the Supreme People's Court of China Xiao Yang and Member of the Standing Committee of the Political Bureau of the Central Committee of the Communist Party of China Luo Gan.

Sept. 8, 2007: President Putin meets President Hu on the sidelines of an APEC summit in Sydney, which, according to Putin, would likely be their last face-to-face encounter before he leaves office in March 2008. In this fifth meeting in 2007, Putin assures Hu of continuities in Russia's relations with China.

Sept. 14, 2007: Chinese Premier Wen Jiabao sends a congratulatory message to Viktor Zubkov on his appointment as prime minister.

Sept. 26-28, 2007: Chairman of the Russian Federation Council Sergei Mironov visits China at the invitation of Chinese top legislator Wu Bangguo. He attends the second meeting of the Cooperation Committee of China's National People's Congress and the Russian Federation Council. He meets President Hu and Premier Wen on Sept. 27.

Sept. 28-29, 2007: Russian Deputy Prime Minister Alexander Zhukov visits China to co-chair the 11th Session of the Committee for the Regular Meeting of Chinese and Russian Premiers in Hangzhou. Russian Deputy Prime Minister Alexander Zhukov and his counterpart chaired the meeting. He meets Premier Wen on Sept. 29.

About The Contributors

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