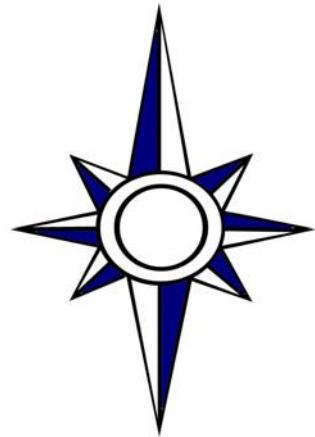




P a c i f i c   F o r u m   C S I S



# Comparative Connections



A Quarterly E-Journal on  
East Asian Bilateral Relations

*edited by*

Brad Glosserman  
Carl Baker

3rd Quarter (July-September) 2008  
Vol. 10, No. 3  
October 2008

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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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# Table of Contents

**Regional Overview:.....1**

## **Inaction for Inaction, with Unhelpful Reactions**

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

Hopes of progress in the Six-Party Talks evident in the closing days of the previous quarter were quickly dashed as disagreements over verification of North Korea's nuclear declaration created a stalemate still in evidence at quarter's end. The only movement was backward, as "action for action" was replaced by inaction and worse. Last year, Secretary of State Condoleezza Rice made news by not showing up at the annual ASEAN Regional Forum ministerial. This year she went and hardly anyone noticed. The democratic process made for interesting watching this quarter, not only in Thailand and Malaysia, but in East Asia's most established democracy, as Japan saw its third leader in the 24 months since Prime Minister Koizumi departed the scene. The once presumably left for dead U.S.-India nuclear deal was reincarnated by the Indian Parliament this quarter with the U.S. Congress following suit at quarter's end and President Bush's signature in early October. Finally, the U.S. sneezed this quarter and the rest of the world did catch cold, even as Wall Street struggles with a serious bout of pneumonia. Economic policy also dominated the "foreign policy debate" between Senators Obama and McCain, with no questions and only sparse references to Asia throughout.

**U.S.-Japan Relations:.....15**

## **Weathering Political and Economic Turmoil**

**by Michael J. Green, CSIS, and Nicholas Szechenyi, CSIS**

The quarter began with President Bush and Prime Minister Fukuda meeting on the sidelines of the G8 summit in Hokkaido, but their bilateral agenda and Fukuda's own premiership were eclipsed by dramatic political and economic developments in both countries. Fukuda resigned suddenly on Sept. 1 having failed to convince the public he could strengthen the economy and move important legislation through a divided legislature. Aso Taro won the Liberal Democratic Party (LDP) presidential race and began his tenure as prime minister stressing economic stimulus measures, the importance of the U.S.-Japan alliance, and Japan's role as a global leader. Meanwhile, the U.S. struggled to contain a financial crisis that rattled world markets, prompting Japanese banks to take major stakes in ailing U.S. businesses. A successful ballistic missile defense test in September augured well for sustained bilateral defense cooperation, assuming defense budgets survive the current financial turmoil. And North Korea's move toward reprocessing plutonium at Yongbyon threatened to erase the diplomatic progress made in the Six-Party Talks at a time when leaders in Washington and Tokyo already had plenty of diplomatic challenges and tough domestic elections to manage.

**U.S.-China Relations:.....23**

**Olympics Boost Chinese Pride and U.S.-China Relations**

**by Bonnie S. Glaser, CSIS/Pacific Forum CSIS**

The Beijing Olympic Games were conducted without a hitch to the great relief of the Chinese leadership and the 1.3 billion Chinese people who had long anticipated the momentous event. Abroad, the reviews were mixed. Most agreed that the opening ceremony was spectacular and that China had successfully ensured the safety of the athletic competitions, but many argued that these goals had been achieved at a significant cost that highlighted the undemocratic nature of China's regime. President Bush's attendance further consolidated an already close and cooperative U.S.-Chinese relationship, even though Bush seized on several opportunities to criticize China's human rights practices. The U.S.-China Joint Commission on Commerce and Trade (JCCT) marked its 25<sup>th</sup> anniversary with agreements on food security, loans for medical equipment purchase, promotion of digital TV, and cooperation in agriculture and on trade statistics. The U.S. presidential campaign heated up, but China received little attention.

**U.S.-Korea Relations:.....37**

**Déjà vu All Over Again?**

**by Victor Cha, Georgetown University/Pacific Council on International Policy**

The big news in the penultimate quarter of 2008 centered on leadership ills (literally) in North Korea and Pyongyang's rolling back of the six-party denuclearization agreement. On the U.S.-ROK front, President George W. Bush made his last trip to Asia of his presidency, stopping for a brief visit in South Korea on his way to the Beijing Olympics. While the free trade agreement remains mired in U.S. domestic politics, important low-key agreements were reached to help bolster the people-to-people aspects of the alliance. As the quarter ended, the Bush administration was making preparations to make what some described as a last-ditch effort to salvage the deal with North Korea by sending Six-Party Talks negotiator Christopher Hill to Pyongyang for a third time.

**U.S.-Russia Relations:.....45**

**Have Relations Hit Rock Bottom?**

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

Throughout the spring and early summer it seemed that U.S.-Russia relations could sink no further. Ill will beset the relationship. At one point, Vladimir Putin compared the U.S. to a "frightening monster," while Senator (and Republican presidential nominee) John McCain called for Russia's eviction from the G8. In August, the worsening situation came to a head when Russian troops invaded and occupied South Ossetia (a Georgian Province), and launched attacks on other Georgian cities. The U.S. reaction was swift: condemnation, followed by the transport home of Georgian combat troops deployed in Iraq, the ferrying of supplies to Georgian ports by U.S. warships, the extension of \$1 billion in aid, and the deployment of a small contingent of U.S. troops for "humanitarian" missions in Georgia. The reaction did nothing to cow Moscow. By the end of August, Russia had asserted *de facto* control of both South Ossetia and Abkhazia and had recognized both as independent nations. Meanwhile the U.S. turned inward to deal with its financial crisis, leaving relations with Moscow on the backburner – at least temporarily.

**U.S.-Southeast Asia Relations:.....53****U.S. Responds to Southeast Asia Political Turmoil****by Sheldon Simon, Arizona State University**

The cancellation of a draft peace agreement between the Moro Islamic Liberation Front and the Philippine government triggered renewed violence in the Philippine south and allegations that U.S. forces are involved in Philippine armed forces suppression activities. Both Manila and Washington deny the charges. The U.S. has added new sanctions against Burma's junta and continues to criticize its political repression, while aid for the victims of Cyclone *Nargis* remains under the Burmese military's control. Ratification for ASEAN's new Charter by its member states has been achieved by eight of the 10 countries. The delays include concerns in the Indonesian and Philippine legislatures about Burma's detention of Aung San Suu Kyi as well as the junta's insistence that any ASEAN Human Rights Commission be toothless. The U.S. State Department has expressed concern over the Malaysian government's arrest of opposition leader Anwar Ibrahim. Malaysian leaders responded angrily that the complaint constitutes interference in Kuala Lumpur's domestic politics and that Washington is not "the policeman of the world."

**China-Southeast Asia Relations:.....****Small Advances, Trouble with Vietnam****by Robert Sutter, School of Foreign Service, Georgetown University, and Chin-hao Huang, SIPRI**

Chinese relations with Southeast Asia were overshadowed for most of the quarter by Chinese leadership preoccupations with the 2008 Olympic Games and crises involving toxic Chinese milk supplies, turmoil in U.S. and international financial markets, leadership uncertainty in North Korea, and the Russia-Georgia war. Although official Chinese media highlighted President Hu Jintao's meetings with Southeast Asian and other world leaders at the Beijing Olympics, he and other top leaders did not travel to Southeast Asia except for the foreign minister's attendance at the ASEAN meetings in Singapore in July. New troubles emerged with Vietnam, notably over oil exploration in the South China Sea. The recent pattern of Chinese, Japanese, and South Korean leaders meeting independent of ASEAN, despite their continued avowals of ASEAN's "leadership" in East Asian regional matters, paused when Japanese officials announced the postponement of a planned summit among the three northeast Asian powers in September on account of the resignation of Japan's prime minister.

**China-Taiwan Relations:.....73****Progress in the Face of Headwinds****by David G. Brown, The Johns Hopkins School of Advanced International Studies**

Leaders in Taipei and Beijing continue to pursue improved cross-Straits relations despite political pressures and domestic criticism. The initial agreements are being implemented and behind-the-scenes negotiations are laying the ground for a second tranche of agreements when ARATS Chairman Chen Yunlin visits Taiwan in late October or early November. The Beijing Olympics occasioned some tensions over terminology until the leadership in Beijing stepped in to craft a solution. Taipei's modest proposal aimed at participation in UN specialized agencies was rejected by Beijing. However, a debate is underway in Beijing on how to address Taipei's demand for increased international space and the Ma administration remains hopeful that Beijing will eventually devise a more forthcoming response. On October 3, the Bush administration notified Congress of a \$6.5 billion arms package for Taiwan.

**North Korea-South Korea Relations: .....83**  
**Still Stalemated**

**by Aidan Foster-Carter, Leeds University, UK**

Relations between the two Koreas deteriorated further during the third quarter. In a break from the “sunshine” policy pursued over the past decade by his two liberal predecessors, President Lee Myung-bak had signaled that expanded inter-Korean cooperation would depend on progress in denuclearization under the Six-Party Talks (6PT). Not only did this linkage displease Pyongyang in principle, but the current 6PT stalemate and North Korea’s proclaimed restoration of facilities at its Yongbyon nuclear site, have made inter-Korean progress difficult. But, by early July, his popularity plunging barely four months into his five-year term, the president formerly known as “bulldozer” was ready to try a different tack. On July 11 he told the new National Assembly – elected in April, but only now convening due to inter-party wrangles – that “full dialogue between the two Koreas must resume.” He also renewed his offer of humanitarian aid.

**China-Korea Relations:.....101**

**Post-Olympic Hangover: New Backdrop for Relations**

**by Scott Snyder, The Asia Foundation/Pacific Forum CSIS**

The Games of the 29<sup>th</sup> Olympiad had preoccupied Chinese leaders for almost a decade as they sought to utilize it to project China’s accomplishments on an international stage. But now that the Games are over, Chinese leaders may adopt a different frame for viewing the world and the Korean Peninsula, the details of which have begun to emerge in the “post-Olympics era.” President Lee Myung-bak was among the many world leaders who attended the opening ceremonies, while President Hu Jintao returned the visit to Seoul only two weeks later. In contrast, Kim Jong-il was a no-show not only for the Olympics, but also for the 60<sup>th</sup> anniversary commemoration of the founding of the DPRK on Sept. 9. The Olympics brought with it a surprising undercurrent of popular anti-Korean sentiment. This sentiment may suggest that the “Korean wave” is receding – or at least that it is accompanied by a strong undertow of backlash among certain segments of Chinese society. On the Korean side, Chinese product safety issues are another drag on the relationship.

**Japan-China Relations:.....111**

**The Gyoza Caper: Part II**

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

The issue of contaminated frozen gyoza moved to the front burner during the quarter. In his two meetings with President Hu Jintao, Prime Minister Fukuda Yasuo emphasized the importance of making progress on the six-month old case. In mid-September, media reported that Chinese authorities had detained nine suspects at the Tianyang factory. The commemoration of the end of World War II on Aug. 15 passed quietly with only three Cabinet ministers visiting the Yasukuni Shrine. Meanwhile, joint public opinion polling data revealed markedly different perceptions on the state and future course of the bilateral relationship. Japan’s Ministry of Defense released its *Defense White Paper 2008*, which again expressed concerns about China’s military modernization and its lack of transparency. Later, when the Maritime Self-Defense Force sighted what was believed to be an unidentified submarine in Japanese territorial waters, China responded to the media reports by denying that the submarine belonged to its navy.

**Japan-Korea Relations:.....121**  
**Who's in Charge?**

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

Coupled with Japanese Prime Minister Fukuda's surprise resignation and the quick choice of Aso Taro as prime minister, Japanese foreign policy was on a brief hiatus while the new leader set his agenda. Although there was little movement in Japan's relations with North Korea, this quarter was dominated by the news leaking out of North Korea that Kim Jong-il was potentially very sick. Although it appeared that there was some progress on the two enduring issues on the agenda of Japan-North Korea relations – the abduction issue and Pyongyang's nuclear development program – by the end of the quarter both issues remained essentially in the same place. In contrast, Japan-South Korean relations plunged to new lows after a promising spring in which both Fukuda and President Lee Myung-bak had pledged to move the relationship forward. The question of who owns the Dokdo/Takeshima islets once again reared its ugly head, and both sides dug in their heels, choosing to be as provocative as possible.

**China-Russia Relations:.....131**

**Guns and Games of August: Tales of Two Strategic Partners**

**by Yu Bin, Wittenberg University**

The third quarter was quite eventful for Russia and China as well as their bilateral relationship. The Beijing Olympics opened and concluded with extravaganzas. Shortly before the opening ceremony, Georgia's attacks against South Ossetia led to Russia's massive military response and Russia's recognition of their independence. One consequence of the Georgian-Russian war is that China's "neutrality" is widely seen as causing a crisis in China's strategic partnership with Russia. Beyond the Olympics, Ossetia, and chaos in world financial markets, Moscow and Beijing were able to move their relationship forward: an additional border agreement was signed to end the border disputes of the previous 400 years, bilateral energy talks at the deputy ministerial-level were launched, long-stalled military sales started to show some sign of life, and the Shanghai Cooperation Organization (SCO) managed to keep a delicate balance.

**Occasional Analysis:.....141**

**Presidential Candidate Views on Relations with Asia**

With the presidential elections in the U.S. scheduled for Nov. 4, the candidates' views of relations with Asia are of great interest to the foreign policy community in the U.S. and throughout Asia. In an effort to provide some insight into the policies of Sen. John McCain and Sen. Barack Obama, we have surveyed both campaign's statements to answer a series of questions regarding their Asia policy stances and their responses as the basis for this quarter's Occasional Analysis.

**About the Contributors.....153**





## Regional Overview: Inaction for Inaction, with Unhelpful Reactions

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

Hopes of progress in Six-Party Talks negotiations evident in the closing days of the previous quarter were quickly dashed as anticipated disagreements over verification of North Korea's nuclear declaration created a stalemate still in evidence at quarter's end. The only movement was backward, as "action for action" was replaced by inaction and worse. Last year, Secretary of State Condoleezza Rice made news by not showing up at the annual ASEAN Regional Forum ministerial. This year she went and hardly anyone noticed. The democratic process made for interesting watching this quarter, not only in Thailand and Malaysia, but in East Asia's most established democracy, as Japan saw its third leader in the 24 months since Prime Minister Koizumi departed the scene. The once presumably left for dead U.S.-India nuclear deal was reincarnated by the Indian Parliament this quarter with the U.S. Congress following suit at quarter's end and President Bush's signature in early October. Finally, the U.S. sneezed this quarter and the rest of the world did catch cold, even as Wall Street struggles with a serious bout of pneumonia. Economic policy also dominated the "foreign policy debate" between Senators Obama and McCain, with no questions and only sparse references to Asia throughout.

### Six-Party Talks: No steps forward, two (or more) steps back

The U.S. learned once again this quarter that playing "chicken" with North Korea – where two cars race toward one another with each hoping the other will swerve first – is mostly likely to produce head-on collisions. The issue, as anticipated, was verification of the North's "complete and correct" declaration of "all its nuclear activities" – recall that Pyongyang finally delivered the much-anticipated declaration, almost six months behind schedule, at the end of last quarter. The "who swerves first" game was over the promised quid pro quo – removal of North Korea from the U.S. State Sponsors of Terrorism List. The required notification was made to Congress to set the stage for Pyongyang's removal on Aug. 11, but President Bush made it clear that he would not take this action unless and until Pyongyang agreed to an intrusive verification regime that would allow the U.S., at a minimum, to confirm the plutonium figures contained in the still unreleased but generally assumed to be incomplete "complete" declaration. Aug. 11 came and went and the quarter ended with Pyongyang's name still on the list.

As noted last quarter, the U.S. State Department issued a "fact sheet" that clearly and precisely spelled out its definition of "verification," to include short notice access to declared or suspect sites, access to nuclear materials, environmental and bulk sampling of materials and equipment, interviews with nuclear workers and specialists, and access to documentation and records for all

nuclear-related facilities and operations. Pyongyang signaled in no uncertain terms that they did not share this definition, insisting instead on a “trust, don’t verify” approach that it had to know was totally unacceptable to Washington (and presumably the other members of the six-party process, who remain generally silent on this issue, beyond statements of general support for the process and calls for “flexibility,” etc.).

At quarter’s end, the primary U.S. interlocutor, Assistant Secretary of State for East Asia and the Pacific Christopher Hill, was preparing to once again go to Pyongyang to devise a new “grand bargain” to move the process forward. We will look for another “breakthrough” next quarter, while recalling last quarter’s observation: “If we have learned nothing else about North Korea we should know one thing by now: while Pyongyang might not be too good at living up to its own promises, it will not budge an inch if it perceives that others are not living up to theirs.” Can delisting be far away?

### **Still unanswered questions**

We call our readers’ attention to the “what we (still don’t) know” section of last quarter’s regional overview. None of the open questions about the contents of the June 26 North Korean declaration has yet to be officially answered and new ones have risen. What was already clear at the end of last quarter was that the “complete and correct” declaration did not contain information about Pyongyang’s suspected uranium enrichment program or its presumed proliferation activities – these were “addressed” (as opposed to explained or revealed) in side notes. Suspicions that the declaration only contained information about Yongbyon (and not any other plutonium-related facilities, such as weapons fabrications labs, storage facilities, or even details on the test site) appear to have been confirmed this quarter, along with *de facto* acceptance of the North Korea view that the promised one million tons of heavy fuel oil or equivalent payment was for the declaration and disablement of Yongbyon facilities only. In short, “all” now apparently means “Yongbyon,” which also means that Pyongyang will be asking for more payments to reveal its other plutonium-related facilities, if or when the process ever proceeds that far.

Pyongyang also took the game of “chicken” a step further when it announced that it planned to reverse the Yongbyon disablement process. Undisclosed “activity” at the site indicates that some amount of effort was being expended to do just that but it was not clear at quarter’s end how much reassembly was underway or how long it would take. While disablement was supposed to have already been “more than 90 percent complete” and U.S. officials had been boasting that a resumption of activity at Yongbyon would take “at least a year,” a reactivation in short order would put a lie to such estimates and would no doubt have the unintended (by North Korea) consequence of increasing demands for greater intrusion and verification of the disablement process if it were to eventually resume.

All of this has taken place side by side with the ongoing drama regarding Dear Leader Kim Jong-il’s health. We have no special insights on this question and no reason to doubt that some type of health crisis (a stroke?) took place. But it seems clear that someone is in charge in the North, since Pyongyang has taken a number of steps to raise the stakes and increase tensions this quarter, and such actions are not taken arbitrarily or without someone’s hand on the wheel.

## **Half a loaf . . . but the right half!**

At quarter's end, speculation was running high that Washington, eager to revive the process to preserve President Bush's legacy, would soon blink and meet Pyongyang more than half way in order to once again jump start this process. This may (or may not) be true. It would be naive for Pyongyang to think that Washington would yield on core national security issues, but some increased flexibility may be in the offering. While half a loaf is not as good as a whole one, what is most important is getting the right half. As the administration has long (and rightly) contended, the North's plutonium holdings remain the key. How much has been produced and extracted? How much of that was consumed by the October 2006 nuclear test? Is the North really prepared at some point to surrender its fissile materials (at a price yet to be determined)? If these questions can be verifiably answered, the other questions can wait until subsequent phases.

## **Six-Party ministers meet**

The original Feb. 13, 2007 joint agreement that started the most recent round of Korean Peninsula denuclearization had called for a ministerial-level meeting "to confirm implementation of the Joint Statement and explore ways and means for promoting security cooperation in Northeast Asia." The six foreign ministers did meet for the first time in Singapore on July 24, along the sidelines of the annual ASEAN Regional Forum (ARF) ministerial meeting but, at China's apparent insistence (since it wasn't hosted by and in Beijing) the gathering was considered an informal one and not the promised official ministerial. At any rate, it would have been hard for the ministers to declare success at that point and, as outlined above, any hopes that the meeting would help jumpstart the process were in vain.

## **Condi attends the ARF; does anyone notice?**

Suppose they threw a party and everyone showed up; would anyone notice? When it comes to the ARF, the answer is: apparently not. While the informal ministerial among the Six-Party Talks participants did attract some attention, the fact that they were all there for the ARF ministerial seemed lost in international coverage of the event. To the extent the ARF proceedings were mentioned, more ink was spilled over the side squabble between North and South Korea over what would be in the Chairman's Statement than over the results of the July 24 ministerial itself – Seoul blocked a reference calling on the ROK to "fully implement" the 2000 and 2007 summit accords and Pyongyang successfully lobbied to remove a statement of concern over the fatal shooting of a South Korean tourist at the Mt. Kumgang resort area that had appeared in the original draft. Even a relatively benign phrase stressing the importance of "the resolution of security and humanitarian concerns" that originally had appeared in the paragraph concerning the Korean Peninsula was subsequently put in a separate one-line paragraph which said, "The ministers also emphasized the importance of addressing the issue of humanitarian and people concerns of the international community." All was not lost however. Pyongyang did sign ASEAN's Treaty of Amity and Cooperation, showing that the spirit of cooperation lives on!

The lack of press attention to the ARF's deliberations is understandable; the results were pretty minimal. The assembled ministers did reaffirm the ARF's importance as "the main multilateral

political and security forum in the region” and emphasized the need for intensified cooperation in disaster relief operations, tasking its InterSessional Meeting (ISM) on Disaster Relief to draw up an ARF Disaster Relief Work plan. It also encouraged Myanmar “to take bolder steps toward a peaceful transition to democracy” and repeated its call for the early release of Aung San Suu Kyi and other “political detainees.” The ARF also agreed to the establishment of an ISM on Non-Proliferation and Disarmament with particular focus on regional implementation of UNSCR 1540. The ministers also welcomed the establishment of an ISM on Maritime Security to “provide an annual platform for discussion of maritime security issues.” The ministers also expressed appreciation to the Pacific Forum and the Rajaratnam School of International Studies for their study on preventive diplomacy best practices and lessons learned and tasked senior officials to study the recommendations.

It is also worth noting in passing that while Secretary Rice’s previous absences at ARF meetings drew wide-scale attention and criticism (including from these authors), she is now tied with Madeleine Albright and Warren Christopher for second place in terms of ARF meetings attended, at two apiece; Colin Powell stands alone among U.S. secretaries of state with a four-for-four perfect attendance record.

### **ASEAN ministers endorse ASEAN Charter**

When the ASEAN 10 met for their own ministerial prior to the ARF and other ASEAN Plus X events, their focus was on patting themselves on the back over their ASEAN Charter while encouraging (pressuring?) those who had not yet ratified it to do so. Perhaps it is no coincidence that the three main holdouts were ASEAN’s three messiest democracies: Indonesia, the Philippines, and Thailand. (Myanmar/Burma, the other remaining holdout at the time, announced its ratification in conjunction with the meeting.) Thailand finally ratified the Charter in mid-September and both the Philippines and Indonesia were expected to follow suit in early October. Also heralded was the fact that Australia, China, Japan, New Zealand, and Russia joined the U.S. in appointing an “Ambassador for ASEAN Affairs” – for once, Washington was ahead of the curve in showing its support for the Charter process and greater ASEAN integration.

### **ASEAN Plus Three retreat**

Part of the ministerial gathering, ASEAN Plus Three (China, Japan, Republic of Korea) ministers met for the ninth time but for the first time in a “retreat format,” in order to facilitate a “frank, open, and interactive dialogue.” They launched a modest \$3 million ASEAN Plus Three Cooperation Fund to support development projects and stressed the need for enhancing regional financial stability in light of the global financial crisis. They also reaffirmed that ASEAN Plus Three would remain “the main vehicle towards the long-term goal of building an East Asia community, with ASEAN as the driving force.” More important, at quarter’s end the Plus Three states reportedly were moving forward with ASEAN to expedite a previously established plan to form and administer an \$80 billion fund for use in another Asian financial crisis.

## **EAS ministers also meet informally**

The ministerial gathering also saw the first “informal consultations” among East Asia Summit (EAS) ministers. The EAS involves the ASEAN Plus Three members plus Australia, New Zealand, and India; its fourth summit is set for Bangkok in December 2008. While applauding its informal, “leader’s led” format, the ministers also acknowledged that it was important for the discussions to “translate into tangible projects and concrete results.” The EAS will continue to focus on energy security and will also pursue “concrete cooperation” regarding food security, in such areas as the production, transportation, and preservation of food.

## **Democracy developments**

It was a messy and confusing quarter for Asia’s democrats. Thailand’s opposition appears democratic in name only, but it appears to enjoy the support of the armed forces. Cambodia went through the rituals, although they lacked substance. Malaysia looks set for a real struggle as the opposition settled in to truly contest power in Kuala Lumpur. And in Japan, a new prime minister is expected to break the logjam. We are not holding our breath.

**Thailand.** The political chaos in Bangkok continues. Daily demonstrations had been a fact of life since May but in late August opposition supporters stormed onto the grounds of Government House and set up camp. While sympathy strikes disrupted rail and air traffic – hurting the country’s tourist industry – a general strike fizzled. The military refused to crack down on protestors - no surprise as the military was largely sympathetic to their views. After all, the military overthrew former Prime Minister Thaksin Shinawatra and Prime Minister Samak Sundarvej has been accused of being a stand-in for the deposed billionaire.

As unrest increased, Samak declared a state of emergency, which the army refused to enforce. In one of the more bizarre resolutions of a political crisis, in early September the prime minister was forced to resign when the Constitutional Court ruled that his appearances on a televised cooking show constituted a conflict of interest. He was replaced by Somchai Wongsawat, Thaksin’s brother in law. That went over well: the opposition argued that he too was a puppet of the former prime minister (that would be Thaksin, who, fearing prosecution, had refused to return home after the Olympic Games) and vowed to continue their occupation. The quarter ended with protests escalating as opposition forces tried to block Parliament from conducting business. At least one person was killed and hundreds have been injured while rumors of coups are again rampant.

Samak and Somchai may not be popular in Bangkok, but they still represent the majority of Thai voters. Unfortunately for them, the opposition is well organized and well financed – and contemptuous of democracy. It opposes Thaksin’s populism and his attempt to break the grip of the old order in Bangkok. While many applaud the military’s refusal to use force against protestors, the truth is the military is permitting lawlessness to undermine a government that it opposes. The armed forces are more subtle than they were two years ago when it imposed martial law, but the result is no less undemocratic.

**Cambodia.** On July 27, Prime Minister Hun Sen's Cambodian People's Party (CPP) won another landslide election, picking up 17 seats to claim 90 of the 123 seats in the country's Parliament. The main opposition party, the Sam Rainsy Party (SRP), took 26 seats and smaller parties claimed the rest. The ballot was considered by most observers to be less tainted than those of the past – the government benefitted from a booming economy, requiring less repression than usual – but it was still a far cry from a fair election. Two months later, Hun Sen was re-elected prime minister, continuing his 23-year rule in Phnom Penh, as opposition parties boycotted the parliamentary session in futility.

The political processes in Thailand and Cambodia stoked nationalist tensions that led to a faceoff at the Preah Vihear temple on their shared border. The 900-year-old temple has been disputed by the two countries for decades. In a ruling that bothers Thais to this day, it was awarded to Cambodia by the International Court of Justice in 1962. Earlier this year, the Thai government backed Cambodia's bid to list Preah Vihear as a United Nations World Heritage Site. A gesture in favor of cultural conservation was used by the opposition in Bangkok as a club to beat the Samak government, arguing that it was abandoning Thai claims to the complex. This ultimately forced the resignation of the Thai foreign minister. Both sides rushed military forces to the temple in July and maintained a wary but incident-free eye on each other until they pulled back in August – tensions diminished after the Cambodian ballot in July. The troops remained in the area, however, and shots were exchanged in early October that left three soldiers wounded.

Neither side wants a confrontation. But, the standoff is vivid proof of how domestic politics can produce international incidents. Both governments are provoking and responding to nationalist pressures. Just as troubling is the ineffectiveness – or unwillingness – of ASEAN to even attempt to soothe the tensions. Thus far the regional organization has stayed out of the fracas, preferring to let the two governments work it out themselves. That strategy may succeed, but it is timid and demonstrates little confidence in ASEAN's ability to work out a solution among its members – or even the desire to show it can help.

**Malaysia.** Prime Minister Abdullah Badawi's troubles continue to mount. After his ruling Berisan Nasional coalition was battered in March elections with its worst showing ever, the prime minister faced mounting calls to resign. Anwar Ibrahim, the former deputy prime minister of Malaysia who years ago was fired and jailed on charges of corruption and sodomy after falling out with then-PM Mahathir Mohamad, claimed his own seat in Parliament after winning an August by-election. Anwar has pledged to dethrone the Berisan Nasional coalition that has ruled Malaysia since independence; upon entering the legislature, the opposition named him their parliamentary leader.

His victory, despite heavy campaigning by the government, including the prime minister and the deputy PM, suggests his ambitions are not mere fancy. He faces several formidable obstacles, however: the political machine of a ruling coalition that has been in power for half a century and new charges of sodomy. Anwar again denies the allegations and says they are politically motivated. The biggest challenge he faces is the ambivalence among voters about his call to end all racial preferences, which have been a staple of government policy for decades. The prospect of a change in government is real, but it is still a long shot. The question is how Malaysia will deal with the uncertainty and the tensions that arise as its political consensus evolves.

**Japan.** On Sept. 1, Japanese Prime Minister Fukuda Yasuo surprised his nation by announcing his resignation after less than a year in office. The phlegmatic prime minister stepped down after a fitful and frustrating term in office, during which his approval ratings slid along with the Japanese economy – it lurched into recession by the second quarter – and he appeared unable to win the confidence of the people or move the Japanese bureaucracy. Five Liberal Democratic Party (LDP) candidates joined the race to succeed him, with former Foreign Minister Aso Taro prevailing by a substantial margin. Aso was then elected prime minister by the Diet, a formality given the LDP's majority in the Lower House.

Some observers worry that Aso would embrace a nationalist agenda, but the data suggests that he will have to put conservative foreign policy inclinations aside and focus on economic issues. His first objective is shoring up the LDP's dwindling approval ratings and preparing the party for a general election that must be called by next year. There was speculation that he might use the bounce that usually accompanies the formation of a new Cabinet to call a snap vote, but the odds of losing the government's supermajority in the Lower House, a slumping economy, and the resignation of a Cabinet minister after only four days quickly put that notion to rest. By all appearances, Japanese policymakers will be focused on domestic issues for some time to come, with resulting spillover effects – read: hesitancy, delay, paralysis – on foreign policy and relations with allies, friends, and neighbors.

### **U.S.-India nuclear deal**

The nonproliferation community has been sharply divided over the U.S.-India civilian nuclear agreement since it was reached two years ago. Proponents call the deal a victory that brings a persistent objector in the global nonproliferation regime and strengthens international safeguards; opponents argue it rewards a persistent objector for its obstinacy and will inspire other wanna-be proliferators to demand similar treatment and could lead to the unraveling of the Nuclear Nonproliferation Treaty (NPT).

This quarter, the deal moved forward when the Indian Parliament gave its approval in July, the International Atomic Energy Agency said OK in early August, and the 45 members of the Nuclear Suppliers Group (NSG), a coalition that sets rules for trade in nuclear technology and materials, agreed in early September to exempt India from its rules and allow them to conduct nuclear trade with Delhi. That agreement was preceded with considerable arm-twisting by President Bush and Secretary of State Condoleezza Rice.

The benefits of the deal are evident. It will help India develop alternative sources of energy and lessen demand for oil in a rapidly growing economy. It will cut greenhouse gas emissions for one of the world's top sources of such gases. It will provide new trade: at the end of the quarter France signed its own agreement with India to expand civilian nuclear cooperation. And, most significantly, the agreement eliminates the biggest obstacle to a more robust relationship between the U.S. and India, the world's two biggest democracies and potential partners in a whole range of endeavors. (For some, that includes building a common front against other, not-so-democratic countries....)

That last item cuts two ways, however. Other governments have seen the speed with which the Bush administration has cut a deal with India and they detect cynicism and the willingness to subordinate nonproliferation concerns to geopolitics. For them, this deal undermines the U.S. position as a leader in the fight against nuclear proliferation and could even undermine U.S. alliances by turning a blind eye to the spread of nuclear weapons to the “right” countries. Nonetheless, at quarter’s end, the House and Senate approved the agreement, and President Bush was scheduled to sign it in early October.

### **Economic crisis**

As we go to press, there is no apparent resolution to the global financial crisis. The U.S. has approved the \$700 billion rescue/bailout plan but most experts think that won’t do the trick. European financial institutions are being hammered equally hard while their Asian counterparts grapple with uncertainty. In addition to the financial crisis, it is clear that underlying economic fundamentals in the U.S. are pretty shaky too – clearing up the financial mess won’t fix those equally compelling problems.

The impact of the financial meltdown in Asia is unmistakable. For the most part, the concern isn’t financial instability at home: Asia’s exposure to subprime mortgages is relatively low. Healthy foreign exchange reserves provide a cushion – and diminish fears of a 1997-style meltdown. But, Asia is already feeling the effects of a U.S. slowdown. Japan’s stock market has fallen 40 percent over the last year and has reached a four-year low. India’s stock market hit a two-year low as well, while Indonesia’s market is down 10 percent. South Korea’s market has fallen 32 percent thus far this year, and its currency has lost a third of its value against the dollar this year. Central banks throughout the region have cut interest rates to combat the contagion, although some economists now worry that “looser” money could spur inflation.

Some see a bright side to this calamity. The rush of cash-rich Asian banks and sovereign funds into the United States to snap up “bargain” investments could lead to greater integration within the Asia Pacific economy. Mitsubishi UFJ, for example, is buying 24.9 percent of Morgan Stanley. The Singapore investment fund Temasek is now the largest shareholder in Merrill Lynch, having purchased \$6 billion in shares since December. China Investment Corp., with a \$200 billion bankroll, is reported to be interested in investing in the U.S. financial sector, but it is wary about political sensitivities triggered by its involvement. Ideally, such investments will undercut the appeal of protectionism and give all countries of the region a larger stake in mutual prosperity (although the emotionalism that drives protectionist impulses is fiercely resistant to such logic).

No matter what the outcome, the financial crisis has undermined U.S. standing in the region. The implosion of subprime securities raises questions about the credibility of U.S. financial acumen. The crumbling of credit markets has badly damaged the appeal of the U.S. financial model and the deregulation ethos that the U.S. – and institutions that back the “Washington consensus” – has exported. Finally, the dithering in Washington over the response and the failure to take quick action has made the U.S. look ineffectual and rudderless.

The question is how the region and the world will respond. At the opening of the United Nations General Assembly in September, all the assembled grandees acknowledged the need for structural reform to tackle this crisis and ensure that there won't be more in the future. Indian Prime Minister Manmohan Singh captured the prevailing mood when he said "There is a need for a new international initiative to bring structural reform in the world's financial system with more effective regulation and stronger systems of multilateral consultations and surveillance. ... This must be designed in as inclusive a manner as possible." Australian Prime Minister Kevin Rudd seeks a set of globally agreed best practices for financial regulation. Asian Development Bank head Kuroda Harukiko called for establishment of an "Asian Financial Stability Dialogue" among regional finance ministers, central banks and financial regulators to coordinate regulatory development and improve surveillance of the financial markets. All respectable leaders and economists have urged their counterparts to resist the protectionist temptation.

That is likely, if only because doing nothing is the easiest option. Huge sums of money are at stake and contributions to regional solutions diminish the flexibility available for national responses: every yen, won, or RMB committed to a regional fund is one that may not be available if needed at home. And reaching agreement on the terms of intervention or assistance when the stakes are so large is difficult. Not surprisingly, European attempts to take concerted and coordinated action have been unsuccessful. Still, "plus three" financial officials (from Japan, Korea, and China) will meet on the sidelines of the annual International Monetary Fund meeting in Washington in October to discuss the \$80 billion "Asian fund" that has been in the works for two years, which is designed to help cushion financial shocks in the region. An opportunity for top-level leadership and guidance was lost when the summit of "plus three" leaders scheduled to be held in Kobe, Japan in September was postponed following Fukuda's resignation.

### **The candidates and Asia**

The first U.S. presidential debate between Republican standard bearer Sen. John McCain and his Democratic opponent, Sen. Barrack Obama was supposed to be on foreign policy. However, the debate was more than half over before foreign affairs could be squeezed in among the questions regarding the financial crisis. There were no questions specifically addressing Asia and scant reference to the region beyond a few tough words about North Korea and the need to stem its, along with Iran's, nuclear ambitions. Iran, Iraq, and Afghanistan issues ruled the day, with Russia earning honorable mention.

In truth, there is little significant difference between the two regarding Asia. McCain is more supportive of the Korea-U.S. Free Trade Agreement; Obama would insist upon some changes, although it remains to be seen if they would be substantive or merely cosmetic. McCain seems less likely to engage in dialogue with North Korea but both support the Six-Party Talks and neither has offered an alternative approach much less solution. Rather than engage in more speculation on their respective policies, we have asked both camps to answer a series of questions regarding their respective Asia policy stances and their responses form the basis of this quarter's Occasional Analysis at the end of this issue. The electoral results are likely to dominate the next quarter's report.

## **Regional Chronology**

### **July-September 2008**

**June 29-July 31, 2008:** *RIMPAC*, the world's largest multinational naval exercise with more than 35 ships, six submarines, and 150 aircraft from more than 10 countries is held in the waters near Hawaii.

**July 1-2, 2008:** Chinese officials meet representatives of the Dalai Lama in Beijing.

**July 2, 2008:** The Russian Duma approves the U.S.-Russia Civilian Nuclear Power Agreement or the so-called 123 Agreement, wherein the U.S. provides aid to help Russia dismantle its nuclear, chemical and other weapons.

**July 7-8, 2008:** The G8 summit is held in Hokkaido, Japan. The G8 leaders representing the U.S., Japan, Russia, France, Britain, Canada, Italy and Germany are joined by African leaders and the leaders of China, India and other rapidly growing economies.

**July 10-12, 2008:** Six-Party Talks are held in Beijing after a nine-month hiatus. The four issues on the agenda are development of a verification and monitoring mechanism, an economic aid plan to North Korea, planning for a meeting of the six foreign ministers, and devising the framework for the "third phase" of implementation.

**July 11, 2008:** South Korean President Lee Myung-bak offers to resume dialogue and provide humanitarian aid to North Korea, but the move is overshadowed by the fatal shooting of a South Korean woman by a North Korean soldier at the tourist enclave at Mt. Kumgang.

**July 14, 2008:** Japan announces new guidelines for school teachers that imply Tokyo's territorial claim to the Dokdo/Takeshima islets. South Korea responds by recalling Ambassador to Japan Kwon Chul-hyun and reinforcing control of islets, saying it is reviewing whether to go ahead with diplomatic events with Japan.

**July 18, 2008:** A WTO dispute panel confirms the judgment that China has violated fair trade rules by discriminating against imported auto parts, ruling in favor of the U.S. EU, and Canada.

**July 21, 2008:** The 41<sup>st</sup> ASEAN Ministerial Meeting is held in Singapore.

**July 21, 2008:** Burma announces that it has ratified the ASEAN Charter.

**July 22, 2008:** Foreign ministers from the 10-member Association of Southeast Asian Nations along with South Korea, China, and Japan hold an ASEAN Plus Three meeting. Plans to carry out the joint statement adopted last year to promote economic, political and socio-cultural cooperation in East Asia are a key topic of discussion. After this meeting, the ministers were joined by Australia, New Zealand, and India for East Asia Summit informal consultations.

**July 23, 2008:** Foreign ministers from the U.S., China, South Korea, Japan, North Korea, and Russia meet on the sidelines of the ASEAN Regional Forum (ARF) to discuss progress being made in the Six-Party Talks on denuclearization of the Korean Peninsula.

**July 24, 2008:** The 15<sup>th</sup> ARF is held in Singapore. Disaster relief dominated discussions. Other topics included North Korea's nuclear program, terrorism, the border dispute between Cambodia and Thailand, and the current food and energy crisis.

**July 24, 2008:** North Korea signs the Treaty of Amity and Cooperation (TAC) following the conclusion of the 15<sup>th</sup> ARF.

**July 28, 2008:** Cambodian National Election Committee announces that Prime Minister Hun Sen won nearly 60 percent of the vote in elections held on July 27 compared with nearly 21 percent for the nearest rival, the main opposition Sam Rainsy Party. International observers raise concerns about voter intimidation.

**July 29, 2008:** World Trade Organization negotiations in Geneva collapse when the U.S., China, India fail to resolve differences over protection for agricultural goods in developing countries.

**Aug. 4-11, 2008:** President Bush visits South Korea, Thailand, and China. He and Mrs. Bush attend the opening ceremonies of the Olympic Games on August 8.

**Aug. 5, 2008:** Mindanao peace talks collapse when the Philippine government and Moro Islamic Liberation Front cancel the signing of a memorandum of agreement on ancestral domain.

**Aug. 6, 2008:** Presidents Bush and Lee Myung-bak meet in Seoul and issue a joint statement pressing North Korea to improve its citizens' human rights, a rare mention of the North Korean human rights issue in a U.S.-South Korean joint statement.

**Aug. 7-8, 2008:** In response to Georgian attacks on Ossetian separatists, Russian troops invade and occupy South Ossetia and from there launch attacks into Georgia proper.

**Aug. 8, 2008:** The 2008 Olympics Games officially open in Beijing.

**Aug. 12, 2008:** President Ma Ying-jeou transits Los Angeles en route to Latin America.

**Aug. 13, 2008:** After two days of talks described as being under the auspices of the Six-Party Talks, Japan and North Korea agree to reopen an inquiry into Pyongyang's abduction of Japanese citizens in the 1970s and 1980s

**Aug. 11, 2008:** The Supreme Court of Thailand issues arrest warrants for former Prime Minister Thaksin Shinawatra and his wife Pojaman after they fled to London instead of appearing before the Supreme Court to face corruption charges.

**Aug. 15, 2008:** In a ceremony marking the 63<sup>rd</sup> anniversary of the end of the Second World War, Japanese Prime Minister Fukuda Yasuo expresses his country's remorse for military aggression during the war and stays clear of the Yasukuni Shrine.

**Aug. 17, 2008:** President Ma transits San Francisco en route to Taiwan from South America.

**August 18-22, 2008:** South Korea and the U.S. stage a joint military exercise named *Ulchi-Freedom Guardian*, with about 10,000 U.S. troops participating. The South Korean Army takes charge of the exercise with assistance from the U.S. troops in preparation for the transfer of full control of Korean troops to Seoul in 2012.

**Aug. 19-21, 2008:** The 39<sup>th</sup> annual Pacific Island Forum Leaders Meeting is held in Niue. Issues discussed include Fiji's return to democratic rule, climate change, and Australia's recently announced guest worker scheme. Frank Bainamarama, the interim prime minister of Fiji boycotts the meeting.

**Aug. 25-30, 2008:** Chinese President Hu Jintao pays state visits to South Korea, Tajikistan and Turkmenistan. Hu also attends the 8<sup>th</sup> annual summit of the Shanghai Cooperation Organization (SCO) on August 28 in Dushanbe, Tajikistan.

**Aug. 29, 2008:** The Japanese government unveils economic stimulus package of \$107 billion.

**Sept. 1, 2008:** Japanese Prime Minister Fukuda resigns.

**Sept. 2, 2008:** Thai Prime Minister Samak Sundaravej declares a state of emergency in Bangkok to put down a running battle between supporters and opponents of the government.

**Sept. 2, 2008:** The IAEA reports that it was informed on Aug. 18 that North Korea had suspended disablement of the Yongbyon nuclear facility.

**Sept. 5, 2008:** Fukuda Cabinet approves *Defense White Paper 2008*, which cites concerns about the lack of transparency in China's military build-up and Russian military drills close to Japan.

**Sept. 6, 2008:** The Nuclear Suppliers Group agrees to provide an exemption that permits its member states to engage in civil nuclear cooperation with India.

**Sept. 8, 2008:** The White House formally withdraws an agreement for civilian nuclear cooperation with Russia from congressional consideration.

**Sept. 9, 2008:** Thailand's Constitutional Court rules that Prime Minister Samak violated the Constitution by accepting payments for appearances on cooking shows while in office, forcing him to resign.

**Sept. 9, 2008:** North Korean leader Kim Jong-il's failure to appear at a military parade celebrating the 60<sup>th</sup> anniversary of the founding of the Democratic People's Republic of Korea prompts speculation regarding his health and rumors that he has suffered a stroke.

**Sept. 15, 2008:** China files an appeal at the World Trade Organization, challenging the ruling in favor of the U.S., European Union and Canada in a dispute over car parts.

**Sept. 17, 2008:** Thailand's Parliament elects Somchai Wongsawat as prime minister.

**Sept 17, 2008:** Thailand signs an agreement to join Singapore, Malaysia, and Indonesia in maritime patrols aimed at securing the Malacca Straits.

**Sept. 17, 2008:** Thailand's Prime Minister Somchai says he is prepared to hold talks with his Cambodian counterpart Hun Sen to resolve the border dispute between the two countries.

**Sept. 18, 2008:** North and South Korea meet in Panmunjom at the request of Pyongyang to discuss energy assistance to the North under the framework of the Six-Party Talks.

**Sept. 18, 2008:** The DPRK Foreign Ministry releases a statement that North Korea no longer wishes to be removed from the U.S. State Sponsors of Terrorism List and confirms that it has begun reassembling the Yongbyon facility that can produce weapons-grade plutonium.

**Sept. 18, 2008:** Thailand becomes the eighth of ASEAN's ten members to ratify the ASEAN Charter. Indonesia and the Philippines are expected to follow suit in October.

**Sept. 21, 2008:** Indonesia-mediated peace talks between the Thai government and representatives of the Muslim community in southern Thailand conclude with both sides agreeing that "the settlement should be conducted peacefully through dialogue forums, and should be in line with the Constitution of Thailand."

**Sept. 22, 2008:** "Workshop on Large Scale Disaster Recovery in APEC" opens in Taipei.

**Sept. 22, 2008:** The head of China's General Administration of Quality Supervision, Inspection and Quarantine, Li Changjiang, resigns amid a scandal over toxic milk that has killed four children and sickened nearly 53,000.

**Sept. 22, 2008:** North Korea asks International Atomic Energy Agency (IAEA) inspectors in Yongbyon to remove seals and surveillance equipment so they can "carry out tests at the reprocessing plant, which they say will not involve nuclear material."

**Sept. 22, 2008:** Aso Taro is elected president of Japan's Liberal Democratic Party.

**Sept. 22-26, 2008:** The 63<sup>rd</sup> session of the UN General Assembly is held in New York.

**Sept 23, 2008:** Burma's military government announces the release of 9,002 prisoners, including the country's longest-serving political prisoner, Win Tin, and four people elected to Parliament in the landslide victory of opposition parties in 1990.

**Sept. 24, 2008:** Japan's Parliament confirms the election of Aso Taro as prime minister.

**Sept. 24, 2008:** The IAEA announces that North Korea has expelled the UN monitors from its reprocessing plant at Yongbyon and plans to introduce nuclear material to the facility next week.

**Sept. 25, 2008:** The *USS George Washington* arrives at Yokosuka Naval Station becoming the first nuclear-powered aircraft carrier to be deployed in Japan.

**Sept. 25, 2008:** Cambodia's Parliament re-elects Hun Sen as prime minister, extending his 23-year tenure, at a session boycotted by parties disputing the results of the July general election.

**Sept. 26, 2008:** APEC Disaster Recovery Workshop moves from Taipei to Sichuan.

**Sept. 30, 2008:** The Japanese government announces a six-month extension of economic sanctions against North Korea in response to Pyongyang's failure to reopen an investigation of Japanese abductees and its decision to restart nuclear processing at the Yongbyon complex.

**Sept. 30, 2008:** U.S. Assistant Secretary of State for East Asian and Pacific Affairs Christopher Hill arrives in Seoul to confer with counterparts in the six party talks on North Korea's nuclear programs and prepare for an Oct. 1 visit to Pyongyang.

**Oct. 3, 2008:** The Bush administration notifies Congress of a \$6.5 billion arms package for Taiwan.

# Comparative Connections

A Quarterly E-Journal on East Asian Bilateral Relations



## U.S.-Japan Relations: Weathering Political and Economic Turmoil

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The quarter began with President Bush and Prime Minister Fukuda meeting on the sidelines of the G8 summit in Hokkaido, but their bilateral agenda and Fukuda's own premiership were eclipsed by dramatic political and economic developments in both countries. Fukuda resigned suddenly on Sept. 1 having failed to convince the public he could strengthen the economy and move important legislation through a divided legislature. Aso Taro won the Liberal Democratic Party (LDP) presidential race in a landslide and began his tenure as prime minister stressing economic stimulus measures, the importance of the U.S.-Japan alliance, and Japan's role as a global leader, but with uncertainty about whether his government would even survive to the end of the year. Ozawa Ichiro was re-elected president of the opposition Democratic Party of Japan (DPJ) and touted a populist manifesto to woo the public in anticipation of a Lower House election this fall. Meanwhile, the U.S. government struggled to contain a financial crisis that rattled world markets, prompting Japanese banks to take major stakes in ailing U.S. businesses. A successful ballistic missile defense test in September augured well for sustained bilateral defense cooperation, assuming defense budgets survive the current financial turmoil. And North Korea's move toward reprocessing plutonium at Yongbyon threatened to erase the diplomatic progress made in the Six-Party Talks at a time when leaders in Washington and Tokyo already had plenty of diplomatic challenges and tough domestic elections to manage.

### **Aso takes over; election rumors**

Prime Minister Fukuda Yasuo hoped to boost his approval ratings after hosting the G8 summit in July, but the public rewarded him with a much smaller bump than he had expected. He tried again by revamping his Cabinet on Aug. 1 and a few weeks later by unveiling a stimulus package worth \$107 billion, only to see his popularity drop even further. Frustrated by his inability to win popular support or convince his recalcitrant coalition partner, the New Komei Party, to support his legislative agenda, Fukuda stepped down Sept. 1 and argued that someone else in the LDP might succeed where he had failed. While some pundits blamed Fukuda's lackluster political style, it is hard to see how any political leader could overcome the policy paralysis in the Diet that resulted when the opposition parties wrested control of the Upper House after July 2007 elections. Still, the LDP held out hope that colorful former Foreign Minister Aso Taro might add new energy to the government coalition and elected him party president on Sept. 22 with a wide margin over four other contenders for the top job. On Sept. 24, the Diet approved

Aso as Japan's fourth prime minister in four years. Meanwhile, Ozawa Ichiro was re-elected president of the DPJ Sept. 21, setting up a battle between two veterans of Japanese politics.

Aso flew to New York on Sept. 25 to address the United Nations General Assembly in a speech that argued Japan will maintain its global leadership role in areas such as development, nonproliferation, regional diplomacy, and the war on terror. Once back in Tokyo, he moved quickly to improve his party's standing with the public by proposing a supplementary budget and arguing for tax cuts and other stimulus measures. In his opening address to the Diet on Sept. 29, Aso vowed to stimulate the economy and address other issues such as pension reform, health care, and regional revitalization. He also accused the DPJ of putting politics ahead of the livelihood of the people and challenged the opposition to articulate positions on key foreign policy issues such as Japan's refueling mission in the Indian Ocean, set to expire in January 2009, to support coalition operations in Afghanistan. For his part, Ozawa pushed a populist policy platform focused on reform of the pension and health care systems and "putting money in the hands of the people" by providing subsidies for education, reducing a gasoline tax, and cutting spending by eliminating government-affiliated research organizations. He also advocated increased support for small- and medium-size enterprises in rural areas, a key constituency linked traditionally to the LDP but courted by the DPJ in the 2007 Upper House elections.

Conventional wisdom dictated Aso would try to pass a supplementary budget in the Diet and then dissolve the Lower House, sometime in the fall, even though an election need not be held until fall 2009. Several public opinion polls released in late September had Aso's approval rating hovering close to 50 percent with the LDP slightly more popular than the DPJ. A *Kyodo News* poll published Sept. 25 showed a public preference for Aso over Ozawa, 53.9 percent to 29.4 percent. However, respondents were split over which party they intended to support in the next general election with 34.9 percent favoring the LDP and 34.8 percent the DPJ. Aso's strategy will clearly be to make this a contest between himself and Ozawa. If Aso succeeds and maintains the coalition majority in the Lower House, he can argue that the LDP has a popular mandate and try to win defections from the opposition to regain control of the Upper House. But even in that best case scenario for the LDP, the government will lose its two-thirds supermajority and no longer have the option of forcing bills through the Lower House when obstructed by the Upper House. On the other hand, a convincing victory by the DPJ would remove the LDP from power for the first time since 1994. The question then would become whether the ideologically diverse DPJ could hold together in power. Some pundits suggested another election could follow within months regardless of which party is in power due to fissures within both camps, which could increase the probability of a major political realignment to end the stalemate in the Diet.

### **Trying to sustain the bilateral agenda**

President Bush met with Fukuda on the sidelines of the G8 summit in July just a week after Bush had announced his decision to begin the process of removing North Korea from the State Sponsors of Terrorism List, interpreted by many in the Japanese media as a betrayal of a pledge not to do so until the fate of Japanese abductees had been resolved. The president reiterated his commitment to the abductees in a joint press conference and held up a book written by Yokota Sakie, the mother of an abductee, whom he greeted at the White House back in 2006. The two

leaders agreed on the need to verify the nuclear declaration submitted by North Korea in June and push forward with denuclearization. The two key elements of the G8 agenda, climate change and development in Africa, also garnered significant attention and set the stage for bilateral cooperation in those areas.

The realignment of U.S. forces in Okinawa remained a top agenda item for the alliance, though political turmoil in Japan appeared to have slowed down that process. One bright spot continues to be missile defense cooperation. On Sept. 17, the Air Self-Defense Force (ASDF) conducted a successful test of the *Patriot (PAC-3)* ballistic missile defense system at the White Sands Missile Range in New Mexico. The Defense Ministry also announced that the Maritime Self-Defense Force would conduct a test of the sea-based *SM-3* missile over the Pacific near Hawaii in November. The nuclear-powered aircraft carrier *U.S.S. George Washington* arrived at Yokosuka naval base Sept. 25, the first such carrier to be forward deployed in Japan.

The deadlock in the Diet led to increased uncertainty about what Tokyo might do next in the realm of global security. The Defense Ministry announced in September that ASDF personnel conducting airlift operations between Kuwait and Iraq would be withdrawn by the end of this year. The fate of the refueling mission in the Indian Ocean was unclear and analysts questioned whether Japan could consider other missions to support coalition operations in Afghanistan. Prime Minister Aso vowed to push for an extension of the refueling mission and stated publicly his belief that Japan should reinterpret the constitution to exercise the right of collective self defense. Ozawa's position on Afghanistan is unclear; he has adamantly opposed the refueling mission and declared it unconstitutional but also stated in 2007 that Japan might be able to support the International Security Assistance Force (ISAF) in Afghanistan, a much more dangerous mission. Ozawa generally favors Self-Defense Force (SDF) deployments strictly under United Nations auspices. Officials could not expect movement on these issues before the political impasse is resolved.

Agricultural protectionism derailed the latest round of World Trade Organization (WTO) negotiations in Geneva in July. The collapse of the Doha Round, and the lack of movement on the U.S.-Republic of Korea (KORUS) bilateral free trade agreement, seemed to stunt any momentum the U.S. and Japan might have generated on trade liberalization. The governments did issue reports on investment and regulatory reform in July, signaling a sustained commitment to the bilateral framework known as the Economic Partnership for Growth (EPG). In August, the Ministry of Finance reported that Japan posted its first trade deficit in 26 years due to high oil prices and decreased demand from the U.S. The financial crisis put U.S. and Japanese financial firms in the headlines in September as Mitsubishi UFJ Group agreed to take a 21 percent stake in Morgan Stanley, and Nomura Holdings, Inc. acquired some Asian, European, and Middle Eastern portfolios of Lehman Brothers.

### **Pyongyang changes course**

The submission of a nuclear declaration by North Korea in late June and the symbolic destruction of the cooling tower at the Yongbyon complex led to a heads of delegation meeting of the Six-Party Talks in mid-July. The parties determined that a Denuclearization Working Group would settle on the details of a verification mechanism for declaration previously

submitted by North Korea. North Korea also agreed to complete the disablement of the Yongbyon facility by the end of October 2008. The six foreign ministers of the member countries to the Six-Party Talks then met informally on the margins of the ASEAN Regional Forum (ARF) in Singapore in late July, again focusing on the verification protocol. The Japan-DPRK Working Group made some progress on the abduction issue in August as North Korea promised to re-open an investigation to determine the fate of missing Japanese citizens; Japan in turn would end the ban on travel between the DPRK and Japan (instituted after North Korea tested a nuclear weapon in October 2006) once that investigation was initiated. North Korea then jeopardized the entire process by announcing Sept. 19 its intentions to restore the nuclear complex at Yongbyon, accusing the U.S. of violating the spirit of “action for action” by not removing North Korea from its State Sponsors of Terrorism List. Japan extended economic sanctions against North Korea for six months in response to that announcement and Pyongyang’s failure to reopen the investigation on the abductees. U.S. Assistant Secretary of State Christopher Hill was in Seoul Sept. 30 preparing for a trip to Pyongyang in a last-ditch attempt to save the Six-Party Talks.

### **The fourth quarter**

The U.S., and possibly Japan, will elect a new leader next quarter, symbolizing a fresh start for an alliance with several bilateral, regional, and global priorities. Both governments will have to weather political transitions as their respective economies weaken. The fallout from the financial crisis will take center stage during a meeting of G7 finance ministers in conjunction with the fall meetings of the World Bank and International Monetary Fund in Washington. Japan’s development aid profile will reach new heights in October when the Japan International Cooperation Agency (JICA) merges with part of the Japan Bank for International Cooperation (JBIC) to become the world’s largest bilateral development agency. The Asia-Pacific Economic Cooperation (APEC) forum scheduled for November in Peru will present an opportunity for regional coordination on economic integration in the wake of failed WTO negotiations. Climate change also will remain on the bilateral agenda as both governments prepare for the 14<sup>th</sup> Conference of the Parties (COP 14) to the United Nations Framework Convention on Climate Change (UNFCCC) in Poland in December.

### **Chronology of U.S.-Japan Relations July-September 2008**

**July 2, 2008:** U.S. Ambassador to Japan Thomas Schieffer meets relatives of Japanese abductees in Tokyo.

**July 3, 2008:** Cabinet Office poll reveals that only 30 percent of the Japanese public is familiar with Prime Minister Fukuda’s “Low Carbon Society” initiative on climate change. Ninety percent of respondents offered general support for the measure.

**July 5, 2008:** The office of the U.S. Trade Representative releases the seventh report of the U.S.-Japan Regulatory Reform and Competition Policy Initiative, established in 2001 to promote

changes that improve the business climate and enhance opportunities for trade and commerce between the two countries.

**July 6, 2008:** President Bush and Prime Minister Fukuda meet in Hokkaido, Japan, and discuss the North Korean nuclear issue, U.S. support for Japanese abductees, Japan's contributions in Iraq and Afghanistan, climate change, and economic issues.

**July 7-9, 2008:** PM Fukuda hosts the G8 summit at Lake Toyako, Hokkaido, focusing on climate change, development and Africa, global economic issues, and nonproliferation.

**July 12, 2008:** The latest round of the Six Party Talks, the first since September 2007, concludes in Beijing with a general agreement on principles for verifying North Korea's declaration on denuclearization.

**July 15, 2008:** A poll by *Asahi Shimbun* shows the G8 summit did little to increase PM Fukuda's approval rating, which stood at 24 percent.

**July 15, 2008:** A government advisory panel submits to the prime minister a report with proposals for reform of the Defense Ministry.

**July 23, 2008:** The foreign ministers of the parties to the Six-Party Talks meet informally on the sidelines of the Association of Southeast Asian Nations (ASEAN) Regional Forum in Singapore to discuss ways to verify North Korea's efforts at denuclearization.

**Aug. 1, 2008:** PM Fukuda reshuffles Cabinet to boost his approval rating with a focus on economic revitalization.

**Aug. 4, 2008:** PM Fukuda's approval rating is 38 percent according to a *Nikkei Shimbun* poll, a 12-point increase from a previous survey in June.

**Aug. 5, 2008:** Liberal Democratic Party (LDP) Secretary General Aso Taro suggests the ruling party postpone efforts to balance the budget by 2011 in favor of stimulus measures.

**Aug. 6, 2008:** The Japanese government changes its assessment of the economy to "deteriorating" and concedes Japan may enter a recession.

**Aug. 12, 2008:** Ambassador Schieffer meets Defense Minister Hayashi Yoshimasa and urges extension of Japan's refueling mission in the Indian Ocean.

**Aug. 13, 2008:** North Korea agrees to reinvestigate the fate of Japanese abductees by this fall in a bilateral meeting with Japanese Foreign Ministry officials in China. Japan agrees to allow general travel and charter flights between North Korea and Japan once the investigation begins.

**Aug. 14, 2008:** The first telecommunications satellite built and designed solely by Japan goes safely into orbit.

**Aug. 21-27, 2008:** Japan encounters resistance to its sectoral approach to greenhouse gas emissions reductions during United Nations Framework Convention on Climate Change (UNFCCC) meetings in Accra, Ghana.

**Aug. 27, 2008:** A Japanese aid worker is killed by Taliban forces in Afghanistan.

**Aug. 27, 2008:** A law allowing the use of space for defense purposes goes into effect.

**Aug. 27, 2008:** In a report submitted to the ruling LDP, the Ministry of Defense requests a 2.2 percent increase in the defense budget for fiscal year 2009 to cover increasing fuel costs and upgrades to the F-15 fighter fleet.

**Aug. 29, 2008:** The Japanese government unveils a stimulus package worth \$107 billion.

**Sept. 1, 2008:** A *Nikkei Shimbun* poll reports PM Fukuda's approval rating falls to 29 percent, a 9 percent drop from early August.

**Sept. 1, 2008:** PM Fukuda announces his resignation unexpectedly, suggesting that another leader may be better able to handle the challenges of a divided legislature.

**Sept. 5, 2008:** Fukuda Cabinet approves *Defense White Paper 2008*, which cites concerns about the lack of transparency in China's military build-up and Russian military drills close to Japan.

**Sept. 9, 2008:** During a hearing in Yokohama district court, prosecutors demand a three-year prison term for a Maritime Self-Defense Force lieutenant commander accused of leaking classified data on the *Aegis* air defense system.

**Sept. 11, 2008:** The LDP presidential race kicks off with five candidates vying to succeed Fukuda as prime minister: Aso Taro, Yosano Kaoru, Ishiba Shigeru, Koike Yuriko, and Ishihara Nobuteru.

**Sept. 11, 2008:** Japan's Defense Ministry announces that Air Self-Defense Forces providing airlift support between Kuwait and Iraq would be withdrawn by the end of 2008.

**Sept. 12, 2008:** Government data shows the Japanese economy contracted at annualized rate of three percent in the second quarter.

**Sept. 16, 2008:** Bank of Japan moves to stabilize financial markets by injecting an additional \$24 billion into the financial system.

**Sept. 17, 2008:** Japan's Air Self-Defense Force conducts a successful test of the *Patriot (PAC-3)* missile defense system at the White Sands Missile Range in New Mexico, intercepting a target simulating a ballistic missile.

**Sept. 18, 2008:** Japan's banks and insurers announce a combined ¥245 billion (\$2.3 billion) in potential losses stemming from the collapse of Lehman Brothers Holdings, Inc.

**Sept. 19, 2008:** North Korea announces its intention to restore a nuclear reactor at Yongbyon in response to the U.S. failure to remove Pyongyang from the State Sponsors of Terrorism List.

**Sept. 19, 2008:** Japan's Agriculture Minister Ota Seiichi resigns in the wake of a scandal involving the sale of tainted rice by Mikasa Foods.

**Sept. 19, 2008:** Fukuda Cabinet approves a bill to extend Japan's refueling mission in the Indian Ocean until January 2010.

**Sept. 19, 2008:** In a *Jiji News* survey, 31 percent of respondents said they would vote for the Democratic Party of Japan (DPJ) in the next general election while 29 percent support the LDP.

**Sept. 21, 2008:** Ozawa Ichiro is re-elected president of the DPJ.

**Sept. 22, 2008:** Aso Taro wins the LDP presidential election race in a landslide.

**Sept. 22, 2008:** Mitsubishi UFJ Group agrees to take up to a 20 percent stake in Morgan Stanley. Nomura Holdings Inc. buys the Asia units of Lehman Brothers.

**Sept. 22, 2008:** Japan announces a plan for conducting a missile defense test with the U.S. in November, citing concerns about North Korea's plans to restart its main nuclear complex.

**Sept. 23, 2008:** Nomura Holdings Inc. announces the purchase of the European and Middle Eastern equities and investment banking operations of Lehman Brothers.

**Sept. 23, 2008:** Ota Akihiro is re-elected as leader of New Komeito (Clean Government Party), a coalition partner of the ruling LDP.

**Sept. 24, 2008:** Aso Taro becomes prime minister and forms a Cabinet.

**Sept. 24, 2008:** The International Atomic Energy Agency (IAEA) announces that North Korea has barred its inspectors from the Yongbyon nuclear facility and intends to restart nuclear processing in a week.

**Sept. 25, 2008:** Prime Minister Aso addresses the UN General Assembly in New York.

**Sept. 25, 2008:** The nuclear-powered aircraft carrier *USS George Washington* arrives at Yokosuka naval base amid protests from local residents.

**Sept. 25, 2008:** An *Asahi Shimbun* poll shows a 48 percent approval rating for the Aso Cabinet.

**Sept. 25, 2008:** Japan's Finance Ministry reports that Japan posted its first trade deficit in 26 years in August due to rising oil prices and decreased demand in the United States.

**Sept. 25, 2008:** A poll by *Kyodo News* shows a 48.6 percent approval rating for Aso's Cabinet. The poll also declares Aso a favorite in a head-to-head contest with DPJ president Ozawa Ichiro, garnering 53.9 percent to Ozawa's 29.4 percent. Respondents were split over which party they would support in the next general election with 34.9 percent favoring the LDP and 34.8 percent siding with the DPJ.

**Sept. 26, 2008:** Several news organizations publish polls with approval ratings for the Aso Cabinet as follows: *Asahi Shimbun*: 48 percent; *Nikkei Shimbun*: 53 percent; *Yomiuri Shimbun*: 49.5 percent; *Mainichi*: 45 percent. The LDP proved more popular than the DPJ in every poll by an average of 4.5 percent.

**Sept. 26, 2008:** Foreign Minister Nakasone Hirofumi meets U.S. Secretary of State Condoleezza Rice in New York to discuss North Korea policy, the financial crisis, the situation in Georgia, and counterterrorism issues.

**Sept. 26, 2008:** During a media availability in New York, Prime Minister Aso expresses support for reinterpreting Japan's constitution to exercise the right of collective self defense.

**Sept. 28, 2008:** Just four days after his appointment, Nakayama Nariaki resigns as Japan's Minister of Land, Transport, Infrastructure, and Tourism due to a series of gaffes.

**Sept. 29, 2008:** Prime Minister Aso outlines his agenda in an address to the Diet, touting an economic stimulus package and vowing to extend Japan's refueling mission in the Indian Ocean in support of coalition operations in Afghanistan.

**Sept. 29, 2008:** The Aso Cabinet approves a ¥1.81 trillion (\$17 billion) supplementary budget for fiscal year 2008 to stimulate the economy.

**Sept. 30, 2008:** The Japanese government announces that the unemployment rate increased to 4.2 percent, a two-year high. Separate data shows that household spending fell 4 percent in August compared to last year.

**Sept. 30, 2008:** Ruling coalition partner New Komeito (Clean Government Party) agrees to hold Diet deliberations on the supplementary budget proposal as early as October 6.

**Sept. 30, 2008:** A poll conducted by public broadcaster *NHK* shows that 72 percent of the public supports Prime Minister Aso's decision to postpone for three years any consideration of a consumption tax increase.

**Sept. 30, 2008:** The Japanese government announces a six-month extension of economic sanctions against North Korea in response to Pyongyang's failure to reopen an investigation of Japanese abductees and its decision to restart nuclear processing at the Yongbyon complex.

**Sept. 30, 2008:** U.S. Assistant Secretary of State for East Asian and Pacific Affairs Christopher Hill arrives in Seoul to confer with counterparts in the Six-Party Talks on North Korea's nuclear programs and prepare for an Oct. 1 visit to Pyongyang.



## U.S.-China Relations:

### Olympics Boost Chinese Pride and U.S.-China Relations

Bonnie Glaser  
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The Beijing Olympic Games were conducted without a hitch to the great relief of the Chinese leadership and the 1.3 billion Chinese people who had long anticipated the momentous event. Abroad, the reviews were mixed. Most agreed that the opening ceremony was spectacular and that China had successfully ensured the safety of the athletic competitions, but many argued that these goals had been achieved at a significant cost that highlighted the undemocratic nature of China's regime. President Bush's attendance further consolidated an already close and cooperative U.S.-Chinese relationship, even though Bush seized on several opportunities to criticize China's human rights practices. The U.S.-China Joint Commission on Commerce and Trade (JCCT) marked its 25<sup>th</sup> anniversary with agreements on food security, loans for medical equipment purchase, promotion of digital TV, and cooperation in agriculture and on trade statistics. The U.S. presidential campaign heated up, but China received little attention.

#### The Olympics: success at a cost

The 29<sup>th</sup> Olympic Games – the anticipation, final preparation, and execution – dominated the third quarter of 2008. Beijing had spent 7 years and \$44 billion since being awarded the Summer Games in 2001, transforming the capital and preparing its citizens for its moment in the sun. Taxi drivers were given uniforms and taught a few English phrases. Local residents were urged to not wear clothes with more than three contrasting colors or pajamas outdoors. The Olympic motto “One world, one dream” was ubiquitous along with the Olympic mascots, whose names when put together – Bei Jing Huan Ying Ni – mean “Welcome to Beijing.”

Other steps that were taken to prepare for the Olympics were less savory. Stringent security measures were implemented to prevent anything from marring China's most important ever photo op. Thousands of people, including petitioners from the rural areas who had gone to Beijing to present their grievances against the government, were swept off the streets so they could not stir up trouble. Human rights activists, dissident writers, and housing rights advocates were detained. Homes and landed property of citizens were taken over, buildings razed by bulldozers, and giant skyscrapers constructed. Chinese officials insisted that the drastic measures were necessary to beautify the city and ensure security for the Olympics.

Finally, at 8:00 PM on Aug. 8, the opening ceremony commenced and 2,008 drummers performing in unison and performances highlighting China's inventions of paper, fireworks, movable type, and the compass awed the world. Fifty-six children, each donning an ethnic

costume, paraded representing the 56 ethnic groups of modern China. Other segments demonstrated the prowess of 2,008 Chinese Tai Chi masters and celebrated the achievements by China in space exploration. Following the parade of nations and various speeches, the ceremony culminated in the lighting of the Olympic flame.

Seventeen days later, the Games closed and by many measures they were a great success. Despite fears of unbreathable polluted air, Beijing's skies were mostly blue. There was an unfortunate random murder of a U.S. citizen, but no terrorist incidents. The athletic competitions were the primary focus of attention while the Games were underway. China trailed the U.S. in the total medal count 100 to 110, but won 51 gold medals compared to 36 for the United States. Beijing put a gargantuan effort into the task of conducting a spectacular and safe Olympics and succeeded in achieving that goal.

No sooner had the flame been extinguished, people inside and outside of China began to debate the legacies of the Beijing Olympics. An editorial in *People's Daily* declared that, "Being Green Olympic Games, Science and Technology Olympic Games and Humanities Olympic Games, the Beijing Olympic Games will definitely produce a far-reaching impact on the modernization of China." Chinese officials pumped American experts with questions about the long-term impact of the Olympics: Would China be transformed by the experience and, if so, in what ways? Would foreign countries have greater understanding about China? Opinions varied widely. On one point, however, there was agreement: China will be more confident in the post-Olympics era. Yet it remains to be seen whether this confidence will lead to greater tolerance at home, increased generosity to China's brethren on Taiwan, and a willingness to undertake greater responsibility in the international arena.

### **Human rights comes to the fore**

As the quarter opened and the Olympic Games drew near, pressure mounted on President Bush and his administration from human rights groups who criticized the president's decision to attend the Games and for refusing to publicly condemn Beijing for its crackdown on dissent in the run-up to the Olympics. Amnesty International accused China of breaking its promise to allow new freedoms in exchange for being granted the privilege of hosting the 2008 Games. The House of Representatives passed a resolution 419-to-1 on July 30 that called on China to "end abuses of human rights of its citizens" in order to ensure that the Olympic games take place "in an atmosphere that honors the Olympic traditions of freedom and openness."

Human rights advocates derided Bush's repeated statements that he planned to go to the Olympics to cheer on U.S. athletes and show his respect for the Chinese people. For example, the *New York Times* quoted a member of the New York-based Human Rights Watch as saying that it is "absurd to try to sustain the claim that America's policies are principled while then effectively standing back and saying 'We will watch from the sidelines while the Chinese do what they do.'"

To burnish his credentials as a supporter of protecting human rights in China, a series of steps were taken both before President Bush arrived in China and during his visit. The week prior to his departure, the president met with five Chinese dissidents—Harry Wu, Wei Jinsheng, Rebiya

Kadeer, Sasha Gong, and Bob Fu – in the White House residence. Bush’s press secretary said that the president “assured them that he will carry the message of freedom as he travels to Beijing.” Then, a large portion of a policy speech on Asia, which Bush delivered in Bangkok on his way to Beijing, focused on the lack of basic freedoms for the Chinese people. “We speak out for a free press, freedom of assembly, and labor rights not to antagonize China’s leaders, but because trusting its people with greater freedom is the only way for China to develop its full potential,” Bush said. “We press for openness and justice, not to impose our beliefs but to allow the Chinese people to express theirs ... The United States believes the people of China deserve the fundamental liberty that is the natural right of all human beings.” China’s foreign ministry issued a moderate rebuke, noting that the U.S. and China have a divergence of views on human rights and religion, but discuss their differences on the basis of mutual respect and equality, with the aim of enlarging mutual consensus.

After arriving in Beijing, President Bush called on Chinese leaders to reduce repression and “let people say what they think” at the official opening of the \$434 million U.S. Embassy. “We strongly believe societies which allow the free expression of ideas tend to be the most prosperous and the most peaceful,” the president maintained. He balanced his remarks with praise for the efforts by China’s leadership to build respect and trust in the Sino-U.S. relationship, which he said has a “solid foundation” that would be strengthened in the years to come.

In his Aug. 9 radio address, broadcast in the United States, not China, Bush told the U.S. people that he was “expressing America’s deep concerns about freedom and human rights in China” and noted that his trip had reaffirmed his belief “that men and women who aspire to speak their conscience and worship their God are no threat to the future of China,” but instead are “the people who will make China a great nation in the 21<sup>st</sup> century.” Bush reiterated a message that he stated often during the course of his presidency: “... trusting their people with greater freedom is necessary for China to reach its full potential.”

On Sunday, after worshipping at a state-approved church in Beijing, President Bush told reporters that no country should fear the influence of freedom of worship. Later in the day, in remarks to the press alongside Hu Jintao, Bush stated that he had “a very uplifting experience by going to a church and thanked Hu for arranging the visit. “I feel very strongly about religion, and I am so appreciative of the chance to go to church here in your society.”

In his private talks, Bush also raised human rights and religious freedom. According to National Security Council Senior Director for East Asian Affairs Dennis Wilder, who gave a briefing on the president’s visit, Bush told Hu that the Chinese can expect that any future U.S. president will make these topics an important component of the U.S.-China dialogue. Bush also raised the Six-Party Talks process and underscored the need for North Korea to live up to its commitments by agreeing to a robust verification protocol. Taking advantage of Treasury Secretary Paulson’s presence, the two leaders also addressed the bilateral economic and trade relationship and the next round of the strategic economic dialogue, which will take place in December. Iran and the Russia-Georgia conflict were also on the agenda. President Hu raised Taiwan and, according to Wilder, both presidents agreed that relations across the Strait are “in a much more positive place” than they were a few years ago.

The final official U.S. statement on the Beijing Olympics was delivered after President Bush's return and also focused on disappointment in China's failure to use the occasion to showcase greater tolerance. "It was maybe an opportunity missed for the Chinese to demonstrate their willingness to be more open and to allow more freedom of speech, freedom of religion, while the world was watching," said the White House spokesman after the closing ceremonies. These remarks came on the heels of Beijing's decision to deport eight U.S. supporters of Tibet for protesting against the Chinese governments policies.

The Chinese would undoubtedly have preferred if President Bush had placed less emphasis on human rights before and during his visit. But they were willing to overlook this transgression. Bush's consistent commitment to not politicize the Olympic Games and to attend the opening ceremonies was a huge boon to Beijing. His unwavering stance that a decision to not go would have offended the Chinese people likely contributed to the decisions of more than 80 heads of state, government and royalty to also attend the opening ceremony in the Bird's Nest. Hosting the Olympics was China's decades-long dream and President George W. Bush had helped to make it a great success. Beijing was grateful.

The Beijing-owned Hong Kong newspaper *Wen Wei Po* asserted that "The U.S. President's first appearance at a foreign country's Olympic opening ceremony not only suggests that they are strategically each other's stakeholders, but also indicates that they help each other in time of need ... the Olympics is a lubricant for improving China-U.S. relations and boosting the level and content of China-U.S. relations." The article maintained that in the post-Olympic era, China's soft and hard power would be ascendant, while the U.S. would continue to face serious economic crisis and would need China's help on a wide range of international issues. Cooperation would serve both countries' interests, the article asserted, predicting that "China-U.S. relations after Bush's era will only be better."

### **The JCCT celebrates 25 years**

At a September meeting of the U.S.-China Joint Commission on Commerce and Trade (JCCT) the two countries marked the 25<sup>th</sup> anniversary of the JCCT process for resolving trade issues and developing bilateral trade opportunities. Achievements of the one-day meeting at the Richard Nixon Presidential Library near Los Angeles included deals on food security, loans for medical equipment purchase, promotion of digital TV, cooperation in agriculture and on trade statistics. In addition, the two sides set a target of the end of this year for signing two memoranda of understand to combat piracy of intellectual property and the sale counterfeit goods in China. The JCCT was co-chaired by Vice-Premier Wang Qishan on the Chinese side, and U.S. Secretary of Commerce Carlos Gutierrez and U.S. Trade Representative Susan Schwab on the U.S. side.

The Chinese announced that Beijing would lift its bird flu-related ban on poultry products from six U.S. states – New York, Pennsylvania, Connecticut, West Virginia, Rhode Island and Nebraska – but kept restrictions in place on imports from Arkansas and Virginia. China has barred poultry imports from some of those states for years, claiming that a "low-pathogenic" strain of avian influenza, or bird flu, was detected. U.S. officials maintain that such bird flu strains pose no threat to public health because they cannot be transmitted to humans and argue that imposing restrictions on them runs contrary to the standards of world agricultural authorities.

No progress was made toward lifting the ban on Chinese imports of U.S. beef, which was imposed after the first case of mad cow disease was found in the U.S. in December 2003. The two sides reached a face-saving agreement to convene technical talks to resolve the impasse. China also agreed to adhere to a more streamlined process by which U.S. makers of medical devices obtain approval for imports of their products to China and to strengthen efforts to prevent contamination of Chinese pharmaceutical exports. The U.S. denounced trade protectionism and promised to push for the lifting of trade barriers against some Chinese products such as seafood, fruit, and wood products.

### **WTO rules against China**

In mid-July, China lost its first case since joining the World Trade Organization seven years ago. A WTO dispute panel confirmed an interim judgment made in February, which upheld complaints by the U.S., European Union, and Canada that China violated fair trade rules by discriminating against imported car parts. The WTO's three-member panel found that Chinese measures "accord imported auto parts less favorable treatment than like domestic auto parts" or "subject imported auto parts to an internal charge in excess of that applied to like domestic auto parts." The panel called for China to bring its tariffs into compliance with international trade rules that require cars made in China to contain at least 40 percent Chinese-made parts or be taxed at the rate of imported finished cars.

Beijing disagreed with the verdict, claiming that the tariffs are necessary to stop cars from being imported in large pieces and assembled locally, enabling companies to avoid paying the high tariff rates for finished cars. In mid-September China appealed the case. If it loses the appeal, China will be given a "reasonable period of time" to make legislative changes. A separate panel would then have to determine whether Beijing had come into compliance or was still breaking the rules. Failure to comply could result in trade sanctions.

Three other WTO cases involving the U.S. and China are still outstanding. The U.S. has challenged China's enforcement of intellectual property rules and alleged discrimination against U.S. films, music, and books. A third case includes Canada and the EU in a complaint over Chinese restrictions on foreign financial news agencies. Last year Beijing filed a complaint against U.S. duties on treated paper and in mid-September called for consultations with the U.S. under the WTO dispute settlement mechanism over U.S. anti-dumping and countervailing measures imposed on Chinese-made steel pipes, tires, and laminated woven sacks.

### **The financial crisis**

What began as a subprime mortgage crisis escalated into the worst financial catastrophe since the Great Depression as the U.S. scrambled to deal with the ramifications of contracted liquidity in the global credit markets and the banking system. On Sept. 22, President Bush phoned Hu Jintao and discussed the economic and financial situation, among other issues. According to *Xinhua*, Bush told Hu that the U.S. government is aware of the seriousness of the problem and has already taken, and will continue to take, measures to stabilize the U.S. and international financial markets. During Premier Wen Jiabao's visit to New York to attend a meeting on the Millennium Development Goals and the 63<sup>rd</sup> UN General Assembly, he told *Newsweek* that the U.S. and

China “should join hands and meet the crisis together. If the financial and economic system[s] in the United States go wrong, then the impact will be felt not only in this country, but also in China, in Asia, and the world at large,” Wen added. The premier expressed concern about the security of Chinese capital, but underscored that China is lending “a helping hand” to the United States that would help stabilize the entire global economy.

A signed article in the Party newspaper *People’s Daily* observed that “many people hold the view that this financial storm of the subprime crisis will be beneficial for changing the existing unipolar system of excessive dependence on the United States.” The article added that changes in the prevailing system would be determined “not by how much those countries damaged by the U.S. subprime crisis complain, but by whether or not they have sufficient capability and desire to take on responsibilities that the United States is unwilling or unable to take on, and proceed to build a new system that is more diverse and stable, and that can provide more development opportunities.”

### **The U.S. presidential campaign and China**

The U.S. presidential campaign attracted intense interest in China this quarter. For the first time, Beijing dispatched a team of officials from the Chinese Communist Party Central Committee’s International Department, which is responsible for cultivating ties with political parties around the world, to observe the Democratic and Republican conventions. Thankfully, from Beijing’s perspective, China received little attention. In his speech to the convention, Democratic presidential candidate Barak Obama raised the issue of American job losses to China as he shared an anecdote about a man in Indiana who “has to pack up the equipment he has worked on for 20 years and watch it be shipped off to China.” Republican presidential candidate John McCain did not make reference to China in his speech. During the convention, however, McCain’s deputy foreign policy advisor Kori Schake told reporters that U.S.-China trade has created export opportunities for U.S. farmers and workers and said McCain favors continuing U.S.-China conversations on trade, currency, product safety, and other areas of mutual concern.

The two parties’ platform language on China overlapped in their calls for China to accord greater respect to human rights, including freedom of speech, press, religion, and specifically the rights of Tibetans. The Republican platform stressed the need to ensure that China fulfills its WTO obligations, especially those related to protecting intellectual property rights, elimination of subsidies, and repeal of important restrictions. In addition, it called for China to adopt a flexible monetary exchange rate and to allow free movement of capital. The Democrats’ platform encouraged China “to play a responsible role as a growing power – to help lead in addressing the common problems of the twenty-first century.”

The Democratic Party platform did not mention Taiwan explicitly, noting only the commitment to a one China policy and to supporting a peaceful resolution of cross-Strait issues. The Republican Party platform termed Taiwan a “sound democracy and economic model for mainland China” and maintained that policy toward Taiwan would continue to be based on the provisions of the Taiwan Relations Act (TRA). Reiterating a position adopted under the Bush administration, it opposed any unilateral steps by either side to alter the status quo in the Taiwan Strait, and insisted that all issues regarding Taiwan’s future ‘be resolved peacefully, through

dialogue, and be agreeable to the people of Taiwan.” Should China violate these principles, the platform maintained, the U.S., in accordance with the TRA, would help Taiwan defend itself. In addition, the Republicans endorsed the timely sale of defensive arms to Taiwan and full participation for the island in the World Health Organization and other multilateral institutions.

The most detailed positions on China policy in the campaign so far were presented in articles penned by the candidates and published in mid-September by the American Chamber of Commerce in the PRC in its *China Brief* magazine. Senator Obama’s article emphasized that changes in both U.S. and Chinese policies are needed to cope with new challenges. On the economic front, he called for China to develop practices that are more environmentally sustainable and less energy intensive, that boost domestic consumption as an engine of growth, that enhance the social safety net, and that encourage indigenous technology innovation. At the same time, he prescribed that the U.S. end its fiscal irresponsibility, invest in infrastructure, education, health care, science and technology, renewable technologies, and energy efficiency.

Obama acknowledged the benefits that can accrue to the U.S. and other countries from trade with China, but only if China agrees to “play by the rules and act as a positive force for balanced world growth.” He pledged that as president he would press vigorously for China to alter its currency practices, and would take measures to combat intellectual property piracy and address regulations that discriminate against foreign investment in major sectors – all efforts that have been undertaken by the Bush administration, but with only limited achievement. Obama also called for greater Sino-U.S. cooperation on global issues such as climate change and non-traditional security threats. And he urged China to make more progress in protecting the human rights of its people and moving toward democracy and rule of law so it could reach its full potential as a nation.

In his article, McCain stressed the importance of Asia’s resurgence to the U.S., advocated greater attention, investment, and cooperation in the region, and warned against protectionism and isolationism. A central challenge, McCain wrote, will be “getting America’s relationship with China right.” He advocated building on areas of overlapping interest to forge a more durable U.S.-China relationship. McCain cited climate change, trade, and proliferation as areas of common U.S.-Chinese interest while criticizing China’s rapid military modernization, lack of political freedom, close ties with pariah states such as Sudan and Burma, and some of China’s economic practices as undermining the international system.

Like Obama, McCain called for steps to be taken by both the U.S. and China to ensure a mutually beneficial economic relationship. The “to do” list for Beijing included enforcement of international trade rules, protecting intellectual property, lowering manufacturing tariffs, and fulfilling its commitment to move to a market-determined currency. The U.S., for its part, should “continually expand opportunities as China develops, moving into retail ventures, environmental protection, health, education, financial, and other services.” Similarly, while calling on China to behave as a responsible stakeholder in global politics and in its domestic policies, McCain noted that the U.S. must also take seriously its responsibilities as a stakeholder in the international system.

The two presidential candidates faced off in a debate on Sept. 26 that focused primarily on foreign policy. Although there were no questions posed directly on China, Obama and McCain referred to China several times. Describing the Bush administration as overly focused on Iraq, Obama accused the U.S. of squandering resources on the war while borrowing billions from China. In response to a question on Iran, Obama said that it would be difficult to impose harsher UN sanctions against Tehran without the cooperation of Russia and China, which he said “are not democracies” and have broad commercial contacts with Iran. Implying that the U.S. and China are competitors, Obama noted that China held a space launch and a space walk and emphasized the need to ensure that American children keep pace in math and in science. He also referred to China being active in Latin America, Asia, and Africa, regions where he claimed U.S. attention has faded. McCain called for greater control over spending and stated that the United States owes China \$500 billion.

### **Looking ahead**

Next quarter George W. Bush will meet Hu Jintao for the last time as sitting U.S. president. The two men will meet in Lima, Peru on November 22-23 on the margins of the 16<sup>th</sup> APEC Economic Leaders’ gathering. Also in November, Central Military Commission Vice Chairman Xu Caihou is scheduled to visit the United States. The U.S. presidential election on Nov. 4 will begin a process of transition in the U.S. that the Chinese will pay close attention to. Regardless of who is elected, both countries view their interests as served by a stable and cooperative bilateral relationship at a time when both face major domestic challenges and an increasingly complex international security environment.

### **Chronology of U.S.-China Relations July-September 2008\***

**July 1, 2008:** U.S. Representatives Chris Smith and Frank Wolf allege that the Chinese government prevented lawyers and human rights activists from meeting with them in China. Foreign Ministry spokesman Liu Jianchao replies that intervention in China’s internal affairs undermines bilateral relations.

**July 2, 2008:** China’s Ministry of Commerce expresses dissatisfaction with U.S. Department of Commerce’s ruling that production of laminated woven sacks received significant government subsidies.

**July 2, 2008:** Premier Wen Jiabao meets USAID Administrator and Director of U.S. Foreign Assistance Henrietta Fore and Johnson & Johnson CEO William Weldon in Beijing.

**July 9, 2008:** President Hu Jintao meets with President George W. Bush in Japan and discusses bilateral ties, the Six-Party Talks, and Taiwan.

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\* Chronology by CSIS interns Tiffany Ma and See-won Byun

**July 9, 2008:** The U.S. International Trade Commission unanimously votes in favor of antidumping duties on more than \$450 million of steel nail imports from China.

**July 10, 2008:** The State Department announces that Secretary of State Condoleezza Rice will be attending the closing ceremonies of the Beijing Olympics.

**July 11, 2008:** the U.S. Customs and Border Protection Agency charges more than 1,000 cargo containers of clothing made in China that were illegally exported under the names of other countries (valued over \$80 million) to Chinese import quotas.

**July 11, 2008:** Speaking at a luncheon hosted by American Chamber of Commerce and the Hong Kong General Chamber of Commerce, U.S. Consul General in Hong Kong and Macao James Cunningham says, “Hong Kong today is not only thriving but full of promise.”

**July 11, 2008:** A Virginia court sentences a former Pentagon analyst to almost five years in prison for passing U.S. military information to a Chinese spy.

**July 15, 2008:** Air China announces that it will purchase 45 Boeing aircraft for \$6.3 billion.

**July 15, 2008:** U.S. Pacific Command Commander Adm. Timothy Keating hosts Lt. Gen. Zhang Qinsheng, commander of China’s Guangzhou Military Region, at PACOM headquarters where Zhang observes the initial staging of the 9-nation biennial *RIMPAC* military exercises. They agree to conduct two bilateral humanitarian assistance and disaster response exercises.

**July 17, 2008:** U.S. Trade Representative Susan Schwab calls on China to “step up and play a leadership role” in the upcoming Doha Round of the World Trade Organization Talks.

**July 18, 2008:** The U.S. accuses China of dumping laminated woven sacks on the U.S. and places countervailing duty and antidumping duty orders on imports of the product from China.

**July 18, 2008:** A joint Chinese and U.S. investigation does not find the substance in a Chinese-produced blood thinner that was tied to several deaths in the U.S.

**July 18, 2008:** A WTO dispute panel confirms the judgment that China has violated fair trade rules by discriminating against imported auto parts, ruling in favor of the U.S. EU, and Canada.

**July 28, 2008:** The Chinese Ambassador to the WTO in Geneva Sun Zhenyu urges the U.S. to demonstrate flexibility to avoid failure of the Doha Round of talks.

**July 28, 2008:** Foreign Minister Yang Jiechi meets Secretary Rice in Washington DC.

**July 29, 2008:** Foreign Minister Yang meets President Bush at the White House and presides at the opening of the new Chinese Embassy in Washington DC.

**July 30, 2008:** The U.S. House of Representatives overwhelmingly passes a resolution calling on China to stop its human rights violations immediately and to fulfill its promise to grant media freedom during the Olympic Games.

**Aug. 1, 2008:** President Hu Jintao writes a letter to U.S. high schools thanking them for their support in the aftermath of the May earthquake in Sichuan.

**Aug. 4, 2008:** State Department spokesperson Gonzales Gallegos condemns attacks in China's Xinjiang region that killed 16 policemen.

**Aug. 5, 2008:** The U.S. Federal Reserve allows the Industrial and Commercial Bank of China to open its first U.S. branch in New York.

**Aug. 7, 2008:** President Bush delivers a speech on U.S. Asia policy at the Queen Sirikit National Convention Center in Bangkok.

**Aug. 8, 2008:** President and Laura Bush attend the opening ceremony of the Beijing Olympics.

**Aug. 8, 2008:** President George W. Bush and former President George H.W. Bush open the new U.S. Embassy in Beijing.

**Aug. 8, 2008:** A U.S. District court sentences a Taiwan-born U.S. national to 15 years in prison for passing U.S. military secrets to China through an unnamed Chinese agent.

**Aug. 8, 2008:** The U.S. National Counterintelligence Executive warns travelers to the Beijing Olympics and elsewhere to expect cyberspying and other breaches of cyber security.

**Aug. 9, 2008:** A U.S. tourist is stabbed to death in Beijing. Chinese Vice Foreign Minister He Yafei visits the victim's wife, who was injured, in the hospital.

**Aug. 10, 2008:** President Bush meets with President Hu Jintao and Vice President Xi Jinping and attends a church service in Beijing.

**Aug. 11, 2008:** Bill Gates meets with Chinese State Councilor Liu Yandong in Beijing and agrees to stronger cooperation between Microsoft and China's science and education sectors.

**Aug. 13, 2008:** Katharine Fredriksen, the acting assistant secretary for the Office of Policy and International Affairs at the Department of Energy, testifies before a Congressional hearing that energy cooperation with China will bolster bilateral relations.

**Aug. 15, 2008:** New U.S. Consul General in Hong Kong and Macao Joseph R. Donovan Jr. assumes his post.

**Aug. 18, 2008:** Chinese authorities in Kunming detain four members of a U.S. Christian group who were carrying 300 bibles.

**Aug. 19, 2008:** Treasury Secretary Henry Paulson says that he welcomes Chinese efforts at currency appreciation and calls for greater Chinese investment in the U.S.

**Aug. 19, 2008:** The White House says that Secretary Rice will not attend the closing ceremonies at the Beijing Olympics because of the Russia-Georgia conflict.

**Aug. 20, 2008:** A U.S. firm pleads guilty in Washington to transferring information on unmanned aerial weapons system to a Chinese national.

**Aug. 23, 2008:** Secretary of Labor Elaine Chao leads the U.S. delegation to the closing ceremony of the Olympic Games. She also meets Premier Wen Jiabao and delivers a speech at Jiaotong University in Shanghai.

**Aug. 24, 2008:** Following calls by U.S. Ambassador to China Clark Randt for their release, eight U.S. citizens who were sentenced to 10 days of administrative detention for their involvement in pro-Tibet protests, are deported.

**Aug. 25, 2008:** White House spokesman Tony Fratto expresses disappointment that China “did not take the full opportunity that was offered to them while the world was watching during the Olympics” to be more open and allow more freedom of speech and religion.

**Aug. 29, 2008:** For the first time the CCP Central Committee sends two observers to attend the U.S. Democratic Party Convention.

**Sept. 3, 2008:** A retired professor of electrical engineering at the University of Tennessee is convicted of violating U.S. arms export controls and passing sensitive data to a Chinese national.

**Sept. 3, 2008:** President Hu Jintao sends a message of sympathy to President Bush over losses caused by Hurricane Gustav.

**Sept. 3, 2008:** On a trade mission to China, Assistant Commerce Secretary David Bohigian says that China’s environmental protection and renewable energy markets offers major opportunities for U.S. businesses.

**Sept. 4, 2008:** Chinese regulators begin the first high-profile test of Beijing’s anti-monopoly law in Coca Cola’s \$2.4 billion takeover bid of China’s Huiyuan Juice Group, the largest foreign takeover of a Chinese company, if approved.

**Sept. 5, 2008:** Beijing announces that it will offer cash assistance totalling \$500,000 to the U.S., Cuba, and Jamaica for Hurricane Gustav relief efforts. The Red Cross Society of China also announces cash aid to the three affected countries.

**Sept. 8, 2008:** Vice President Xi Jinping meets the U.S. presidential delegation to the Beijing Paralympics led by Secretary of Veterans Affairs James Peake.

**Sept. 15, 2008:** The U.S.-China Joint Commission on Commerce and Trade (JCCT) convenes at the Richard Nixon presidential library in California.

**Sept. 15, 2008:** China files an appeal at the World Trade Organization, challenging the ruling in favor of the U.S., European Union and Canada in a dispute over car parts.

**Sept. 15, 2008:** Presidential candidates John McCain and Barack Obama in a publication of the American Chamber of Commerce in China call for closer U.S.-China cooperation on trade, the environment, and nuclear proliferation.

**Sept. 16, 2008:** The U.S. Food and Drug Administration issues a public warning on tainted baby formula from China after a nationwide scandal in China.

**Sept. 19, 2008:** Beijing files complaints under the WTO dispute settlement mechanism over U.S. anti-dumping and countervailing measures imposed on Chinese-made steel pipes, tires, and laminated woven sacks.

**Sept. 19, 2008:** The State Department releases the International Religious Freedom Report 2008, which charges that China's repression of religious freedom has intensified over the past year.

**Sept. 19, 2008:** The weeklong EU-U.S.-China Initiative on Consumer Product Safety Compliance begins in Beijing.

**Sept. 20, 2008:** The Department of Homeland Security releases a report indicating that there are 290,000 unauthorized Chinese immigrants residing in the U.S. as of January 2007, an estimated 49 percent increase since 2000.

**Sept. 20-22, 2008:** Chen Zhili, vice-chairwoman of the Standing Committee of China's National People's Congress, has meetings with Sen. Daniel Inouye and Rep. Joseph Crowley in Washington and attends the White House Conference on Global Literacy in New York.

**Sept. 21, 2008:** President Hu and President Bush discuss bilateral relations, North Korea, and the financial crisis in the U.S. by phone.

**Sept. 22, 2008:** Foreign Minister Yang and Secretary Rice meet on the sidelines of the 63<sup>rd</sup> session of the UN General Assembly.

**Sept. 22-24, 2008:** Premier Wen Jiabao delivers a speech at the National Committee for U.S.-China Relations and attends a UN meeting on the Millennium Development Goals and the 63<sup>rd</sup> UN General Assembly.

**Sept. 23, 2008:** Foreign Ministry spokesperson Jiang Yu rejects U.S. claims on China's religious policy by the State Department's International Religious Freedom Report 2008, saying it "meddled in China's internal affairs."

**Sept. 24, 2008:** Richard Raymond, head of the Department of Agriculture's Food Safety and Inspection Services, says that China's widening contaminated milk scandal may delay the approval of Chinese meat exports to the U.S.

**Sept. 25, 2008:** Foreign Ministry spokesman Liu Jianchao urges the U.S. "not to support Tibet independence and stop interfering in China's internal affairs" after U.S. leaders talk with the Dalai Lama and meet his representative in the U.S.

**Sept. 26, 2008:** The U.S. Food and Drug Administration announces that some instant coffee and tea drinks containing China-made nondairy creamer have been recalled for fear of contamination, the first U.S. recall in response to the poisoned milk scandal.

**Sept. 28, 2008:** Premier Wen Jiabao tells *CNN* that "if anything goes wrong in the U.S. financial sector, we are anxious about the safety and security of Chinese capital," adding that world leaders "should join hands and meet the crisis together."

**Sept. 28, 2008:** At the World Economic Forum in Tianjin, China Banking Regulatory Commission Chairman Liu Mingkang calls U.S. lending standards before the credit crisis "ridiculous" and says that the world can learn from China's more cautious system.





## U.S.-Korea Relations: Déjà vu All Over Again?

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The big news in the penultimate quarter of 2008 centered on leadership ills (literally) in North Korea and Pyongyang's rolling back of the six-party denuclearization agreement. On the U.S.-ROK front, President George W. Bush made his last trip to Asia of his presidency, stopping for a brief visit in South Korea on his way to the Beijing Olympics. While the free trade agreement (FTA) remains mired in U.S. domestic politics, important low-key agreements were reached to help bolster the people-to-people aspects of the alliance. As the quarter ended, the Bush administration was making preparations to make what some described as a last ditch effort to salvage the aid-for-denuclearization deal with North Korea by sending Six-Party Talks negotiator Christopher Hill to Pyongyang for a third time.

### U.S.-South Korea relations

President Bush's trip to Seoul was a short one. Republic of Korea (ROK) officials were apparently worried about demonstrations in the aftermath of the decision to reintroduce U.S. beef into Korea. Nevertheless, Bush was treated to the ceremony of a State Visit under beautiful blue skies. Bush met with U.S. troops and issued a joint statement with President Lee Myung-bak that was notable for its inclusion of a reference to the human rights abuses in North Korea reflecting the convictions of both presidents.

Bush could not deliver any good news about the prospects of ratifying the Korea-U.S. (KORUS) FTA in the Democrat-controlled U.S. Congress, which was unfortunate. Given the U.S. financial crisis, it is increasingly unlikely that the agreement might be passed in the lame duck session of Congress. But, Republican candidate John McCain's support of the FTA is duly noted by observers in Korea. Surrogates for the Obama campaign were trying to walk back the candidate's rhetorical opposition to the agreement during the quarter in quiet acknowledgement that a protectionist trade agenda does not serve larger U.S. interests and leadership in Asia. Both sides remain vigilant, and more important, the Lee government remained patient – but at the same time plowed ahead in its FTA negotiations with the European Union. The lack of a rational discussion amid a poisoned partisan atmosphere on the Hill in Washington about the merits of this high-quality FTA is, frankly, astounding.

While the South Korean market was opened this quarter for U.S. beef imports, its distribution is still rather limited throughout Korea. Large supermarket chains as well as major hotels remain averse to carrying it for fear of protests by NGO groups. As noted in my entry last quarter, this

type of NGO “terrorism” is an affront to democratic institutions in Korea; moreover, it hurts the Korean consumer in two ways. First, they are limited in their freedom of choice by fears of NGO protests. Second, they are being price-gouged – not just by higher-priced Australian and Korean beef, but also by some institutions that purchase the cheaper U.S. beef, but then serve it advertised at Australian beef (which is more expensive than American cuts) to avoid becoming a target of protests. Matters are only likely to get worse when the temporary period of importing only 30 months or younger American cuts expires. Protests are likely to be mobilized again in the streets to strong arm the government into banning anything older.

There was good news on two fronts in US-ROK relations. During Foreign Minister Yu Myung-hwan’s visit to the U.S. in September for the UN General Assembly, he met with Secretary of Homeland Security Michael Chertoff and the two finalized most of the legal details regarding Korea’s inclusion in the U.S. Visa Waiver Program. This means that as early as January 2009, Koreans may no longer have to endure the long lines at the U.S. Embassy to obtain a short-term entry visa for the United States. The VWP should be seen as another important dimension of the deepening of the U.S.-ROK alliance. The White House made this a priority going back to its first mention in the joint declaration of the Gyeongju summit in 2005.

The two governments also signed on the sidelines of UNGA a memorandum of understanding on establishment of the WEST program. “Work, English Study, and Travel” will allow approximately 5,000 Korean students to undertake study and work programs in the U.S. for periods up to 18 months. Similar types of programs have been done with Australia with great success and help to cultivate a younger generation of Korean-American relationships important to the future goodwill between the two countries.

### **North Korean intransigence**

The quarter saw North Korea systematically and purposefully unravel elements of the six-party denuclearization agreement, in particular, undoing some of the nuclear disablement steps it took at Yongbyon, including the removal of International Atomic Energy Agency (IAEA) seals and cameras at the reprocessing laboratory. The ostensible reason for this, according to DPRK mouthpieces and some Western media, was that the U.S. was once again “moving the goal posts” in demanding Pyongyang’s agreement on a verification protocol as a pre-condition for its removal from the U.S. State Sponsors of Terrorism List. Thus, when this did not happen on Aug. 11, the North one week later suspended the disablement process, and on Sept. 18 announced that it no longer wanted to be taken off the list. It also told the IAEA of its intention to begin reprocessing the partially spent fuel rods removed from the reactor, which could produce an additional 6-8 kg of plutonium for bomb-making.

It is always tempting to blame the inevitable negotiation stalemate in Six-Party Talks on so-called “hardliners” in the Bush administration trying to submerge Assistant Secretary Christopher Hill’s negotiation process. Indeed, this has become the reflexive analysis of most respected news outlets, including the *New York Times* and *CNN*. Critics are fond of blaming any DPRK deviant behavior on the U.S. action (or lack thereof) rather than on Pyongyang. This is wrong-headed. The fact is that a six-party agreement on a verification protocol following the North’s nuclear declaration was clearly laid out by the highest levels of the U.S. government as a

requirement of the declaration phase. To argue otherwise is utter nonsense. The principle of verifiability was first enunciated in 2002 as part of the CVID (complete, verifiable, and irreversible dismantlement) concept during the first Bush administration. The concept was included in clauses of the Six-Party Talks Joint Statement in September 2005 pertaining to the DPRK formal commitments to denuclearization. This was reaffirmed in the February 2007 Initial Actions Agreement, which succeeded in shutting down the Yongbyon nuclear reactor and reintroducing international inspectors for the first time in five years. While the majority of the February 2007 document outlined the shutdown of facilities at Yongbyon in exchange for energy assistance, there was one clause on the so-called “second phase” pertaining to a nuclear declaration and disablement. The clear understanding achieved among all the six parties was that verification was a necessary part of the declaration phase.

For critics who say still that the U.S. was not clear enough on the verification requirement, Secretary of State Condoleezza Rice published an op-ed in the *Wall Street Journal* on June 26 (the day of the president’s announcement of his intention to Congress to delist North Korea from the terrorism list) in which she enumerated the agreed upon and expected sequence of events:

When North Korea makes its declaration, President Bush will lift the application of the Trading with the Enemies Act with respect to North Korea, and notify Congress that, in 45 days, he will remove North Korea from the list of State Sponsors of Terrorism. No other sanctions will be lifted without further North Korean actions. North Korea now meets the statutory criteria for removal from the list of State Sponsors of Terrorism. However, nearly all restrictions that might be lifted by ceasing application of the Trading with the Enemies Act will remain in place under different U.S. laws and regulations. We and the other four parties will expect North Korea to cooperate with us in verifying the accuracy and completeness of its declaration. And if that cooperation is lacking, we will respond accordingly. Considering North Korea's track record, verification is essential...

The same day, President Bush’s official statement of his intention to delist North Korea was equally clear in its conditioning delisting on verification:

I am notifying Congress of my intent to rescind North Korea's designation as a state sponsor of terror in 45 days. The next 45 days will be an important period for North Korea to show its seriousness of its cooperation. We will work through the Six-Party Talks to develop a comprehensive and rigorous verification protocol. And during this period, the United States will carefully observe North Korea's actions – and act accordingly.

On July 12 the heads of delegation met in Beijing and issued a joint press statement reiterating the need for agreement on a verification protocol. The fact that this document was issued as a press statement rather than an agreement is significant – the Chinese, as hosts of the talks, usually seek to issue some sort of document at the end of any formal plenary or head of delegations meeting. If all parties can agree, this usually takes the form of an agreement or joint statement, but if there is disagreement, China takes the prerogative as chair to issue a press statement. This probably reflected North Korean intransigence. Thirteen days later, Secretary Rice met with North Korean Foreign Minister Pak Ui-chun on the sidelines of the ASEAN

Regional Forum meetings in Singapore – the first such meeting at the Cabinet level in years – and continued to insist on a verification protocol. Special Envoy Sung Kim was authorized to continue negotiation on the protocol past the 45-day mark of the president’s intention to delist; moreover, the U.S. continued its food shipments to the DPRK, despite the North’s announced suspension of disablement on Aug. 18. The next day, Pyongyang announced it no longer wants to be taken off the State Sponsors of Terrorism List.

Critics might respond to this record by stating that the verification protocol sought by the other parties of North Korea was too intrusive. The protocol, however, consists of four standard elements in any such procedure: site visits, sampling of materials, interviews of scientists, and documentation. More important, even if Pyongyang thought this standard was too intrusive, it might halt disablement, but certainly not roll it back and threaten to restart reprocessing. The distinction between protest and provocation gets lost in Pyongyang.

At the end of the quarter, reports surfaced that Six-Party Talks negotiator Christopher Hill planned to make his third trip to Pyongyang in perhaps the Bush administration’s final attempt to break the logjam. Hill’s attempts at flexibility, whether successful or not, reflect a fundamental dilemma the U.S. continually faces in implementing six-party agreements with the North. This is the dilemma of “relative reasonableness.” What this means is that every agreement in the six-party process is negotiated with painstaking care in which parties hammer out specific quid pro quos, the synchronization of steps, timelines, with concomitant rewards and penalties. All parties affirm their support for the agreement and declare that under no circumstances should any one party fail its obligations, otherwise face the wrath of the other five parties. Yet sooner or later, Pyongyang plays brinksmanship and demands more than it was promised or does less than the agreement calls for. While everyone accepts that the DPRK is being completely unreasonable, they also realize that a failure of the agreement could mean the failure of the Six-Party Talks and the precipitation of another crisis. To avoid this, the parties could either try to change the opinion of the eminently unreasonable party (i.e., North Korea), or ask the “less unreasonable” party (i.e., the U.S.) to be slightly more flexible. They invariably end up pressing the U.S., knowing full well that the DPRK is at fault and traversing the bounds of fairness and good faith, but at the same time, certain that the only chance of progress can be had from U.S. reasonableness rather than DPRK unreasonableness. The result is that any additional flexibility is widely perceived in the region as evidence of U.S. leadership (except perhaps in Tokyo), but is viewed in Washington as some combination of desperation and weakness.

### **Business as usual?**

There is a growing tendency in the media to write off the most recent spate of North Korea defiant behavior as part of a recurrent longer-term pattern of “crisis and negotiation” which in the end is less worrisome than it looks. At an international conference in Seoul this past quarter, expert after expert displayed a nonchalant attitude toward Pyongyang’s unraveling of the disablement process, assessing that this is routine behavior. The title of a *Korea Herald* editorial at the end of September 2008 titled “Nothing New Really” typified the view: “Nothing new, really... To the long-time observers of the situation, the current impasse in the denuclearization process may not be surprising. Indeed, it may even seem that this is simply part of the routine when dealing with the communist state.”

Whether Christopher Hill engineers a breakthrough to the verification impasse or not, the spate of DPRK deviant behavior this past quarter may be less a function of U.S. insistence on verification and more a function of leadership issues in Pyongyang. While it is difficult to confirm any of the health rumors surrounding Kim, it is fairly clear that the 66-year old dictator's physical wellbeing has reached a tipping point. Having undergone at least one heart procedure in 2007 and likely another in 2008 based on foreign press reports, the Dear Leader's time in office appears limited. If not incapacitated already, another stroke could be debilitating, if not fatal. Major heart or brain surgery, moreover, would carry high mortality risk. Unlike the last leadership transition in July 1994, there is no clear line of succession to any of his three sons, and a struggle for power among factions is a possibility. In this regard, continued acts of North Korean intransigence or aggression could derive from weakness at home rather than as a response to the actions of unnamed hardliners in Washington.

### **Chronology of U.S.-Korea Relations\*** **July-September 2008**

**July 1, 2008:** South Korea's Cabinet approves a bill on the KORUS Free Trade Agreement in an effort to win parliamentary approval for the delayed deal after resuming U.S. beef imports.

**July 3, 2008:** The U.S. State Department spokesman Sean McCormack responds to questions regarding whether North Korea fully disclosed information on its uranium program and nuclear proliferation by stating that Pyongyang's declaration was "completed" and that North Korea "made statements that can be verified."

**July 3, 2008:** State Department spokesman McCormack reports that the U.S. has reserved \$19.5 million to fund North Korea's nuclear disarmament through the State Department's Nonproliferation and Disarmament Fund.

**July 5, 2008:** *Chosun Ilbo* reports that the U.S. Department of Agriculture Quality System Assessment program, which guarantees that beef exported to South Korea comes from cattle aged under 30 months and is the last step prior to beginning beef exports to South Korea, is now under way in the U.S.

**July 10, 2008:** Head of Delegations Meeting of Six-Party Talks convenes in Beijing, focusing on the establishment of verification protocol for North Korean denuclearization.

**July 10, 2008:** North Korea accuses the U.S. of escalating tension after the U.S. announces a U.S.-South Korean joint military exercise, which North Korea views as a criminal act. The exercise, *Ulchi-Freedom Guardian*, will be led by the ROK Army with assistance from the U.S. to prepare for transfer of full control of ROK forces to South Korea in 2012.

**July 12, 2008:** Head of Delegations Meeting of Six-Party Talks concludes in Beijing with North Korea apparently agreeing to disable its main reactor by the end of October and to allow

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\* Compiled by Peggy Hu

international inspectors to verify its nuclear disarmament in exchange for economic aid. Technical details of the verification process are still to be determined by a working group.

**July 15, 2008:** U.S. Forces, Japan Commander Lt. Gen. Edward Rice urges North Korea to disclose more information about its military capabilities and purposes, describing the country as posing “a potential threat” to Northeast Asia.

**July 16, 2008:** *Yonhap News* reports that a comprehensive report on environmental damages at U.S. bases in Korea covering the past 10 years shows significant environmental damage, with land contamination from oil being the most serious problem.

**July 21, 2008:** Senior defense officials from the U.S. and South Korea meet in Washington, D.C. to discuss how to share joint defense costs to maintain the 28,000 U.S. troops on the Korean Peninsula, but are unable to reach an agreement.

**July 23, 2008:** Secretary of State Condoleezza Rice meets with North Korean Foreign Minister Pak Ui Chun in Singapore on the sidelines of the ASEAN Regional Forum conference, marking the first time in four years that the U.S. and North Korea hold a Cabinet-level meeting.

**July 25, 2008:** The *Donga Ilbo* reports that a group from the Institute for Strategic Reconciliation has been sent to teach English to North Korean middle school students, marking the first time North Korea has invited U.S. citizens to teach in the North Korean school system.

**July 28, 2008:** A shipment of 2.2 tons of U.S. beef arrives at Incheon International Airport in South Korea, marking the first import of U.S. beef in four years.

**Aug. 1, 2008:** Kathleen Stephens is confirmed by the Senate to serve as U.S. Ambassador to South Korea. The confirmation by voice vote came after Sen. Sam Brownback, R-Kan., removed a hold on Stephens over objections regarding the Bush Administration’s policy on North Korea.

**Aug. 3, 2008:** The South Korean government’s Truth and Reconciliation Commission completes an initial investigation concluding that the U.S. military indiscriminately killed large groups of refugees and civilians early in the Korean War. The Commission is urging the South Korean government to seek U.S. compensation for victims’ families.

**Aug. 6, 2008:** Presidents George W. Bush and Lee Myung-Bak meet in Seoul and issue a joint statement pressing North Korea to improve its citizens’ human rights, a rare mention of the North Korean human rights issue in a U.S.-South Korean joint statement.

**Aug. 7, 2008:** Kurt Tong, a National Security Council director, replaces Sung Kim as the head of the Korea Desk at the U.S. State Department.

**Aug. 11, 2008:** After the 45-day notification period to Congress (from June 26), the U.S. does not remove North Korea from the State Department’s State Sponsors of Terrorism List because North Korea has failed to agree to verification protocol for denuclearization.

**Aug. 13, 2008:** Secretary of Commerce Carlos Gutierrez notes during a news briefing that the ratification of the KORUS FTA was “just a matter of when, rather than if,” noting his hope for Congress’ action during the lame duck session.

**Aug. 14, 2008:** State Department’s Special Envoy for North Korea Sung Kim arrives in Beijing for the second time in two weeks to consult with Chinese officials in an effort to resolve the stalemate in finalizing details for the North Korean denuclearization verification system.

**Aug. 29, 2008:** Negotiations in Seoul between the U.S. and South Korea on increasing South Korea’s financial share in maintaining U.S. troops on the peninsula conclude without agreement.

**Aug. 31, 2008:** U.S. Forces Korea announces that when South Korea takes wartime control of all troops in the country in 2012, operations will continue under three military commands. The U.S. will lead one command, while South Korea will lead two commands.

**Sept. 1, 2008:** South Korea’s First Vice Foreign Minister Kwon Jong-rak leaves for Washington to meet the U.S. presidential candidates, Deputy Secretary of State John Negroponte, and Assistant Secretary of State Christopher Hill to discuss regional issues and the Six-Party Talks.

**Sept. 2, 2008:** The IAEA reports that it was informed on Aug. 18 that North Korea had suspended disablement of the Yongbyon nuclear facility.

**Sept. 3, 2008:** Reacting to activity at the Yongbyon nuclear facility, State Department spokesman McCormack denies that North Korea is rebuilding the facility, stating that North Korea is only “moving some equipment around that they had previously put into storage” and that no effort has been made to “reconstruct, reintegrate this equipment.”

**Sept. 3, 2008:** U.S. Ambassador Alexander Vershbow, who will leave his post in South Korea at the end of September, states that while the U.S.-ROK alliance has important security functions, its role should be expanded to include global issues such as climate change, food security, and multilateral trade.

**Sept. 6, 2008:** Assistant Secretary Hill completes two days of meetings in Beijing with his Chinese, Russian, Japanese, and South Korean counterparts, stating that the U.S. would take North Korea off the State Sponsors of Terrorism List “immediately” if it would agree to a verification regime for denuclearization.

**Sept. 7, 2008:** The Ministry for Food, Agriculture, Forestry and Fisheries announces that it will send seven inspectors from the National Veterinary Research and Quarantine Service to 22 U.S. meat processing and packing facilities to review conformance with established export rules.

**Sept. 9, 2008:** North Korean leader Kim Jong-il’s failure to appear at a military parade celebrating the 60<sup>th</sup> anniversary of the founding of the Democratic People’s Republic of Korea prompts speculation regarding his health and rumors that he has suffered a stroke.

**Sept. 10, 2008:** In North Korea's first reaction to reports that Kim Jong-il is in poor health, Ambassador Song Il-ho denies the claim and states that, "We see such reports as not only worthless, but rather as a conspiracy plot."

**Sept. 10, 2008:** President of the Presidium of the Supreme People's Assembly Kim Yong Nam states that the halt in disablement and the moves to reassemble the Yongbyon nuclear facility are aimed at pressing the U.S. to take North Korea off its State Sponsors of Terrorism List.

**Sept. 16, 2008:** *Chosun Ilbo* reports that North Korea has completed tests on an engine mechanism for an intercontinental missile capable of hitting major cities on the U.S. west coast at a previously unidentified missile launch site on the west coast of North Korea.

**Sept. 18, 2008:** Defense Secretary Robert Gates states that the U.S. is monitoring North Korea closely for potential instability in the wake of Kim Jong-il's stroke last month.

**Sept. 18, 2008:** The DPRK Foreign Ministry releases a statement that North Korea no longer wishes to be removed from the U.S. State Sponsors of Terrorism List and confirms that it has begun reassembling the Yongbyon facility that can produce weapons-grade plutonium.

**Sept. 22, 2008:** The IAEA states that North Korea has asked the agency to remove its seals from the Pyongyang nuclear reactor.

**Sept. 24, 2008:** The IAEA announces that its inspectors have been barred from the reprocessing plant in Yongbyon and that North Korea announced that it intends to resume production of nuclear weapons-grade fuel within a week.

**Sept. 25, 2008:** U.S. Ambassador to South Korea Kathleen Stephens arrives in Seoul, stressing that the U.S. and South Korea should work together to resolve issues such as the FTA, a visa waiver program, and the denuclearization of North Korea.

**Sept. 25, 2008:** Foreign Minister Yu Myung-hwan announces in Washington a final agreement on a deal with Department of Homeland Security Secretary Michael Chertoff to allow South Korea to join the U.S. Visa Waiver Program.

**Sept. 26, 2008:** In an interview with *Reuters*, Secretary Rice states that the U.S. is not considering halting fuel aid to North Korea despite growing tension over North Korea's moves to rebuild its nuclear program.

**Sept. 30, 2008:** Assistant Secretary Hill departs for Seoul with the intent to travel to Pyongyang for meetings aimed at breaking the impasses on the verification protocol.



## U.S.-Russia Relations: Have Relations Hit Rock Bottom?

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Throughout the spring and early summer it seemed that U.S.-Russia relations could sink no further. Ill will beset the relationship. Heated discussions were carried out almost weekly on issues such as missile defense, Iran's nuclear program, Iraq, energy nationalism, and perhaps most significantly, NATO expansion. At one point, Vladimir Putin compared the U.S. to a "frightening monster," while Senator (and Republican presidential nominee) John McCain called for Russia's eviction from the G8. In August, the worsening situation came to a head when Russian troops invaded and occupied South Ossetia (a Georgian Province), and launched attacks on other Georgian cities. The U.S. reaction was swift: condemnation, followed by the transport home of Georgian combat troops deployed in Iraq, the ferrying of supplies to Georgian ports by U.S. warships, the extension of \$1 billion in aid, and the deployment of a small contingent of U.S. troops for "humanitarian" missions in Georgia. But some feel the response was not enough. The reaction did nothing to cow Moscow. By the end of August, Russia had asserted *de facto* control of both South Ossetia and Abkhazia and had recognized both as independent nations. Meanwhile the U.S. turned inward to deal with its financial crisis, leaving relations with Moscow on the backburner – at least temporarily.

### **Georgia on their minds**

The conflict in South Ossetia, which broke out on the night of Aug. 7-8, was over fairly quickly. Russian forces moved through South Ossetia with ease, and then moved into Georgia proper, shelling cities, including the port of Poti, and the airfield at the capital, Tbilisi. The U.S. quickly condemned the attack, and President George Bush spoke briefly with Prime Minister Putin at the Beijing Olympics, calling for a ceasefire. Secretary of State Condoleezza Rice threw the full weight of the U.S. behind the Sarkozy peace plan, then Vice President Richard Cheney visited Georgia and brought with him a \$1 billion aid packet for the beleaguered Georgian government. By the end of August, however, the U.S. had to view the situation realistically: the two breakaway republics of South Ossetia and Abkhazia were now Russian vassals for all practical purposes (as they had been for years now). As the financial crisis set in a month later, the attention of the U.S. government was elsewhere. And no matter how much Georgian President Mikhail Saakashvili appeared on U.S. news stations to state his case, the U.S. people had other issues to think about.

Three events have transpired this year that have been identified by various experts (Russian and Western) as the tipping point of the conflict in Georgia, if not the *casus belli* themselves. In February, the U.S. recognized the independence of Kosova from Serbia. Russia, in support of its long-time Serbian partner, argued strenuously against such a move. Nevertheless, 47 states eventually recognized Kosova, mainly European Union and NATO member nations, followed by U.S. allies in the Asia-Pacific, as well as a smattering of African and Latin American nations. As has been the case often over the past 15 or so years, Moscow felt that its opinion had been disrespected. Politicians in Moscow lamented that their nation had been run roughshod over – yet again – by the U.S. and its European partners. In the wake of Kosova's declaration, it was hinted in Moscow that perhaps it was time for various breakaway republics like Abkhazia, South Ossetia, and others (Transnistria) to be recognized.

The second issue was NATO membership. At the beginning of April, the NATO summit in Bucharest left in question the issue of membership for Georgia and Ukraine. Although Moscow protested enough for Germany and France to say, “not just yet” for Georgian and Ukrainian membership, President Bush and Secretary of Defense Robert Gates publicly expressed confidence that membership for the two nations was a matter of “when” and not “if.” Although the follow-up meeting between Bush and Putin in Sochi was cordial, Putin stated that any further expansion of NATO toward Russia’s borders would constitute a “direct threat” to Russia’s security. Putin also hinted that if Georgia and Ukraine were accorded NATO membership, Moscow would recognize Abkhazia and South Ossetia. He went on to imply that Ukraine’s control over the Crimea was simply due to Russia’s largesse, and that Moscow could encourage the secession of the Crimea and eastern regions of Ukraine. Furthermore, he stated that Ukraine could “cease to exist as a state” if it were to become a member of NATO. It was clear in early April (if not before) that Moscow felt it had reached the limit in terms of bowing to Western policies in Eastern Europe and Eurasia.

The third contentious issue (also discussed at Sochi) was the ballistic missile defense system, components of which are to be located in the Czech Republic and Poland. Bush made it clear, that although Russia is not the intended target, the U.S. and NATO plan on going ahead and having the platforms installed by 2012. Again, Putin (who was still at the time president) warned that Russia’s “fundamental attitude to the American plans has not changed.” In other words, Russia is still very much opposed to a system in Eastern Europe. In early July, one month before the hostilities erupted in Georgia, Secretary Rice initialed an agreement with her Czech counterpart for the establishment of a radar tracking station in the Czech Republic. While attending the G8 summit in Japan, a perturbed President Dmitry Medvedev responded: “We are extremely upset by this situation... We will not be hysterical about this but we will think of retaliatory steps.”

What leaders in Moscow failed to grasp, however, is that inflammatory language such as this drove the Czech government to finally sign an agreement that they had been waffling on for several years. Almost as if on cue, and without specifying why (other than “technical reasons”), Russia’s oil pipeline firm Transneft announced that oil deliveries to the Czech Republic were being cut from the contracted volume of 500,000 tons to 300,000 tons for the month of July. Germany stepped in with additional supplies to meet Czech oil needs in the interim. Although the Czech government has not officially ratified the agreement, there seems little doubt – given

recent Russian actions – it will fly through the legislature. One week after the Russian invasion of Georgia, the Polish government followed in the footsteps of their Czech neighbors and signed an agreement allowing for the establishment of 10 missile interceptors for the missile defense system. Like the Czech government, the Polish government had been engaged in a heated debate about the necessity of such a system on their soil. Suddenly in August, the decision was made. Coincidence? Perhaps, but this is unlikely.

As for the war in the Caucasus, both Moscow and Tbilisi have strenuously argued that the other side launched the hostilities and is to blame for the conflict. In fact, Putin has also blamed the U.S. for encouraging Georgia to send troops into South Ossetia. At this point, it makes little difference who is to blame, as Russia has established *de facto* control over the breakaway republics. Undoubtedly both sides have culpability in the matter, but the issue – like Kosova – has been concluded, at least for the near future. As unhappy as Washington is with the situation, it is probably something that the current and future administrations will just have to live with.

Both the Kremlin and the White House have continued their criticism of one another since the conflict broke out. Secretary Rice has publicly branded the Russian government a “bully” that is increasingly “aggressive” and “authoritarian.” The *Los Angeles Times* reported that there is a clear split in the Bush administration about Russia policy. Vice President Cheney is said to be leading a faction calling for a strong, confrontational response to Russia’s actions. Secretary Gates and Chairman of the Joint Chiefs of Staff Adm. Mullen are calling for a step-up in strategic dialogue with Moscow. In Russia, Putin and Foreign Secretary Sergei Lavrov have been openly critical of the U.S. role in Georgia. Meanwhile, President Medvedev – perhaps not wishing to appear weak in the eyes of the Russian public – has also engaged in blunt and critical language with regard to the United States. It will be interesting to see how much power Putin will retain as prime minister. The war has clearly re-energized his standing among the Russian public, after his star appeared to be fading during the summer months. Medvedev now appears to be doing what he can to appear relevant again. If criticism of Washington allows for this, then one can expect it to continue.

The nature of the recent confrontational dialogue bodes poorly for the relationship. In past years, no matter how difficult relations were, the leadership of both nations recognized where there was strategic convergence, and cooperation in these areas has ensued. Now with the presidential election in the U.S., and with the political diarchy in Russia, there is danger that strategic dialogue and cooperation will be put on the backburner, precisely when it needs to be most engaging and active. The Iranian nuclear issue is slowly coming to a head, and in Northeast Asia, the recent indications are that the health of Kim Jong-il is deteriorating, raising the stakes of the Six-Party Talks on Korean nuclear issues.

### **Strategic dialogues**

The greatest casualty of any U.S.-Russian fallout would be the number of nuclear cooperative agreements that the two governments have signed over the last two decades. The series of arms control and nonproliferation agreements are probably the greatest post-Cold War success stories in the bilateral relationship. Already in July, before the Georgian conflict, there were indications that Congress would not pass the nuclear cooperation agreement signed by the two governments

in May. The Russian Duma ratified this agreement – known as the 123 Agreement – in early July. It allows for greater U.S.-Russian cooperation in developing proliferation-resistant reactors and nuclear fuel banks. In September, after the war in Georgia, the White House decided to withdraw the agreement from congressional consideration. There are fears within the House Armed Services Committee that if this legislation is not eventually passed, the START agreement that is due to come up for renewal next year will also be terminated. START calls for the restriction on the number of strategic nuclear weapons on both sides (and contains transparency and verification protocols).

The other major nuclear cooperation program is, of course, the so-called Nunn-Lugar Program, or the Cooperative Threat Reduction (CTR) Program. The authors of this highly successful program, Sen. Lugar and former-Sen. Nunn, have recently publicly expressed the concern that given current political relations, CTR may soon be nothing more than a memory. As one expert noted: “As goes the nuclear deal, as goes U.S.-Russia relations [*sic*].” And given the number of nuclear proliferation issues now on the table (Iran, North Korea, the potential for further unrest in Pakistan) these agreements have grown ever more critical.

The Iran issue continues to linger, and further inaction by both sides can only exacerbate the situation and further embolden Teheran. There has been at least some semblance of progress on this issue at the end of the quarter. On Sept. 26 the United Nations Security Council drafted a resolution calling on Iran to comply with previous resolutions, instructing it to suspend uranium enrichment. The text, however, included no threat of sanctions, something that would not have been passed with Russian (or Chinese) consent. The foreign ministers of the permanent five members of the Security Council (plus that of Germany) announced that they were in agreement for the need to pressure Iran to cooperate with the International Atomic Energy Agency. The resolution will soon be brought to a vote.

Another, less publicized type of bilateral dialogue concerns economics and finance. The financial crisis in the U.S., as well as the war in Georgia, has adversely affected Russia. Although the crisis could deflect attention from Russia in the U.S. and keep Moscow from becoming an election punching bag, Russia has undoubtedly seen losses. By the end of September the major index of Russian stocks was half of what it was in May, credit has recently dried up, the price of oil is falling, and the Central Bank has been forced to shore up the price of the falling ruble. Remember that the Russian government has a stake in about \$100 billion in U.S. debt. The U.S. government actively lobbied for Russian investment in the U.S. when Treasury Secretary Henry Paulson visited Moscow in June. Moscow is finding that it is increasing linked to the U.S. economy whether it likes it or not.

### **Eurasia, Northeast Asia, and U.S.-Russia relations**

In late August, President Medvedev attended the Shanghai Cooperation Organization (SCO) summit in Dushanbe, Tajikistan, where he hoped to rally the support for Russia’s splendid little war in the Caucasus. Although Medvedev’s targets were the SCO’s Central Asian members, if a public show of support from China could be had, all the better. Not only was he unable to secure Chinese support (which was not expected), but Russia’s Central Asian allies also refused to recognize Abkhazia and South Ossetia.

Meanwhile in mid-August, stung by criticism in the West about the Georgian war, Prime Minister Putin traveled to the Russian Far East ostensibly to demonstrate to the European Union that Russia has other outlets for energy exports. Putin demanded that work be speeded up on the East Siberian-Pacific Ocean (ESPO) oil pipeline to have the first section (Taishet-Skoverodino) completed by the end of 2009. Putin made this announcement just before the start of an emergency session of the EU to consider actions to take against Moscow in the wake of the crisis in Georgia. The British *Daily Telegraph* suggested that Putin made this statement to “intensify the Kremlin’s pressure on Europe over energy supplies.”

Moscow is unlikely to find support for its Georgian adventure in Northeast Asia. Recent events have shown how far the Chinese government is prepared to go in backing Moscow. The Japanese government, in line with Washington and Europe, condemned the incursion into Georgia and demanded that Moscow fully implement the six-point peace plan brokered by French President Nicolas Sarkozy. In late September, Moscow did host South Korean President Lee Myung-bak for a three-day state visit. In Moscow, President Lee had alongside him representatives from a number of Korean energy firms that signed big contracts with Russian energy firms, most notably a 30-year, \$90 billion deal with Gazprom for the delivery of Siberian gas to South Korea. Given that the deal calls for a trans-Korean pipeline, the agreement is anything but set in stone. There was also a revival of the dormant talks on a trans-Korean railroad, meant to ferry Asian goods to Europe via the trans-Siberian railroad. Again, because this project entails North Korean cooperation, it is still a highly tenuous concept. Moscow looks to South Korea as a potential strategic partner since it could prove to be a useful partner as a bulwark against China and Japan. For now this is highly unlikely, but it is at least a possibility for Russia, given the Kremlin’s concern about China’s rise and the frozen state of Japanese-Russian relations. For the United States’ allies and partners in East Asia, Russia appears to be largely an afterthought, apart from energy cooperation.

### **Looking ahead**

Russia will be closely following the U.S. presidential election. The sentiment largely lies with Obama, given McCain’s remarks about expelling Russia from the G8, and his dismissal of Vladimir Putin as a mere KGB agent. As bad as the image of Washington is in Russia, the majority of the Russian people desire good relations with the United States. Meanwhile U.S. Assistant Secretary of State for European Affairs Daniel Fried has said that Russia will face a “very strong reaction” from Washington and others if it does not meet an October 10 deadline to withdraw troops from “security zones” around Georgia’s breakaway regions of South Ossetia and Abkhazia. It remains to be seen what will come of this. Meanwhile, the Iranian nuclear issue needs to be addressed by the end of the year, otherwise, Iran could become a *de facto* nuclear power like North Korea. Given the lame-duck status of the Bush administration, this seems unlikely.

## **Chronology of U.S.-Russia Relations**

### **July-September 2008**

**July 2, 2008:** The Russian Duma approves the so-called 123 Agreement, wherein the U.S. provides aid to help Russia dismantle its nuclear, chemical and other weapons.

**July 7, 2008:** Russian President Dmitry Medvedev meets President George W. Bush on the sidelines of the G8 summit in Toyako, Japan.

**July 8, 2008:** The U.S. and the Czech Republic agree on the installation of a radar station in the Czech Republic, linked to a wider missile defense system in Eastern Europe. The next day President Medvedev states that he is “extremely disappointed” with the U.S. decision.

**July 15, 2008:** The U.S. government criticizes Moscow for having violated Georgian airspace while sending fighter jets over South Ossetia on July 10.

**July 22, 2008:** Venezuelan President Hugo Chavez visits Moscow to meet President Medvedev and Prime Minister Putin. Chavez calls for a “strategic alliance” with Russia aimed at the U.S.

**July 23, 2008:** Foreign Minister Sergei Lavrov meets Secretary of State Condoleezza Rice at the ASEAN Regional Forum in Singapore.

**Aug. 7-8, 2008:** In response to Georgian attacks on Ossetian separatists, Russian troops invade and occupy South Ossetia and from there launch attacks into Georgia proper.

**Aug. 13-14, 2008:** President Bush sends a small contingent of U.S. troops to Georgia to oversee a “vigorous and ongoing” humanitarian mission.

**Aug. 14, 2008:** The U.S. and Poland agree to a deal in which Poland would accept 10 missile defense interceptors, part of a wider regionally-based missile defense system.

**Aug. 14-15, 2008:** Secretary of State Rice travels to France to launch talks aimed at bringing about a cease-fire in Georgia. She then travels to Tbilisi to demonstrate U.S. support for Georgian President Saakashvili.

**Aug. 20, 2008:** In an editorial in the *Wall Street Journal* Foreign Minister Lavrov writes, “the U.S. will have to choose between its virtual Georgia project and its much broader partnership with Russia.”

**Aug. 24, 2008:** A U.S. Navy destroyer, the *USS McFaul*, arrives at the Georgian Black Sea port of Batumi to dispense humanitarian aid to that country. Two more U.S. ships will follow.

**Aug. 25, 2008:** President Medvedev warns that Russia would be prepared to sever all ties with NATO in response to that alliances’ suspension of cooperation with Russia.

**Aug. 26, 2008:** Russia recognizes the breakaway Georgian regions of South Ossetia and Abkhazia as independent states.

**Aug. 28, 2008:** Prime Minister Putin gives a lengthy interview on the U.S. network CNN, in which he blames people in the U.S. for creating and fanning the Russia-Georgia conflict.

**Aug. 28, 2008:** The Shanghai Cooperation Organization summit opens in Dushanbe, Tajikistan.

**Sept. 3, 2008:** The White House announces that it will extend a \$1 billion economic aid package to Georgia.

**Sept. 4, 2008:** Vice President Dick Cheney arrives in Tbilisi to demonstrate U.S. support for Georgia and President Saakashvili.

**Sept. 5, 2008:** The flagship of the U.S. Navy's Mediterranean fleet, the *USS Mount Whitney*, arrives at the Georgia port of Poti to deliver more humanitarian aid to the city that was bombed and shelled by Russian forces in August.

**Sept. 18, 2008:** Secretary Rice says the U.S. and her allies must stand up to “bullying” by Moscow, and that Russia is becoming “increasingly authoritarian at home and aggressive abroad.”

**Sept. 22, 2008:** Chairman of the Joint Chiefs of Staff Adm. Mike Mullen calls for continued engagement with Russia, in spite of differences in Georgia and elsewhere.

**Sept. 24, 2008:** Secretary Rice and Foreign Minister Lavrov meet in New York to discuss strategic issues. The two focus on Georgia and Iran.

**Sept. 25, 2008:** Daniel Fried, U.S. assistant secretary of state for European Affairs, warns that Moscow will see a “very strong reaction” from Washington and its allies if Russia does not meet an October 10 deadline to withdraw troops from security zones around Georgia’s breakaway regions of South Ossetia and Abkhazia.

**Sept. 26, 2008:** At the UN, the foreign ministers of the five permanent members of the Security Council, plus that of Germany, agree on a draft resolution on Iran’s nuclear program calling for Iranian compliance with earlier agreements.

**Sept. 28-30, 2008:** South Korean President Lee Myung-bak visits Moscow to discuss economic and energy cooperation with Russia in the Far East.





## U.S.-Southeast Asia Relations:

### U.S. Responds to Southeast Asia Political Turmoil

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The cancellation of a draft peace agreement between the Moro Islamic Liberation Front and the Philippine government triggered renewed violence in the Philippine south and allegations that U.S. forces are involved in Philippine armed forces suppression activities. Both Manila and Washington deny the charges, though U.S. Special Operations Forces have been training the Philippine military in Mindanao since 2002. The U.S. has added new sanctions against Burma's junta and continues to criticize its political repression, while aid for the victims of Cyclone *Nargis* remains under the Burmese military's control. Ratification for ASEAN's new Charter by its member states has been achieved by eight of the 10 countries. The delays include concerns in the Indonesian and Philippine legislatures about Burma's detention of Aung San Suu Kyi as well as the junta's insistence that any ASEAN Human Rights Commission be toothless. The U.S. State Department has expressed concern over the Malaysian government's arrest of opposition leader Anwar Ibrahim on suspicious sodomy charges. Malaysian leaders responded angrily that the U.S. complaint constitutes interference in Kuala Lumpur's domestic politics and that Washington is not "the policeman of the world."

#### **Mindanao peace agreement collapses while U.S. military role challenged**

A significant deterioration in relations between the Philippine government and the Moro Islamic Liberation Front (MILF) in Mindanao occurred in early August when the draft Memorandum of Agreement on Ancestral Domain (MOA-AD) was placed on hold by the Philippine Supreme Court, which ruled that it may be unconstitutional. By ceding the MILF territory, the Supreme Court was concerned that a "sub-state" would be created in Mindanao in violation of Philippine sovereignty. (For an excellent synopsis, see *PacNet #45* by Carl Baker, "Looking Forward in Mindanao"). The result has been that an agreement carefully negotiated over three-and-one-half years, which both parties concurred requires a change in the Philippine Constitution, has collapsed.

Since the Supreme Court decision, violence has dramatically escalated in Mindanao as breakaway elements of the MILF (the so-called "lost commands") have attacked Philippine forces and civilians, displacing tens of thousands from their home villages. The Philippine President's Office exacerbated the conflict by insisting that no future negotiations would occur until MILF forces had been disarmed, demobilized and rehabilitated, in effect renewing the state of war between the Philippine government and the MILF that had been suspended in a 2001 truce agreement.

Political speculation has swirled around these developments, led by those opposed to President Arroyo as well as nationalist commentators suspicious of the U.S. military presence in the region. The former believe that Arroyo would use an amendment to the constitution for the creation of an extended Moro homeland also to extend her term of office by changing the structure of government from a presidential to a parliamentary system in which she could continue as prime minister. The latter argue that the deterioration of security in Mindanao provides an excuse for the U.S. to expand its limited Special Forces training presence in the south to a permanent and expanded deployment with permanent bases. Some have argued that Washington wants a separate state in Mindanao to balance Manila's improved relations with Beijing. They point to the negotiations for a Moro homeland and U.S. Ambassador Kristie Kenney's participation. The U.S. regularly insists that U.S. forces rotate through the Philippines exclusively for joint exercises with their Philippine counterparts in the *Balikitan* series and for training Philippine soldiers in counterinsurgency operations in the south. Washington is particularly interested in disrupting the radical Islamist group, Abu Sayyaf, which allegedly receives assistance from Jemimah Islamiyah in exchange for training facilities in MILF-controlled territory. Washington also insists U.S. forces are prohibited from combat in the Philippines, though there have been reports that some U.S. soldiers have helped evacuate wounded while accompanying Philippine patrols in an advisory capacity. They have also been seen removing unexploded ordnance after battles. Philippine media report that the U.S. additionally provides intelligence to Philippine forces through electronic eavesdropping and Unaccompanied Aerial Vehicle surveillance.

On Aug. 19, as Moro rebel attacks racked parts of Mindanao, U.S. Ambassador Kenney reaffirmed Washington's commitment to provide millions of dollars in economic assistance to the south. Kenney said she remained hopeful that the Philippine government and the MILF would return to the negotiating table. Between 1996 and 2006, the U.S. Agency for International Development injected \$292 million into the troubled region. An additional \$25 million in aid this year is tied to the now moribund peace process

There is no doubt that peace negotiations have been derailed. In retrospect, President Arroyo's failure to consult Christian communities before the agreement was finalized probably insured Christian opposition and the subsequent challenge in the Supreme Court. Opponents of the MILF are threatening to create their own militias outside the control of the Philippine military. Malaysia is particularly upset with Philippine developments. Kuala Lumpur had provided its own good offices to both sides over the past five years and had demonstrated its confidence in the outcome by encouraging Malaysian businesses to invest in Mindanao. The MOA-AD was about to be signed in Kuala Lumpur when it was cancelled by the Philippines.

U.S. officials have also been in contact with MILF and Moro National Liberation Front (MNLF) leaders over the years in hopes of cultivating moderate, pro-U.S. elites. It is noteworthy that neither of these Moro political organizations have asked the U.S. to leave the region. Both have also denied any ties to Jemimah Islamiyah or Abu Sayyaf and have indicated a willingness to cooperate with U.S. forces to keep development aid flowing.

## **Burmese junta still controlling cyclone aid while U.S. adds further sanctions**

Although the UN and ASEAN are serving as conduits for aid to Burma's Cyclone Nargis victims, less than half of the \$201 million target had been provided by July because many donors are suspicious about rumored restrictions on assistance delivery by the military junta. Burma's leaders insist that all international aid groups clear their travel and aid distribution with several different government agencies. Military commands in the Irrawaddy Delta region require aid organizations to specify the exact village they intend to visit, the supplies they are providing, and they must be accompanied by a government official. Moreover, domestic relief donors have been obstructed from helping fellow citizens – some aid providers being arrested in the course of their ministrations. The junta appears to want complete control of both aid distribution and supplies. Bureaucratically imposed delays have led to international aid shipments being transferred to government warehouses, from which they later appear on local markets at inflated prices. As international attention to the crisis wanes, the junta is treating aid more as a national security problem than a humanitarian activity. Responding to these developments in late June, the U.S. House of Representatives passed a bill urging U.S. agencies to avoid moving humanitarian relief through the Burmese authorities. Nevertheless, in early July, Burma granted visas for 1,670 foreign aid workers and experts, of which 498 were from ASEAN states.

On July 21, a joint report by ASEAN, the UN, and the Burmese government stated that cyclone recovery in the delta region would cost \$1.3 billion over three years. Although there appeared to be neither starvation nor epidemics, "many people remain in desperate need of help ... especially food and housing," according to Singapore Foreign Minister George Yeo. The Burmese regime said it would rebuild the affected areas with its own resources. In any case, the \$1.3 billion that the UN and ASEAN agreed necessary for recovery was considerably less than the \$11 billion requested by the junta in the immediate aftermath of the cyclone.

Meanwhile, Washington continues to pile on sanctions against Burma's military leaders, though there is no evidence of their efficacy in changing the junta's behavior. On July 23, the U.S. Congress passed the Block Burmese Jade Act which prohibits U.S. companies from importing gemstones from Burma and expands financial sanctions against the junta's leaders. Congressman Howard Berman, chairman of the House of Representatives Foreign Affairs Committee, averred: "This bill hits the Burmese leaders where it hurts – in the wallet. It is our hope that these sanctions will push other countries to examine their own dealings with Burma." The legislation also blocks Burmese gems from entering the U.S. market via third-party countries and declares Burmese regime leaders and their families ineligible for visas to the United States. Essentially symbolic, the sanctions have stopped short of impacting major U.S. oil companies, including Chevron, which has a major share of the Yadona natural gas project in Burmese waters.

Attending ASEAN's late July post-ministerial conference in Singapore, Secretary of State Condoleezza Rice called Burma "badly out of step" with the world community, particularly since ASEAN's new Charter, which Burma has signed, "aspires to rule of law, human rights, [and] development of more pluralistic political systems ...." Rice went on to praise ASEAN as an "international clearing house" for aid to Burma's cyclone victims, but urged the Association to push Burma toward democracy and support the release of Aung San Suu Kyi from house arrest

so that the opposition can participate in Burma's political future. The ASEAN foreign ministers repeated the Association's earlier call for Suu Kyi's release along with other political detainees and asked the junta to engage them in implementing the regime's much criticized "roadmap to democracy." As in the past, these appeals have been ignored by Burma's ruling generals. However, in late September, Burma did announce the release over 9,000 prisoners including the country's longest-serving political prisoner, Win Tin.

In his last official visit as president to Asia in early August, President and Mrs. Bush both focused on the plight of Burma's people. The president had a private lunch with leaders of Burma's exile community living in Thailand, while Laura Bush visited a refugee camp near the border in Mae Sot, which houses over 40,000 Karen refugees. Some of the Burmese exile leaders urged the U.S. to change its policy and engage the junta rather than isolate it, but Bush responded that the regime was not open to engagement. Thai media on Bush's visit expressed some dismay that he chose Thailand as the location from which to sharply criticize Burma and China, given the fact that the Thai government maintains cordial relations with the junta and the PRC and has significant economic ties to both. One commentator in the *Bangkok Post* expressed hope that the next U.S. president will "see Asia as much more than just North Korea in the northeast and Burma in the southeast."

### **ASEAN remains involved in Burma relief, struggles with Charter's future**

At ASEAN's annual July foreign ministers gathering, UN Secretary General Ban Ki-moon sent a message praising the Association for its "constructive" role in drawing up a recovery plan for Burma where 138,000 people had died or were missing since early May's Cyclone *Nargis*. The ASEAN officials also expressed their "deep disappointment" over the extension of Aung San Suu Kyi's house arrest for another year and called for her release as well as for the freedom of all other political prisoners. This was the first time that ASEAN specifically named Suu Kyi in one of its communiqués. Brushing aside ASEAN's appeal, Burma's Foreign Minister Nyan Win at a July 21 closed-door session on ASEAN human rights stated that Burma would oppose any effort to give a Southeast Asian human rights body the power to monitor or investigate human rights practices in the region. He insisted that any rights body should not have the power to impose sanctions or seek prosecution of violators. Burma has stated that the planned human rights commission should serve only as a "consultative mechanism" and not to "shame and blame" any ASEAN nation.

Indeed, the Charter, on which the Association's future as a legal entity hinges, must be ratified by all 10 members. Two of the five founders – Indonesia and the Philippines – had not yet ratified by September 2008. Without the Charter's imprimatur, new security, economic, and social-cultural communities cannot be created. Philippine legislators object to Burma's continued house arrest of opposition leader Suu Kyi, Indonesian lawmakers are skeptical of a proposed human rights body that has no provisions for sanctions against state violators.

ASEAN has also appeared unable to mediate the latest dispute among its members – the future of the area along the border between Cambodia and Thailand surrounding the Preah Vihear Temple, which, at Cambodia's request, was listed as a World Heritage Site on July 7. The issue became embroiled in domestic Thai politics and used by the opposition People's Alliance for Democracy

(PAD) movement to try to oust Prime Minister Samak Sundaravej from office. Armed forces of the two countries have faced off across the disputed border, though no hostilities were reported until early October when there reports of soldiers being wounded after shots were fired. Bangkok rejected ASEAN's offer to mediate, raising questions once again about the Association's ability to deal with disputes among its own members. This does not bode well for the future of an ASEAN political-security community. In a grouping that includes authoritarian states, democracies, semi-democracies, a military dictatorship, and an absolute monarchy, political cohesiveness will be difficult to achieve.

In late August, the outgoing U.S. Ambassador to Cambodia Joseph Mussomeli said that if bilateral negotiations on the Thai-Cambodia border dispute do not succeed, then ASEAN should try once again to mediate before the disputants appeal to the United Nations Security Council. Earlier, Singapore Foreign Minister George Yeo insisted that the U.S.-ASEAN relationship would remain "a key pillar" in the evolving political and security architecture of Southeast Asia regardless of which party wins the next U.S. presidential election.

### **U.S. protests new allegations against Malaysian opposition leader**

Malaysian opposition leader Anwar Ibrahim, who is challenging the ruling Barisan National Party on behalf of his Pakatan Rakyat, has been charged with sodomy by a former aide in what appears to be a desperate attempt by the ruling party to discredit Anwar. The allegation is viewed by the Malaysian population as the repetition of a trumped up charge that had been leveled against Anwar a decade earlier, leading to his incarceration and subsequent vindication by the courts after Anwar's former nemesis, Mahathir Mohammad, left office.

On June 30, the U.S. weighed in on the controversy when State Department spokesman Tom Casey stated that Washington opposes any form of "politically motivated" investigation of the sodomy charge. Casey stated: "The main point for us is that the rule of law needs to apply. And we would certainly oppose any use of law enforcement procedures for anything other than legitimate purposes of the law ... and would not be for anything that was a politically motivated investigation or prosecution." The U.S. statement was a veiled reference to Anwar's earlier prosecution on a similar charge that led to his arrest and beating by a high-level police official (who was subsequently forced to resign).

Malaysia's Home Minister Syed Hamid replied in a high dudgeon on July 2, insisting that Washington had no right to interfere in Malaysia's domestic affairs. Syed went on to say that Anwar is too close to Washington: "Anwar is a snitch for America. Every time anything happens, he reports back to America." Prime Minister Abdullah Badawi also sent a protest note to Washington that assured the U.S. that all court cases are handled fairly and professionally. Nevertheless, the chairman of the Malaysian opposition Democratic Action Party said that other countries had the right to make observations about Malaysia since Kuala Lumpur frequently commented on "their legal, political systems, and things that are going on."

By July 6, Anwar had hit back, challenging the government to prove that he was an American "snitch" or publicly apologize. Anwar also condemned the hypocrisy of the current Malaysian

government for not criticizing former Prime Minister Mahathir who was “giving out millions” to U.S. lobbyists when in office to obtain a meeting with U.S. President George W. Bush.

Subsequently, when Anwar was briefly arrested in mid-July, the State Department once again raised “serious questions and concerns” and urged Malaysian authorities “to resolve this matter in a manner that builds confidence in the impartial law in Malaysia.” Both major U.S. political parties joined official expressions of U.S. concern. On July 24, Secretary Rice in Singapore for the ASEAN Regional Forum meeting averred: “We are always going to speak up on human rights cases, political cases, but we do so in a spirit of respect for Malaysia.” She also rejected Malaysia’s claim that the Anwar case is an internal affair – a response to the protest letter sent to her by Malaysian Foreign Minister Datuk Seri Dr. Rais Yatim. On Aug. 7, as more questions were raised about the veracity of the charge against Anwar, the Malaysian charge d’affaires in Washington was summoned to the State Department and told that in light of “serious questions raised within Malaysia,” Malaysian authorities “should resolve the matter in a manner that builds confidence in the impartial rule of law and the proper functioning of democratic institutions in Malaysia.” In mid-September, Foreign Minister Rais said that repeated U.S. complaints about Malaysian detention practices showed that Washington wanted to be “policeman of the world” and should look at its own backyard where the U.S. continues to hold two Malaysians at Guantanamo, who have yet to be charged.

In late August, Malaysia’s governing party distributed a pamphlet accusing Anwar of being “surrounded by Jews” that featured pictures of him with Paul Wolfowitz and James Wolfensohn, former presidents of the World Bank. An Anwar adviser responded that the only weapon the ruling party can use is xenophobia. Should Anwar become prime minister, his promises threaten the privileged position that has been held by ethnic Malays over the past 40 years.

### **U.S. praises Cambodia despite election irregularities**

Despite opposition party claims that the July 27 national parliamentary elections were marred through widespread voter tampering that allegedly resulted in the removal of tens of thousands of opposition supporters from the rolls, the U.S. Embassy in Phnom Penh on Aug. 1 issued a statement praising the elections as the freest ever held in the country. The only complaint in the assessment was that the media were biased toward Prime Minister Hun Sen’s Cambodia Peoples Party (CPP). In an implicit refutation of opposition claims of extensive irregularities, the Embassy stated they “were relatively low in number, and they do not appear to have affected the outcome or to have distorted the will of the Cambodian people.” Other international monitors were not so sanguine about the election in which the CPP won just under 60 percent of the vote compared to nearly 21 percent for its nearest rival Sam Rainsy Party. 130 European monitors in a July 29 interim report stated that irregularities called into question the CPP’s margin of victory. The UN High Commissioner for Human Rights echoed these concerns along with the use of “threats, intimidation, and inducements” by CPP activists in the course of the campaign but nevertheless acknowledged lower violence compared to earlier elections. The outcome gives the ruling party a greater than two-thirds majority in the Assembly.

On other matters, Secretary Rice on July 23 called on Thailand and Cambodia to settle their border dispute around the Preah Vihear Temple peacefully after both sides deployed troops

adjacent to the temple grounds. Cambodia agreed to postpone discussions with the Thai government until its domestic political turmoil abated.

Cambodia's long-delayed tribunal for the few surviving Khmer Rouge top leaders from the 1970s genocidal regime has faced a shortfall in funds to continue its proceedings. International backers have been hesitant about contributing more money because of kickbacks by the Cambodian court appointees to the CPP. Nevertheless, during Deputy Secretary of State John Negroponte's mid-September visit to Phnom Penh, Washington announced it had agreed for the first time to fund the tribunal with a grant of \$1.8 million. Up to now, the U.S. had provided \$7 million for the work of the Documentation Center of Cambodia, an independent organization that collects evidence of Khmer Rouge crimes. The Center has provided much of the documentation prosecutors will use when the tribunal tries the five remaining defendants.

### **U.S. Pacific Fleet training with Southeast Asian partners**

With U.S. elections approaching, the commanding general of U.S. Army, Pacific (USARPAC), Benjamin Mixon, visiting Jakarta in late July, said that the U.S. was committed to fostering multilateral, mutually beneficial cooperation with "regional friends." At the Pacific Armies Management Seminar held in Indonesia, Mixon insisted that U.S. "relationships and partnerships have been and will continue to be a centerpiece of our engagement strategy in the theater." Last April, in a meeting between the U.S. Pacific Command (USPACOM) Commander Adm. Timothy Keating and Indonesian President Susilo Bambang Yudhoyono, Keating singled out China's growing military capability as a serious concern for the region and a major reason for the maintenance of forward deployed U.S. forces.

In the past quarter, the U.S. Pacific Fleet trained with Singapore, Malaysia, Brunei, and Indonesia. In a five day exercise with the Indonesian navy in July – Naval Engagement Activity – the two navies were involved in coast guard training (with the U.S. Coast Guard), an exercise in the recovery of a sunken ship, and marine training. With Brunei in early August, a Cooperation Afloat and Readiness Training (CARAT) exercise focused on cooperation between land and sea-based forces. Singapore and Malaysian naval forces in mid-August exercised with the U.S. Navy in counterterrorism that included the simulated boarding of a ship suspected of engaging in terrorist activities.

### **The way ahead: A bumpy road**

Political transitions are on the horizon in Southeast Asian states and fraught with significant portents of change. In Thailand, a billionaire populist whose party overwhelmingly won the last election through rural voters but whose corruption, nepotism, and authoritarian ways led to his flight into exile is opposed by a coalition of urban bureaucrats, professionals, and intellectuals who wish to restore an appointed rather than elected Parliament. In the Philippines, the unpopular Arroyo presidency faces two insurgencies – one communist and one Muslim – an economy in disarray, and allegations that she is trying to extend her term in office by changing the constitution from a presidential to a parliamentary system. And, perhaps most significant of all, the long-standing Malaysian political contract that privileges ethnic Malays over the minority Chinese and South Asian communities may be unraveling as a former UMNO minister and

current opposition leader, Anwar Ibrahim, plans to create a multi-ethnic and multi-confessional coalition that will abolish the country's racial political hierarchy. Should he succeed, one possibility is renewed racial violence as ethnic Malays fight to maintain their privileged status. For the U.S. which has staunchly backed democratic institutions and procedures, these are some of the unexpected consequences to which it may have to adjust.

## **Chronology of U.S.-Southeast Asian Relations**

### **July - September 2008**

**July 4, 2008:** Malaysia formally protests to the U.S. for interfering in its internal affairs when Malaysian opposition leader Anwar Ibrahim was accused of sodomy. The State Department earlier stated it would oppose any politically motivated prosecution.

**July 8, 2008:** U.S. Ambassador to Indonesia Cameron Hume says that travel to Indonesia is safe for foreign tourists as the U.S. lifts its travel warning despite the arrest of terrorist suspects in South Sumatra.

**July 15, 2008:** U.S. Ambassador to ASEAN Scot Marciel announces that Washington will exchange military attachés with Laos by year's end.

**July 17, 2008:** The State Department expresses "serious concerns" over the arrest of Malaysian opposition leader Anwar Ibrahim on sodomy charges.

**July 21, 2008:** A joint report by ASEAN, the UN, and Burma agrees that the country needs \$1.2 billion in international aid over three years to continue relief and recovery efforts in the cyclone-devastated Irrawaddy Delta.

**July 22, 2008:** Singapore rejects the U.S. State Department assessment that it does not meet "minimum standards" of the U.S. Trafficking Victims Protection Act of 2000. The main U.S. concern seems to be treatment of some of the 180,000 foreign domestic workers.

**July 22, 2008:** Burma becomes the seventh member country to ratify the ASEAN Charter.

**July 23, 2008:** Opening the ASEAN-U.S. dialogue, Singapore Foreign Minister George Yeo states no major strategic issue in Asia can be resolved without the active participation of the U.S.

**July 23, 2008:** Secretary of State Rice urges ASEAN countries to put more pressure on Burma to improve human rights, adopt democratic reforms, and free political prisoners.

**July 23, 2008:** The U.S. Senate following the House of Representatives unanimously approves a bill banning the import of Burmese gemstones, thus expanding financial sanctions against the ruling military junta.

**July 23, 2008:** At the ASEAN Regional Forum in Singapore, Secretary Rice urges Cambodia and Thailand to peacefully resolve their border dispute over the Preah Vihear Temple grounds.

**July 24, 2008:** Secretary Rice urges Malaysia to be transparent and follow the rule of law in dealing with allegations that opposition leader Anwar Ibrahim committed sodomy. Rice refers to the charge as a “human rights [and] political case.”

**July 29, 2008:** The U.S. Treasury announces financial sanctions against ten gem trading companies that are owned or controlled by Burma’s government and whose revenues support the families of the junta’s leaders.

**July 29, 2008:** A letter from 40 members of the U.S. Congress is sent to the Indonesian government asking it to release two convicted Papuan separatists who were sentenced in 2005 to 15 and 10 years respectively for flying the separatist Papuan flag.

**July 30, 2008:** Speaking to Asian reporters prior to his trip to the region, President Bush hails strong U.S. relations with ASEAN and pledges continued cooperation.

**Aug. 4, 2008:** The Cambodian government accepts assistance from the FBI to investigate the July 11 murder of an opposition party-affiliated journalist.

**Aug. 4, 2008:** The annual U.S. Navy Cooperation Afloat and Readiness and Training (CARAT) exercise begins in Brunei. Earlier CARAT exercises this year were held with the Philippines, Thailand, Singapore, and Indonesia.

**Aug. 5, 2008:** Mindanao peace talks collapse when the Philippine government and Moro Islamic Liberation Front cancel the signing of a memorandum of agreement on ancestral domain.

**Aug. 7, 2008:** In Bangkok for a speech on Asia policy, President Bush calls on Burma’s junta to release opposition leader Aung San Suu Kyi and all other political prisoners.

**Aug. 10, 2008:** In his National Day Speech, Singapore Prime Minister Lee Hsien Loong warns that the city-state’s economy may be in for hard times because of U.S. financial problems that he does not expect see abate until well into 2009.

**Aug. 14, 2008:** U.S. Embassy, Jakarta objects to Indonesia’s permission for a Lebanon Hezbollah militia television channel to operate in Indonesia. The Department of Information and Communication says the TV channel is not violating any Indonesian regulations.

**Aug. 15-21, 2008:** In collaboration with navies from Singapore, Indonesia, Malaysia, Thailand, and Brunei, the U.S. Navy conducts the annual Southeast Asia Cooperation against Terrorism (SEACAT) exercise – maritime cooperation against terrorism.

**Aug. 24, 2008:** Outgoing U.S. Ambassador to Cambodia Joseph Mussomeli suggests that ASEAN could help resolve the border dispute between Cambodia and Thailand over the 11th century Preah Vihear Temple.

**Aug. 26, 2008:** U.S. Army, Pacific (USARPAC) Commander Lt. Gen. Benjamin Mixon at a Pacific Armies Management Seminar in Indonesia says that America's Asian partners "will continue to be a centerpiece of our engagement strategy in the theater."

**Sept. 2, 2008:** Thai Prime Minister Samak Sundaravej declares a state of emergency in Bangkok to put down a running battle between supporters and opponents of the government.

**Sept. 7, 2008:** U.S. Embassy, Manila spokesperson Rebecca Thompson states that no U.S. forces are in country permanently, nor are there U.S. bases on Philippine territory, though U.S. forces "come and go" at the invitation of the Philippine government.

**Sept. 9, 2008:** Thailand's Supreme Court rules that Prime Minister Samak violated the Constitution by accepting payments for appearances on cooking shows while in office, forcing him to resign.

**Sept. 10, 2008:** U.S. Embassy, Manila spokesperson Thompson says U.S. forces will remain in the Philippines for training and assistance as long as the Philippine government requests.

**Sept. 12, 2008:** Malaysia's Ambassador to the U.S. is called to the State Department to explain the arrest of Malaysian citizens who had criticized the government on blog sites.

**Sept. 14-16, 2008:** Deputy Secretary of State John Negroponte visits Cambodia to provide \$24 million in health aid through NGOs. He also promises \$1.8 million for the tribunal before which five remaining elderly Khmer Rouge leaders will be tried.

**Sept. 16, 2008:** Secretary Negroponte urges Cambodia and Thailand to peacefully resolve their dispute bilaterally over the borderlands adjacent to the Preah Vihear Temple.

**Sept. 17, 2008:** Thailand's Parliament elects Somchai Wongsawat as prime minister.

**Sept 17, 2008:** Thailand signs an agreement to join Singapore, Malaysia, and Indonesia in maritime patrols aimed at securing the Malacca Straits.

**Sept. 17, 2008:** Thailand's Prime Minister Somchai says he is prepared to hold talks with his Cambodian counterpart Hun Sen to resolve the border dispute between the two countries.

**Sept. 23, 2008:** Burma's military government announces the release of 9,002 prisoners, including the country's longest-serving political prisoner, Win Tin, and four people elected to Parliament in the landslide victory of opposition parties in 1990.

**Sept. 25, 2008:** Cambodia's Parliament re-elects Hun Sen as prime minister, extending his 23-year tenure, at a session boycotted by parties disputing the results of the July general election.

**Oct. 3, 2008:** Shots are fired between Thai and Cambodian troops in the region near the temple of Preah Vihear, injuring three soldiers.



## China-Southeast Asia Relations: Small Advances, Trouble with Vietnam

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Chinese relations with Southeast Asia were overshadowed for most of the quarter by Chinese leadership preoccupations with the 2008 Olympic Games and various crises involving toxic Chinese milk supplies, turmoil in U.S. and international financial markets, leadership uncertainty in North Korea, and the Russia-Georgia war. Although official Chinese media highlighted President Hu Jintao's meetings with Southeast Asian and other world leaders at the Beijing Olympics, he and other top leaders did not travel to Southeast Asia except for the foreign minister's attendance at the ASEAN meetings in Singapore in July. New troubles emerged with Vietnam, notably over oil exploration in the South China Sea. The recent pattern of Chinese, Japanese, and South Korean leaders meeting independent of ASEAN, despite their continued avowals of ASEAN's "leadership" in East Asian regional matters, paused when Japanese officials announced the postponement of a planned summit among the three northeast Asian powers in September on account of the resignation of Japan's prime minister.

### China-ASEAN meetings

From July 22 to 24, Chinese Foreign Minister Yang Jiechi attended and participated in a series of meetings in Singapore with regional leaders organized around the annual ASEAN foreign ministers' meeting. The developments and outcomes from Yang's activities in Singapore indicated that Beijing remains supportive of regional interaction and multilateral engagement under the ASEAN framework. At the same time, there is continued interest in strengthening Beijing's partnership with other counterparts in the Asia-Pacific region.

Yang took part in an informal, consultative meeting between the foreign ministers in the East Asia Summit (EAS). As a follow-up to the Cebu Declaration in January 2007, discussions focused largely on energy security and climate change. Yang maintained that China remains committed to working with EAS partners in addressing these topical and transnational challenges and reiterated China's position that developed countries bear the responsibility to take greater action in reducing their emissions, providing financial assistance, increasing research and development exchanges, and diffusing the necessary technologies for the developing South.

At the 9<sup>th</sup> ASEAN Plus Three Foreign Ministers Meeting, a retreat format was arranged by the Singapore hosts. The more relaxed atmosphere was reflective of the warming of relations since last year between the “Plus Three members,” namely China, Japan, and South Korea and sought to facilitate a more frank, open, and interactive dialogue among the thirteen ministers. A broad range of security and economic issues were discussed. ASEAN ministers also noted their appreciation for Chinese, Japanese, and South Korean contributions and support for the ASEAN-led mechanism on humanitarian assistance for the victims of Cyclone *Nargis*. China, together with Japan and South Korea, also announced that they would each contribute \$900,000 toward the ASEAN Plus Three Cooperation Fund that would promote greater regional community building through the support of such mutually reinforcing and complementary processes as the ASEAN Plus Three meetings, EAS, ASEAN Regional Forum (ARF), Asia-Pacific Economic Cooperation (APEC), and Asia-Europe Meeting (ASEM).

Subsequently, at the China-ASEAN Foreign Ministers’ Meeting, Yang emphasized that in light of new security, political, and economic challenges in the region, the two sides stand to benefit from closer consultation and collaboration. Yang called for closer coordination and the need to maintain high-level policy exchanges, as Beijing also announced that it will soon appoint a new special envoy to ASEAN. He also pushed for the establishment of the China-ASEAN Free Trade Area and the need to step up cooperation on agriculture, energy security, climate change, and environmental protection. On the security front, Yang called for greater coordination on disaster relief, upgrading the level of cooperation in counter-terrorism and transnational crimes, and following up on the implementation of the Declaration on the Conduct of Parties in the South China Sea. More important, Yang reiterated that China will support ASEAN’s leadership role in the region in contributing to “safeguarding regional peace, promoting common development, and realizing the long-term goal of building an East Asian community.”

China’s seemingly supportive view of ASEAN was also seen in the ARF. Much of the discussion focused on the ARF’s role in managing security challenges emanating from the region. Yang noted that the ARF’s emphasis on “trust building measures” has been gradually replaced by its “preventive diplomacy.” While such a change reflects the new, emerging challenges in both regional and global security, he also urged caution and said that such preventive diplomacy “should keep to the principle of cooperation instead of interference theory and create harmony instead of confrontation.”

Equally important, on the sidelines of the Singapore meetings, China, as chair of the Six-Party Talks, also initiated and chaired the first foreign ministers’ informal meeting of the Six-Party Talks on the North Korean denuclearization issue. China’s relations with each of the other five parties have been relatively stable and positive since last year and the informal talks saw candid and open exchanges by all sides. A six-point consensus on the North Korean denuclearization process was reached at the conclusion of the dialogue. Pyongyang’s latest decision to bar international inspectors from visiting a reprocessing plant at its Yongbyon nuclear reactor site in late September, however, indicates increasing tensions. This could see international calls for China to press North Korea to follow through with its commitments.

While in Singapore, Yang also took the opportunity to meet individually with foreign ministers from Indonesia, Vietnam, Myanmar, Japan, and Singapore as well as the deputy prime minister

from Thailand. He also met with his Australian, South Korean, and U.S. counterparts to discuss the prospects for strengthening each set of bilateral relations and to work even more closely with the latter two in addressing the current situation in North Korea.

### **Troubles with Vietnam**

*The South China Morning Post* reported on July 20 that China had warned ExxonMobil against its involvement with Vietnam's state oil firm PetroVietnam regarding exploration in areas of the South China Sea off Vietnam's south and central coasts. The report recalled that the areas to be explored were near disputed areas where the Anglo-Dutch oil company BP had been carrying out seismic work in cooperation with Vietnam until Beijing formally protested to Hanoi last year and BP stopped the work. Chinese official media prominently carried remarks underlining claims to the South China Sea by the Chinese foreign ministry spokesman in response to a question at a regular press briefing on July 22. *China Daily* also highlighted reports that Chinese officials in Washington had threatened to withdraw business from ExxonMobil if it went ahead with the exploration in the disputed areas in the South China Sea. The Chinese newspaper repeated past official Chinese charges that Vietnam and the Philippines have used military force to occupy uninhabited islands and reefs, have arrested and detained Chinese fishermen, and have carried out other affronts to Chinese sovereignty in the South China Sea. It also repeated China's avowed determination to settle these disputes through peaceful means and diplomatic consultations without the involvement of external forces.

The Chinese actions were cited by veteran Southeast Asian observer and maritime expert Mark Valencia in an assessment ("The South China Sea Hydra" July 24, 2008 [www.nautilus.org](http://www.nautilus.org)) that concluded "China's behavior in the South China Sea has become more confrontational than cooperative and deserves renewed ASEAN attention." In Valencia's view, past ASEAN hopes that the 2002 China-ASEAN declaration on a code of conduct in the South China Sea and some joint Chinese seismic work with the Philippines presaged continued Chinese cooperation have failed in the face of soaring energy prices and searches for petroleum. Notably, in his view, "China appears to have reverted to its preference for dealing with ASEAN members separately, rather than as a whole, particularly regarding South China Sea issues."

Further complications emerged in September when foreign media reported that Vietnam protested to China over so-called "invasion plans" appearing on Chinese websites that detailed plans for a Chinese military invasion and occupation of Vietnam. Officials from Vietnam and China cited in the foreign media reports highlighted Hanoi's position that the Chinese internet plans are harmful to bilateral relations, and Beijing's response that they represent the views of only "a handful of people" and do not represent China's official position in support of Sino-Vietnamese friendship and development.

Meanwhile, Vietnam's high inflation, high dependence on foreign investment, and recent market instability were duly covered in official Chinese media amid warnings to Chinese entrepreneurs. A signed commentary in *China Business Weekly* on July 13 noted that Vietnam has been an attractive place to invest because its labor costs are one third those in China's coastal regions, it is closer to ASEAN markets, it has fewer pollution and energy restrictions than China, and its exports face fewer anti-dumping duties than China's. However, the commentary noted that labor

costs in Vietnam are rising with inflation, some of the investment incentives offered by Vietnamese officials are being withdrawn, and overall worries about the financial stability of Vietnam continue.

### **China's quiet response on the Thai political crisis and the Thai-Cambodia border dispute**

On Sept. 2, in response to the political situation in Thailand, Chinese Foreign Ministry spokesperson Jiang Yu stated that Beijing is monitoring the developments in Thailand closely and that the Chinese government "sincerely hopes that Thailand can continue to maintain political stability." The government refrained from making further comments, reflecting its traditional foreign policy principle of noninterference. A scholarly article published by the *Beijing Zhongguo Qingnian Bao* on Sept. 3 by a security analyst provided a largely descriptive narrative of the current situation in Thailand. It concluded that the Thai military has thus far largely remained on the sidelines and restrained itself from taking action against the protesters, adding that there is no clear indication of divisions within the military. Earlier, Chinese media reported that Chinese tourists who were stranded in Phuket in southern Thailand after anti-government protests closed down the airport returned safely to Beijing.

Likewise, in spite of the close ties China shares with both Cambodia and Thailand, Beijing took little to no action in settling growing tensions between its two Southeast Asian neighbors. On Aug. 4, the *People's Daily* published an article assessing the military standoff between Thailand and Cambodia over a territorial dispute near the Preah Vihear Temple. The article outlines in great detail the historical context of the conflict and sees the territorial dispute as an unresolved issue left by the former French colonial authorities in Cambodia. Rather than siding with either party of the conflict, the article argues that the two governments should each take a step back, stick to their commitments to demilitarize the border, and continue to negotiate and consult with one another in good faith. It also sees ASEAN's position in the dispute as "very reasonable and sober-minded" since the regional organization advocated both member states to resolve the situation through continued consultation. In July, Thai media reported that China, like the rest of the permanent members of the UN Security Council, prefers the two sides to address and resolve the conflict on their own through peaceful dialogue.

### **Trade advances**

Official Chinese media commentary registered satisfaction with the status and outlook of the ASEAN-China Free Trade Agreement (FTA) and the progress in trade and economic relations with Singapore. A feature article in *The China Business Weekly* on June 29 on the background and importance of the ASEAN-China FTA said that "everything seems to be going smoothly" as the China-ASEAN commodity trade agreement and the first round of service trade agreements came into effect in 2005 and 2007. It projected that ASEAN-China trade would reach \$1.2 trillion in 2010. Discussions on investment and two more rounds of service trade agreements are underway and are expected to be completed by 2010. The article also cited cautionary remarks by a Chinese business leader that "the next two years will be harder than ever as the two sides will be squabbling over to what extent they open service sectors and investment."

*China Daily* on Aug. 9 reviewed favorable Sino-Singapore relations based on ever closer economic and trade ties. Bilateral trade in 2007 was up 7.4 percent to a value of \$63.8 billion, making Singapore China's eighth largest trading partner. Singapore is the sixth largest investor in China with a cumulative stake in 2007 valued at \$33.2 billion. Meanwhile, the Singapore government announced on Sept. 4 that negotiations that began in 2006 on a China-Singapore FTA had concluded, and the media indicated that the deal likely would be signed during the Singapore prime minister's visit to China in October.

### **Military ties**

The steady growth of Chinese military relations with Southeast Asia saw the first port visit to China by a Singapore warship in August, the meeting of the Chinese defense minister with Myanmar's visiting chief of defense industries in August, and a joint Sino-Thai military training exercise in July. Writing in the Jamestown Foundation's *China Brief* in early July, Singapore-based expert Ian Storey assessed the evolution and growth of Chinese-Thai military relations, noting such highpoints as annual defense talks, acquisition agreements, and joint training exercises. A recently proposed Joint Action Plan between Thailand and China was deemed a model for Chinese defense cooperation with other ASEAN states. Storey added, however, that Thailand remains reluctant to purchase military equipment from China because of concerns with quality and after-sales service. He stressed the low importance of the Chinese military connection for Thailand when compared with the multifaceted and very active relations between the U.S. and Thai militaries, though he concluded that "the military-security relationship between China and Thailand is on an upward trajectory."

### **Taiwan interest in ASEAN**

The administration of President Ma Ying-jeou, in power since May 2008, has endeavored to improve relations with ASEAN amid strong efforts to reassure China and Southeast Asian nations. Ma has said that Taiwan has no intention of following the controversial policies of the previous Taiwan administration of President Chen Shui-bian, which were condemned by Beijing and many ASEAN administrations as provocative and destabilizing. China has not officially reacted to the Taiwan statements of interest in improved relations with ASEAN.

The Taiwan foreign ministry issued a statement on July 25 welcoming the statement in the ASEAN foreign minister's meeting assessing positively the improved relations between China and Taiwan that have developed since President Ma took power. The Taiwan statement pointed out Taiwan's substantial economic stake in ASEAN with cumulative investment of \$51.1 billion and 2007 trade valued at \$60 billion. It averred that Taiwan wants to deepen interaction with ASEAN "in a pragmatic manner" and to enhance bilateral relations in various fields. Taiwan Vice President Vincent Siew told visiting Indonesian economic experts on July 30 that Taiwan should be a dialogue partner with ASEAN in line with ASEAN's dialogues using the pattern of ASEAN Plus One and ASEAN Plus Three. Siew linked this assertion with Taiwan's recent efforts to reassure Beijing and calm cross-Strait relations, saying "As cross-Taiwan Strait relations are seeing gradual improvement, the Taiwan government wants to further strengthen relations with the ASEAN and its member countries in order to gain an opportunity for future development." Meanwhile, President Ma, in a foreign policy address to the Foreign Ministry

staff in early August, said that his government, while seeking a “truce” in international competition with Beijing and gradually building trust in cross strait relations, would employ “flexible diplomacy” that sought among other things the signing FTAs with ASEAN countries in order to achieve Taiwan’s acceptance as a dialogue partner with ASEAN.

### Australia’s defense posture and China

Australian Prime Minister Kevin Rudd delivered a speech on national defense to an Australian audience on Sept. 9 which was seen by regional media as presaging budget and other increases in Australia’s defense posture in Asia. Though Rudd avoided mentioning any Asian country by name, his emphasis on economically rising Asian powers building more capable power projection systems like advanced aircraft and submarines seemed focused on China, in the view of leading journalists. Veteran media commentator Greg Sheridan praised Rudd’s comprehensive and balanced treatment emphasizing a variety of missions for Australian forces. He singled out Rudd’s “wise assessment,” acknowledging but not overemphasizing the significance of Asia’s rising powers. According to Sheridan, Rudd “correctly sees the U.S. as the dominant strategic player in Asia at least until 2050. Other powers, notably China and India, will rise, and may even rise relative to the U.S., but Washington will still lead the region militarily in the middle of the century.”

China’s close attention to Australian defense increases was underlined in an Aug. 18 report in official Chinese media that noted Australia was seeking to buy U.S. electronic-warfare aircraft to carry out radar-jamming missions. It said that the purchase was part of Australia’s recently begun \$52 billion modernization of the defense forces and would make Australia only the second Western nation to use dedicated electronic warfare aircraft. The report said that the aircraft would be used against “advanced Russian-designed fighters” purchased by Australia’s regional neighbors Indonesia and Malaysia, but it made no mention of China and the hundreds of advanced Russian fighters it has acquired since the early 1990s.

### Assessing China’s rise

The July edition of the journal *Asia Policy* contained a book review round table involving six specialists and David Kang, the author of *China Rising: Peace, Power, and Order in East Asia*. Among points discussed, the specialists debated but came to no consensus on Kang’s judgment that China’s neighbors are inclined to accept and accommodate China’s rising power and influence in Asia in the recent period because East Asia is a historically hierarchical system centered on China. A logical implication of Kang’s judgment is that China is in a strong position to solidify the leading role in the region, presumably at the expense of the other powers in East Asia, notably the United States.

While many commentators and specialists continue to highlight evidence of China’s rise and U.S. decline in Southeast Asia, there has been some slippage in the ranks of these specialists. Perhaps the leading advocate of China’s rise and U.S. decline in Southeast Asia and other areas was Joshua Kurlantzick of the Carnegie Endowment for International Peace. A prolific writer, Kurlantzick in recent years produced a major book *Charm Offensive* and dozens of policy papers, journal articles and media commentaries to support his case that China’s rise was part of

an Asian ascendancy that increasingly marginalized the United States. Reflecting an apparently major turnabout in his thinking, Kurlantzick argued in an editorial in the *Washington Post* on Sept. 7 that a long list of weaknesses and shortcomings in China and other Asian states, ranging from excessive nationalism to deep seated prejudices, means that those predicting an Asian century will replace an American century are wrong.

Meanwhile, specialists in the Congressional Research Service (CRS) have continued to pull away from earlier assessments stressing China's rising influence at the expense of the U.S. in Southeast Asia; they have moved to more balanced assessments. Building on the major study CRS did for the Senate Foreign Relations Committee (reviewed in last quarter's *Comparative Connections*), CRS in August published a report involving 14 CRS specialists entitled *Comparing Global Influence: China's and the US Diplomacy, Foreign Aid, Trade, and Investment in the Developing World*. The section assessing Southeast Asia concluded that "both China and the United States have strong ties to Southeast Asia, and both draw upon considerable strengths in projecting soft power in the region." As far as "soft power" is concerned, "neither side can really claim to be the dominant power in the region." The study did not assess the respective military and defense ties ("hard power" in the CRS definition) of China and the U.S. in the region. China is usually seen leading in this category in its relations with Myanmar, but as indicated by the comments of Ian Storey and Greg Sheridan above, the U.S. has longstanding, advanced, and multifaceted military and other security ties with the important Southeast Asian states that overshadow China's nascent efforts to build military and defense ties.

## **Outlook**

Barring unforeseen crises in China's relations with Southeast Asia, the region is likely to remain low on the list of Chinese leaders' policy priorities. Leadership and nuclear issues regarding North Korea, the results of the U.S. election, and international economic uncertainties are among the factors crowding out Southeast Asia as an issue warranting salient Chinese leadership attention. Domestic preoccupations and crises in several of the leading Southeast Asian states further curb opportunities for closer cooperation with China. The Hu Jintao administration will welcome regional leaders to the 7<sup>th</sup> Asia-Europe meeting to be held in Beijing in late October. It also is expected to pursue along already established lines advances in bilateral and multilateral relations with Southeast Asia.

### **Chronology of China-Southeast Asia Relations July-September 2008**

**July 1, 2008:** President Hu Jintao meets Thai Prime Minister Samak Sandaravej in Beijing to deepen bilateral cooperation based on the goals set forth in the Joint Action Plan on China-Thailand Strategic Cooperation signed last May.

**July 2, 2008:** The joint China-Philippines-Vietnam seismic study in the South China Sea, an agreement signed by the three parties as a confidence-building measure aimed at conducting joint research oil and gas prospects in the disputed Spratly Islands, formally ends.

**July 11, 2008:** The People's Liberation Army (PLA) and the Royal Thai Army begin a 20-day joint counter-terrorism training operation entitled *Strike 2008* in Chiang Mai, Thailand.

**July 17, 2008:** The Chinese State Archives Administration Director-General Yang Dongquan and his Singapore counterpart Pitt Kuan Wah sign an agreement to increase exchanges between the archival institutions of the two countries in such areas as academic interfaces on archives acquisition, management, reproduction, documentation, and vocation training.

**July 19, 2008:** The Chairperson of the Standing Committee of the Chinese National People's Congress Wu Bangguo joins other government officials in extending a congratulatory message to the Cambodian government marking the 50<sup>th</sup> anniversary of bilateral diplomatic recognition. The two governments pledge to further strengthen bilateral ties.

**July 22-24, 2008:** Chinese Foreign Minister Yang Jiechi attends a series of meetings with regional counterparts in Singapore, including the "10+1 foreign ministers' meeting between China and ASEAN," the "10+3 foreign ministers' meeting between with ASEAN, China, Japan, and South Korea," an informal consultation among the participating foreign ministers of the East Asia Summit, and the ASEAN Regional Forum (ARF).

**July 27, 2008:** The Chinese General Administration of Customs releases latest data indicating that China's trade with ASEAN member states reached nearly \$96 billion in the first five months of 2008, an increase of 26.9 percent over the same period last year. China's trade deficit with ASEAN has decreased and amounts to nearly \$5 billion in the first five months. According to the data, China's top five trading partners in ASEAN are Malaysia, Singapore, Thailand, Indonesia and the Philippines, which account for 88 percent of the total China-ASEAN trade volume.

**July 30, 2008:** The PLA Deputy Chief of General Staff Ma Xiaotian visits Bangkok and meets PM Samak. Ma attends the seventh bilateral security consultation. The two sides agree to enhance military-to-military relations.

**July 30, 2008:** The Forum on Pan-Beibu Gulf Economic Cooperation convenes in Beihai, a coastal city in the Guangxi Zhuang Autonomous Region, and draws more than 600 international participants. The Pan-Beibu economic cooperation program involves seven ASEAN countries and will discuss the prospects for developing and opening up the Beibu Gulf Economic Zone.

**Aug. 1, 2008:** Chinese Vice Minister of Education Zhang Xinsheng attends the first "China-ASEAN Education Exchange Week" in Guiyang, Guizhou and delivers a speech supporting cooperation between China and ASEAN through educational and cultural exchanges.

**Aug. 8, 2008:** The Chinese Foreign Ministry extends a congratulatory statement to ASEAN on the 41<sup>st</sup> anniversary of its establishment. The statement indicates that China will continue to support ASEAN's integration and role as the driving force for regional cooperation, and that the China-ASEAN Strategic Partnership will continue to form the basis for future collaboration between the two sides.

**Aug. 15, 2008:** Chinese Vice Premier Li Keqiang meets Thai counterpart Sanan Kachornprasart in Beijing. They agree to increase senior-level exchanges and expand bilateral cooperation and coordination in regional and international affairs.

**Aug. 21, 2008:** China and Laos agree to exchange technical expertise on such environmental issues as deforestation and natural resources management. The initiative between the Chinese Global Environmental Institute and the Laotian Center for Research and Information on Land and Natural Resources will establish a joint center for cooperation on environmental issues.

**Aug. 25, 2008:** Chinese Defense Minister Liang Guanglie meets Myanmar's Defense Industries Chief Tin Aye in Beijing. The two agree to expand political, economic, and military relations.

**Aug. 25, 2008:** China's National Space Administration agrees to help Laos develop a telecommunications satellite and a ground station and to train Laotian technicians and scientists. The two sides will cooperate in such areas as earth observation, remote sensing satellite technology, and satellite imaging and transmission.

**Aug. 25-30, 2008:** Singaporean naval frigate *Steadfast* visits Shanghai for a port visit. The Commander of the East China Sea Fleet of the PLA Navy Vice Adm. Xu Hongmeng receives a courtesy call from the Singaporean Fleet Commander Rear Adm. Ng Chee Peng.

**Aug. 28, 2008:** Chinese and ASEAN economic ministers issue a statement that will finalize an investment agreement at the annual ASEAN summit in Bangkok in December 2008. The agreement is one of three components of a free trade deal between ASEAN and China.

**Aug. 30, 2008:** According to Chinese press reports, the second batch of five military surgeons dispatched to Cambodia returns to Beijing after completing their medical services and training in Cambodia. Earlier, the Chinese surgeons received accolades from the Cambodian government and military hospital for their services and contributions to the Cambodian people.

**Aug. 30, 2008:** The Chinese Communist Party International Liaison Department Chairperson Wang Jiarui receives a delegation visit from the Vietnamese Communist Party cadres and government officials in Beijing. The two sides review the positive relations between both parties in the last 30 years and agree to improve and expand party-to-party relations.

**Sept. 2, 2008:** Chinese leaders including the Chairperson of the Standing Committee of the National People's Congress Wu Bangguo and the Chairperson of the National Committee of the Chinese People's Consultative Conference Jia Qinglin meet the President of the Cambodian Senate Chea Sim in Beijing. Discussions include increasing legislative exchanges and other high-level visits between the two countries.

**Sept. 5, 2008:** Chinese State Councilor and Minister of Public Security Meng Jianzhu meets Singaporean Vice Prime Minister and Minister for Home Affairs Wong Kan Seng in Beijing. Meng highlights the close cooperation between the two police forces and hopes to deepen exchanges to combat terrorism and transnational crimes in the region.

**Sept. 5, 2008:** Chinese Vice Premier Wang Qishan and his Singaporean counterpart Wong Kan Seng finalize a free trade agreement at a meeting in Tianjin, China. The accord includes the liberalization of bilateral trade ties and lowering of tariffs. It will most likely be signed at the forthcoming Asia Europe Meeting (ASEM) summit in Beijing next month.

**Sept. 8, 2008:** Deputy Chief of General Staff of the PLA Ma Xiaotian receives the president of Thailand's National Defense Studies Institute in Beijing. The two sides agree to increase exchange of visits between the two militaries.

**Sept. 20, 2008:** Defense Minister Liang Guanglie meets the Permanent Secretary of the Thai Ministry of Defense Winai Phattiyakul. They agree that the two sides will continue to work together on non-traditional security and jointly stage counter-terrorism training exercises.

**Sept. 23, 2008:** Following the news of tainted Chinese dairy products, countries throughout Southeast Asia including Brunei, Indonesia, Malaysia, Myanmar, Singapore, and Thailand announce that they will stop such imports.

**Sept. 23, 2008:** Scientists from the First Institute of Oceanography in China and the Marine Biological Center in Thailand agree to launch a joint study on monsoon and cyclone pattern in the Andaman sea area to better forecast weather trends in the region.

**Sept. 25, 2008:** Representatives from China, Cambodia, Laos, Thailand, and Vietnam gather in Vientiane, Laos for a consultative meeting on the prospects for developing the regional Mekong Hydropower Program, which is intended to promote sustainable development, utilization, management, and conservation of water and other resources along the Mekong River Basin.

**Sept. 26, 2008:** PLA Chief of the General Staff Chen Bingde meets senior ranking military representatives from Brunei, Laos, and Thailand who are on a visit to see the *Warrior 2008* military exercise organized by the PLA in Inner Mongolia. They are joined by more than 110 military delegates from 36 countries, the largest foreign contingent to observe the PLA's capacity in a simulated combat.

**Sept. 28, 2008:** The East Asia Trade Forum, organized by the China International Trade Promotion Committee in collaboration with Chinese representatives in the China-ASEAN Secretariat, convenes in Beijing. More than 200 delegates attend the Forum discussing ways to increase and expand regional competitiveness and promote inter-regional trade and investment.



## China-Taiwan Relations: Progress in the Face of Headwinds

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Leaders in Taipei and Beijing continue to pursue improved cross-Straits relations despite political pressures and domestic criticism. The initial agreements are being implemented and behind-the-scenes negotiations are laying the ground for a second tranche of agreements when ARATS Chairman Chen Yunlin visits Taiwan in late October or early November. The Beijing Olympics occasioned some tensions over terminology until the leadership in Beijing stepped in to craft a satisfactory solution. Taipei's modest proposal at the UN aimed at participation in UN specialized agencies was rejected by Beijing. However, a debate is underway in Beijing on how to address Taipei's demand for increased international space and the Ma administration remains hopeful that Beijing will eventually devise a more forthcoming response. On October 3, the Bush administration notified Congress of a \$6.5 billion arms package for Taiwan.

### SEF and ARATS moving forward

After the resumption of dialogue in June between Taiwan's Straits Exchange Foundation (SEF) and Beijing's Association for Relations across the Taiwan Strait (ARATS), their attention focused first on implementing agreements on weekend charter flights and Chinese tourism. The weekend charters, which began July 4, have been operating smoothly, but the hoped for flood of Chinese tourists to boost the Taiwan tourism industry has not materialized and have been mainly serving Taiwan business travelers. They had set a ceiling of 3,000 tourists from China daily, but daily arrivals have been averaging about 300 until late September when they began to increase before the October 1 holiday, the People's Republic of China (PRC) National Day. Tourism has been constrained by strictures on both sides. China has complex procedures for authorizing tourists to visit Taiwan and Taipei requires PRC tour agencies to take ultimate financial responsibility for the departure of their tourists and that they follow rigid group itineraries, fearing that tourism will become a vehicle for illegal immigration. However, Beijing recently has taken some steps to facilitate the process of granting permits for tourism to Taiwan and, as Chinese tourists have not been jumping ship, Taiwan should be able to ease its restrictions.

With things going reasonably well, SEF and ARATS have turned their attention to planning for the visit of ARATS Chairman Chen Yunlin to Taiwan. As the first visit by an ARATS chairman, the visit will have symbolic significance. Taipei in particular, but also Beijing, wants to ensure that the visit results in further cross-Straits agreements. The contacts necessary to lay the groundwork for these agreements are underway and it appears that Chen will visit in late October, or possibly early November. They are expected to conclude agreements in at least three areas: a) defining direct air routes so that planes do not have to fly through Hong Kong airspace

as has been the practice thus far, b) cargo charter flights, and c) direct maritime routes between designated ports in Taiwan and China. This is in keeping with both sides' intention to begin with practical economic steps beneficial to both sides that will establish a pattern of successful negotiations and build trust. The anticipated economic benefits are also important to President Ma Ying-jeou, who campaigned on a platform of revitalizing the Taiwan economy, which has seen growth slow in the current difficult international environment.

To advance his economic goals, President Ma has also taken unilateral steps to ease Taiwan's restrictions on cross-Strait investment. In July, the Ma administration announced that the old 40 percent ceiling on the domestic capital that Taiwan companies could invest in China would be lifted. Henceforth, Taiwan companies headquartered in Taiwan will have no ceiling and those headquartered outside Taiwan will have a 60 percent ceiling. In addition, Taipei has liberalized listing terms to encourage Taiwan firms listed on foreign stock exchanges to also list on the Taipei Stock Exchange. The government has also begun small steps to open the Taipei exchange to investments by funds that include more substantial Chinese interests and simultaneously to ease the restrictions on Taiwan funds buying stock in mainland companies. Ma has also announced his intention to recognize academic degrees from China and accept Chinese students at Taiwan's universities. The opposition Democratic Progressive Party (DPP) has protested these educational plans.

The scandal involving melamine-tainted dairy products raised serious concerns about imported Chinese products and put a new issue onto the cross-Strait agenda. Taipei called for establishing a health safety communications channel. Beijing accepted Taipei's proposal for a health safety delegation led by SEF, but including senior government health officials, to visit Beijing. On Sept. 28, the delegation's talks with officials in Beijing led to an "initial agreement" to set up direct communication channels.

## **Beijing Olympics**

The Beijing Olympics became a significant test of mutual good will. As is so often the case, the toughest issue involved terminology: what Chinese translation to use for the English name, Chinese Taipei, under which Taiwan participates in the Olympics. The Beijing media was using the translation *Zhongguo Taipeí*, rather than the less political *Zhonghua Taipeí* that was used by the International Olympic Committee (IOC) and Taipei. Taipei called on Beijing to adhere to the IOC terminology. The Taiwan Affairs Office in Beijing issued a formal statement explaining that while past agreements required the Beijing Olympic Organizing Committee to use the IOC terminology, others in China were not required to use it. This statement was seen in Taipei as a sign that Beijing would use the Olympics to score political points and to denigrate Taiwan. The Kuomintang (KMT) called on Beijing to show good will and indicated that its leaders would not attend the Olympics if the offensive terminology was used and the Taipei Sports Council announced that its athletes would not participate if the offensive terminology was not dropped. A few days later, official media in Beijing began using the IOC terminology. Taipei saw this as the hoped-for sign of good will.

Thereafter, despite a few minor stories, Taiwan's participation in the Olympics proceeded without any cross-Strait political problems. KMT Chairman Wu Poh-hsiung, several other pan-

blue political figures, and three Taipei Cabinet ministers traveling in nongovernmental capacities attended the opening ceremony. Wu attended the luncheon that President Hu Jintao gave for world leaders and spoke briefly with Hu.

### **“International space” issues**

The annual meeting of the UN General Assembly forced the Ma administration to address the international space issue earlier than it might have liked. In mid-August, Taipei announced that its allies would put forward a proposal focusing on “participation” in UN specialized agencies. This represented a substantial break with Taipei’s annual requests since 1993 seeking membership in the UN. Predictably, the DPP opposition criticized the proposal as sacrificing Taiwan’s sovereignty and its right to be represented in the UN.

Unfortunately, Beijing’s response was a hardline reiteration of Beijing’s positions that showed little flexibility. The position conveyed in PRC Ambassador Wang’s letter to the UN described Taipei’s proposal as intended to create “two Chinas” or “one China, one Taiwan.” That language means that as a matter of principle, Ma’s proposal is unacceptable to Beijing. The letter also stated explicitly that Taiwan is not qualified to “participate” in the activities of UN specialized agencies. The letter ended with a call for cross-Strait dialogue on international space issues. Even though this letter did not show the new thinking from Beijing that will be needed to address the issue, Taipei chose to downplay its disappointment. The opposition was not so generous. They saw the response as a sign of Beijing’s continuing hostility and argued that the Ma administration had gotten nothing in return for its misguided proposal.

The UN General Committee decided not to put Taipei’s proposal on the General Assembly agenda. A procedure was worked out in New York, with Taipei’s tacit concurrence, to avoid an extensive debate in the committee as Taipei saw nothing to be gained by a contentious debate in which its views would not prevail. In exchange, the U.S. and the EU made public statements of support for Taiwan’s meaningful participation in UN specialized agencies. Subsequently, Japan and the UK expressed support for Taipei’s proposal.

As four months have passed since President Ma’s inauguration, it is appropriate to assess whether there has been any change in Beijing’s efforts to block Taiwan’s participation in a whole range of international activities both governmental and nongovernmental. Beijing is not making the case that its policy has changed, and observers in Taipei are hard pressed to cite examples of a more flexible attitude on Beijing’s part. One example was the simultaneous selection of private experts from China and Taiwan in August to the World Trade Organization’s Permanent Group of Experts. Another positive example involved Beijing’s cooperation with Taipei in hosting the Sept. 22-28 “Workshop on Large Scale Disaster Recovery in APEC.” This APEC workshop, which was originally proposed by Taipei, was expanded to include visits to Sichuan in addition to Taiwan, following the Sichuan earthquake in May. In an effort to put the best light on recent developments, the Foreign Ministry in Taipei has said only that the number of reports of PRC pressure on Taiwan has declined.

Beijing’s policy may be slow to change because a significant debate is occurring in China on how to respond to Taipei’s demand for greater international space. The UN schedule forced the

question before a consensus had formed. If this is so, it is possible that eventually Beijing will develop a more nuanced and responsive policy in line with President Hu Jintao's call for "new thinking." At least that is the hope in the Ma administration.

Taipei's real goal at present is gaining meaningful participation in the World Health Organization (WHO) when that issue is next addressed at the World Health Assembly meeting in May 2009. The food safety scandal has escalated the salience of the issue and President Ma has cited it in reiterating the importance Taiwan places on access to the WHO. Unfortunately, this "particularly deplorable" scandal has also focused attention on the strictures Beijing has forced the WHO Secretariat to accept in dealing with Taiwan. A message from the WHO on the issue highlighted Taipei's concerns. It referred to Taiwan as *Zhongguo Taipei*, the same objectionable terminology as in the Olympics context, and only sent Taipei a copy of the message that it had addressed to Beijing. Taipei protested the terminology and demanded that the WHO communicate with it directly on health and food safety issues.

The other side of the international space coin is diplomatic relations. President Ma has called for a diplomatic truce in which each side would refrain from efforts to woo away diplomatic allies of the other. Here the test case has been Paraguay whose new president was inaugurated in August. Although Paraguayan President Fernando Lugo has reaffirmed his goal of establishing diplomatic relations with China, this has not yet happened. In September, Paraguay's Parliament voted to accept a \$71 million aid grant from Taiwan to fund social projects. For its part, Beijing appears to have exercised some restraint, at least temporarily. This is the case despite the view of many Chinese observers that the proposal for a diplomatic truce is at best impractical.

In mid-August, President Ma attended President Lugo's inauguration and made stops in Panama and the Dominican Republic. While on this trip, President Ma explained his truce proposal and made clear to Taiwan's diplomatic allies that Taipei did not object to their developing economic and trade relations with China. The opposition in Taipei continues to criticize the truce concept as a form of surrender.

### **President Ma's statement on cross-Strait relations**

On Aug. 26, in an interview with a Mexican journalist, President Ma stated that "our two sides have a special relationship, but it is not a state-to-state relationship. This is very important." While important, it is not clear what prompted Ma to make the statement. Coming just a few days after the circulation of the PRC letter rejecting Ma's proposal concerning UN specialized agencies, it was a clear reversal of former President Lee's 1999 statement that cross-Strait relations were a "special state-to-state relation" and former President Chen's 2002 statement that there was "one country on each side of the strait." Not surprisingly, both Lee Teng-hui and the DPP have forcefully condemned the statement as sacrificing Taiwan's sovereignty. Although Beijing observers are aware of Ma's statement and recognize its significance, there has been no mention of it in the official media or any comment on it from official sources.

## **Military developments**

Four months after President Ma's inauguration, there is no evidence that Beijing has reversed the expansion of its military capabilities targeted at Taiwan. In July, Gen. Xu Caihou, a vice chairman of the Central Military Commission, stated that Ma's election had not changed the threat. Therefore, there would be no change in Beijing's military readiness posture.

In September, Taipei announced that its defense budget for 2009 would total \$10.17 billion, down slightly from the 2008 defense expenditure. This will be less than the 3 percent of GDP level that President Ma had said his government would appropriate, though the out-year projections indicate the defense budget would average about 3 percent over a period of years.

In early July, the Legislative Yuan removed its freeze on funds for initial production of the *Hsiungfeng IIE* land attack cruise missile (LACM). The 2009 budget will include funds for its continued production. In August, the Presidential Office stated that it would be Taiwan's policy to not be the first to use force and not to use force against non-military targets. In line with this latter policy, the Ministry of National Defense spokesman said that Taipei would not develop a 1,000 km range version of the *Hsiungfeng IIE* that would be capable of reaching Shanghai.

On October 3, the Bush administration notified Congress of a \$6.5 billion arms package for Taiwan including *Patriot PAC-III* anti-ballistic missiles, *E-2T* anti-submarine aircraft retrofit, *Apache* helicopters, *Harpoon* anti-ship missiles, *Javelin* anti-vehicle missiles, and spare parts for *F-5* and *F-16* aircraft. Funds for conventional submarine design work, *Blackhawk* helicopters and additional *Patriot PAC-III* missiles were omitted from the package. Taipei welcomed the announcement. Beijing denounced it, even though (or perhaps because) it made no mention of the most important system currently being sought by Taipei – *F-16C/D* aircraft. As expected, a decision on the latter was postponed until after the inauguration of the new U.S. administration.

## **Cross-Strait trade**

Despite the turmoil in global financial markets, cross-Strait trade continued to grow rapidly in the first half of 2008. According to statistics from Beijing's Ministry of Commerce (MOFCOM), total cross-Strait trade grew 23 percent in the first six months to total \$68.0 billion. Taipei's Board of Foreign Trade (BOFT), whose figures are typically lower, portrayed a similar picture reporting that trade grew 22.1 percent to reach \$56.76 billion. According to BOFT, Taiwan's exports to China grew 21.7 percent in the first half and the percentage of Taiwan's total exports sent to the mainland reached a new high of 30.2 percent.

## **Looking ahead**

SEF and ARATS are working together productively following their shared approach of focusing on the easier economic issues first in order to build trust. The visit of ARATS Chairman Chen Yunlin will be a test of their ability to keep this process moving ahead as both sides are confronting significant domestic resistance. Beijing's inability to respond more constructively to Taipei's modest UN proposal on participation in specialized agencies reflected the resistance President Hu confronts in addressing Taiwan's demands for greater international space. In

Taipei, The DPP is criticizing every move and statement President Ma makes on cross-Strait relations, and Ma's approval rating has fallen to new lows.

The melamine-tainted food scandal in China has created new strains, which Beijing has taken steps to contain in a cross-Strait context. However, Beijing's continuing restrictions on WHO contacts with Taiwan during the scandal has renewed the perception of Beijing's hostility toward Taiwan and underlined the importance of Beijing allowing Taiwan more meaningful participation in the organization next spring, when both parties in Taiwan will be preparing for the local elections scheduled for late 2009. If a breakthrough is not possible then, the DPP will be in a position to effectively attack Ma and the KMT and would hand the DPP an issue upon which to build a resurgence of party morale and influence.

### **Chronology of China-Taiwan Relations** **July-September 2008**

**July 2, 2008:** Central Military Commission Vice Chairman Xu Caihou says there will be no change in People's Liberation Army readiness toward Taiwan.

**July 2, 2008:** Foreign Minister Francisco Ou says Taipei will pursue "participation" in World Health Organization as a priority issue.

**July 3, 2008:** Legislative Yuan unfreezes funds for production of *Hsiungfeng IIE* land attack cruise missile (LACM).

**July 4, 2008:** Weekend charter flights begin, bringing first tourists from China to Taiwan.

**July 7, 2008:** Association for Relations across Taiwan Straits (ARATS) Deputy Wang Zaixi arrives in Taipei for 10-day visit.

**July 9, 2008:** Taiwan Affairs Office (TAO) spokesman explains why Chinese media are free to use term *Zhongguo Taipei* to refer to Taiwan participants in the Olympics.

**July 9, 2008:** Ministry of Foreign Affairs explains importance Taipei places on using *Zhonghua Taipei* translation of Chinese Taipei during Olympics.

**July 9, 2008:** TAO Chairman Wang Yi urges seizing opportunity for peaceful development of cross-Strait relations.

**July 10, 2008:** Straits Exchange Foundation (SEF) Chairman Chiang Pin-kun says economic agreement with China would help Taiwan negotiate free trade agreements.

**July 12, 2008:** President Ma expresses hope U.S. arms sales will proceed as originally planned.

**July 13, 2008:** Foreign Minister Ou says Paraguay will be test case on diplomatic truce.

**July 15, 2008:** SEF Chairman Chiang hosts dinner for ARATS Deputy Chairman Wang Xiaizi.

**July 15, 2008:** KMT reiterates importance of Beijing using *Zhonghua Taipei* terminology.

**July 16, 2008:** U.S. Pacific Command Commander Adm. Keating confirms arms sales freeze.

**July 17, 2008:** Official media in Beijing continue using term *Zhongguo Taipei*.

**July 17, 2008:** Special Investigation Unit (SIU) lists former President Chen and Madame Wu as defendants in money laundering case.

**July 18, 2008:** KMT states Chairman Wu will not attend Olympics unless Beijing adheres to *Zhonghua Taipei* terminology.

**July 18, 2008:** SEF Chairman Chiang holds first meeting with Hong Kong Chief Executive Donald Tsang.

**July 18, 2008:** Taipei approves raising investment ceiling to 60 percent and exempting all firms with headquarters in Taiwan.

**July 20, 2008:** President Ma tells *CNN* that Taipei can't negotiate peace agreement under missile threat.

**July 21, 2008:** SEF Chairman Chiang speaks of an eventual Comprehensive Economic Cooperation Agreement (CECA) with the mainland.

**July 23, 2008:** TAO spokesman's statement explains narrow limits of Beijing's commitment to use *Zhonghua Taipei* in Olympics context.

**July 23, 2008:** Mainland Affairs Council (MAC) urges China to display good will on terminology issue.

**July 24, 2008:** Sports Minister Tai Shia-ling says teams will withdraw if Beijing Olympics organizers downgrade Taiwan using *Zhongguo Taipei*.

**July 25, 2008:** *Xinhua*, *CCTV* other official media begin using *Zhonghua Taipei*.

**July 26, 2008:** KMT Chairman Wu announces that he will attend Olympics.

**July 27, 2008:** Legislative Yuan (LY) Speaker Wang Jin-pyng arrives in Washington for consultations and reiterates Taipei's need for *F-16* aircraft.

**July 28, 2008:** Foreign Minister Yang Jiechi meets Secretary Rice in Washington.

**July 29, 2008:** President Ma visits MAC and urges more effort to bring PRC students to Taiwan.

**July 30, 2008:** President Bush meets international media and expresses pleasure at development of cross-Straits relations.

**July 31, 2008:** Taiwan Caucus sends letter to Bush urging end to the arms freeze.

**Aug. 1, 2008:** President Ma welcomes Beijing's use of *Zhonghua Taipei*.

**Aug. 1, 2008:** Taiwan's postal service votes to restore China Post name.

**Aug. 1, 2008:** Taiwan and PRC experts are simultaneously elected to World Trade Organization's Permanent Experts Group

**Aug. 4, 2008:** President Ma visits Foreign Ministry and says priority is on participation in WHO.

**Aug. 8, 2008:** KMT Chairman Wu and others attend President Hu Jintao's luncheon for world leaders, then attend Olympics Opening Ceremony.

**Aug. 9, 2008:** DPP Chairperson Tsai says diplomatic truce equals unilateral surrender.

**Aug. 12, 2008:** President Ma transits Los Angeles.

**Aug. 13, 2008:** President Ma meets President Martin Torrijos in Panama.

**Aug 14, 2008:** President Ma meets Paraguay President-elect Fernando Lugo.

**Aug. 14, 2008:** Chinese Petroleum Company of Taiwan says cooperation with China National Offshore Oil Company on oil exploration in Taiwan Strait to resume.

**Aug. 15, 2008:** Taiwan MOFA announces bid for participation in UN specialized agencies.

**Aug. 16, 2008:** President Ma attends inauguration of President Leonel Fernandez in the Dominican Republic.

**Aug. 17, 2008:** President Ma transits San Francisco.

**Aug. 18, 2008:** PRC Ambassador to the UN Wang Guangya sends letter saying Taiwan not qualified to participate in UN specialized agencies.

**Aug. 18, 2008:** LY Vice Speaker Tseng Yung-chuan leads delegation to Thailand seeking closer ties with ASEAN.

**Aug 22, 2008:** President Ma receives U.S. visitors and urges notification of arms packages.

**Aug. 24, 2008:** Minister of National Defense Chen says F-16s needed to replace aging F-5s.

**Aug. 26, 2008:** SEF Chairman Chiang visits Japan.

**Aug. 26, 2008:** President Ma, in an interview with Mexican daily says cross-strait relations are “special non-state-to-state relations.”

**Aug. 28, 2008:** MAC Chairman Lai visits Washington.

**Aug. 28, 2008:** Presidential Office says PRC reaction should not be seen as rejection of UN specialized agencies proposal.

**Aug. 28, 2008:** PRC Vice Premier Wang Qishan meets Taiwan business delegation and says Beijing willing to consider common market proposal.

**Aug. 29, 2008:** Taipei sets 2009 defense budget at NT\$315.2 billion (\$10.17 billion).

**Sept. 1, 2008:** Presidential Office sets policy of no first strike, no attack on non-military targets.

**Sept. 1, 2008:** MND says *Hsiungfeng IIE*'s range will not be extended to 1,000 km.

**Sept. 3, 2008:** In *China Review Monthly*, PRC scholar Xu Shiquan calls for pragmatic case-by-case approach to UN specialized agencies.

**Sept. 4, 2008:** Taipei liberalizes visas for Chinese visitors to Kinmen & Matzu.

**Sept. 5, 2008:** Press reports that Taiwan's National Security Council Secretary General Su Chi has been in the U.S. for talks.

**Sept. 6, 2008:** Lee Teng-hui criticizes Ma for paving way to unification.

**Sept. 7, 2008:** TAO Chairman Wang Yi in Xiamen announces easing of controls on tourists and says Chen Yunlin will visit Taiwan in late October.

**Sept. 7, 2008:** Taipei says PRC students to be allowed one-year stays for studies.

**Sept. 10, 2008:** DPP releases statement condemning Ma's definition of cross-Strait relations.

**Sept. 10, 2008:** President Ma makes surprise visit to Pratas Reef.

**Sept. 10, 2008:** TAO spokesman uses *Zhongguo Taipei* in referring to Taiwan in APEC.

**Sept. 11, 2008:** MOFA says *Zhonghua TaiBei* is name in APEC.

**Sept. 14, 2008:** Taipei issues ban on import of Sanlu dairy products.

**Sept. 14, 2008:** MAC proposes establishing food safety communications channel.

**Sept. 16, 2008:** Speaker Wang in Japan says relationship is a “special partnership.”

**Sept 17, 2008:** UN General Committee declines to put Taiwan proposal on UNGA agenda.

**Sept. 17, 2008:** Vice President Siew is appointed to lead economic advisory group.

**Sept 21, 2008:** Taipei bans all milk, diary, and protein products from China.

**Sept. 22, 2008:** “Workshop on Large Scale Disaster Recovery in APEC” opens in Taipei.

**Sept. 22, 2008:** President Ma announces plans to recognize PRC academic degrees and to accept PRC students from 2009.

**Sept. 23, 2008:** MOFA protests WHO reference to “Taiwan, China” in a report.

**Sept. 23, 2008:** Premier Liu proposes sending health safety delegation to PRC.

**Sept. 23, 2008:** ARATS and SEF officials meet in Xiamen to plan Chen visit.

**Sept. 25, 2008:** Five fraud suspects repatriated under Kinmen Agreement.

**Sept. 26, 2008:** APEC Disaster Recovery Workshop moves to Sichuan.

**Sept. 27, 2008:** Taiwan Health Safety Delegation arrives in Beijing.

**Sept. 28, 2008:** Defense Minister Chen attends U.S.-Taiwan Defense Industry Conference.

**Sept. 29, 2008:** Speaker Wang again calls for LY review of cross-Strait agreements.

**Sept. 30, 2008:** Premier Liu says China should apologize for tainted dairy exports.

**Oct. 3, 2008:** The Bush administration notifies Congress of a \$6.5 billion arms package for Taiwan.



## North Korea-South Korea Relations: Still Stalemated

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Relations between the two Koreas, having already worsened from April when North Korea took umbrage with South Korea's new president, Lee Myung-bak, deteriorated further during the third quarter. This may have been inevitable. In a break from the "sunshine" policy pursued over the past decade by his two liberal predecessors, Kim Dae-jung (1988-2003) and Roh Moo-hyun (2003-08), Lee had signaled that henceforth expanded inter-Korean cooperation would depend on progress in denuclearization under the Six-Party Talks (6PT). Not only did this linkage displease Pyongyang in principle, but the current 6PT stalemate and North Korea's proclaimed restoration of facilities at its Yongbyon nuclear site, have made inter-Korean progress difficult given the Lee administration's conditionalities.

And yet, and yet. By early July, his popularity plunging barely four months into his five-year term (after the U.S. beef import protests and a series of gaffes), the president formerly known as "bulldozer" was ready to try a different tack. On July 11 he told the new National Assembly – elected in April, but only now convening due to inter-party wrangles – that "full dialogue between the two Koreas must resume." He also renewed his offer of humanitarian aid.

### Death of a tourist

Yet even as Lee spoke, he had just been told of an incident that would nip all this in the bud. On the same day, Park Wang-ja, a middle-aged woman and one of 1.8 million South Korean tourists who have visited the North's Mt. Kumgang resort in the past decade, was fatally shot when she wandered into a forbidden area on a pre-dawn stroll. We may never know exactly what happened – the rumor is a nervous 17-year old female soldier, newly enlisted into the Korean People's Army (KPA) was responsible for the shooting – because Pyongyang, while expressing perfunctory regret, blamed Seoul and refused to let a Southern investigation team visit the site. The ROK responded by suspending all tourism to Mt. Kumgang; the DPRK riposted by threatening to expel "unnecessary" Southern personnel who were keeping the resort facilities ticking over, many of whom duly left. As of early October, the matter remained unresolved, its stalemate a symbol, as well as a major cause, of the parlous state of inter-Korean ties more generally.

Could this have been handled differently? Had it occurred on Roh Moo-hyun's watch, would the North have let Southern investigators in? Might Roh have reacted in some way short of suspending all tourism? – which *inter alia* is having a dire effect on the business of Hyundai Asan, which runs the resort. Of course, the shooting and Pyongyang's reaction were appalling.

Yet this was the first such incident in a decade, which for a paranoid militarized regime like the DPRK is quite something. (It also revealed laxity and complacency on-site, in that Ms Park was easily, if not unwittingly, able to cross the fatal barrier. Either the KPA should be less trigger-happy, or fences should be strengthened – as they since have been).

That the South does not see a general safety issue is clear from the fact that Hyundai's newer cross-border day trips to Kaesong city, an ancient capital just north of the Demilitarized Zone (DMZ), are still continuing, unimpeded by either side. These only began last December, but the cumulative total of visitors is expected to surpass 100,000 this month (October 2008).

### **Life is cheap**

One possibility, though no excuse, is that a regime that sees individual lives as expendable genuinely cannot grasp what all the fuss is about. Thus in a little-reported incident a month later, a South Korean barge that had been excavating sand off North Korea's east coast – a reminder that inter-Korean business goes on, even while politics is icy – ploughed into a DPRK fishing boat while sailing home. The boat sank, and two Northerners died. It was two in the morning and the ROK captain admitted his crew was asleep and he was steering solo. Yet after a day's questioning the local KPA authorities let them go home, without penalty or any demand for compensation. Maybe this was an olive branch; if so, it went unnoticed in Seoul.

### **No Olympic cooperation**

The inter-Korean freeze put paid to plans, which come up every four years, for a joint Korean team for the Olympic Games. This has never happened, nor did it this time. In the last two Olympics, in Sydney and Athens, the two Korean teams marched together at the opening ceremony (albeit to the chagrin of many ROK athletes, who did not get to march at all so as to keep the numbers from each side equal since the South sends much larger teams). This time they could not even manage that; each Korea entered the Beijing stadium separately. Nor did the exciting prospect of the first train from Seoul to Beijing in over half a century, carrying a joint cheering squad of supporters, come to pass. This all seems a great pity. In competition, both Koreas performed creditably: the South finished seventh (ahead of Japan) in the final medal tables, while the North ranked 33<sup>rd</sup>.

Off the track, Lee Myung-bak got to shake hands with Kim Yong-nam, the North's titular head of state, at the opening banquet. Apparently they did not talk. They were seated on opposite sides of the same table, but it was too wide for conversation.

Elsewhere, in the interminable qualifiers for soccer's World Cup, North Korea maintained its unsporting and illegal refusal to let South Korea fly its flag or play its anthem when the two were again drawn to play each other in Pyongyang on Sept. 10. Again FIFA allowed the match to be moved to neutral Shanghai. The result, 1-1, was their fourth consecutive draw.

## Kaesong carries on

The suspension of Mt. Kumgang tours did not affect the other major cross-border business project, the Kaesong industrial complex (KIC). As of July 4, the number of Northern workers there topped 30,000, working for 72 Southern (mostly smallish) firms. These employers announced on Aug. 13 that the minimum monthly wage had been raised by 5 percent, from \$52.50 to \$55.13, the second pay rise since the complex opened in 2004. The money is paid to DPRK authorities, so how much actually reaches the workers' pockets is not clear.

Bussing 30,000 workers in and out daily is quite a challenge. (Many cycle; the North will not let new rail lines be used.) On Sept. 21 *Rodong Sinmun*, the DPRK's ruling party daily, attacked "traitor" Lee Myung-bak for opposing plans for a Northern workers' dormitory at the KIC; it accused him of "trying to ruin all business projects in Kaesong." Lee claims that this could lead to industrial unrest. The previous Roh administration had agreed to build the 15,000-bed facility, while a labor shortage is feared if the zone continues to expand as originally envisaged. It is not immediately obvious why such a dormitory should be suspect.

## Seoul continues aid under 6PT

The nuclear Six-Party Talks (6PT), despite a worsening dispute over verification issues, did at least provide a context for the two Koreas to meet. They did so, at the North's request, at Panmunjom on Sept. 19 to discuss energy-related aid being sent by the South under the 6PT. Though no agreement was reached, later reports that South Korea may suspend deliveries – specifically of 4,000 tons of steel pipes – appeared premature. Meeting in New York on Sept. 22 for the UN General Assembly, Foreign Minister Yu Myung-hwan and U.S. Secretary of State Condoleezza Rice decided to continue aid to the North, for now.

Days later, North Korea unexpectedly suggested military talks. The first official bilateral contact of the Lee era accordingly took place at Panmunjom on Oct. 2. It was a damp squib. The start was delayed by almost an hour when the North demanded that the media be present throughout with the South protesting that this was not usual. When the meeting eventually began, all the DPRK wanted to do was protest Southern NGOs spreading propaganda leaflets across the DMZ. In an apparent olive branch to Pyongyang, the ROK government duly did ask those concerned to desist – which they robustly declined to do: at least two balloon launches were set to go ahead as planned in October.

## Diplomatic *déjà vu*

One effect of the Kumgang shooting incident was a brief revival of inter-Korean diplomatic competition, as seen 30 years ago in the Non-Aligned Movement (NAM) and elsewhere. It began at the ASEAN Regional Forum (ARF), held in Singapore on July 24. The ARF is the only regional gathering that the DPRK attends regularly. Behind the bonhomie – short-lived, as it turned out – over the recently concluded 6PT plenary, Foreign Minister Pak Ui-chun asked the ARF to press Seoul to fully implement the two summit accords of 2000 and 2007. His ROK equivalent, Yu Myung-hwan, was equally keen to have ARF urge the DPRK to cooperate in investigating the Kumgang shooting. The chairman's draft statement included both Koreas'

demands. Then the ROK protested at the summit references, only to see both this and its own probe demand excised from the final version as if to say: a plague on all Koreans and their pesky rows. So neither side won. The Seoul press demanded Yu's head. With Yu also under pettyminded instructions to cold-shoulder his Japanese opposite number over Dokdo/ Takeshima, this was not ROK diplomacy's finest hour.

### **Honor all accords, not just the two summits**

The battle then moved to Tehran, where the NAM – still going, though it is hard to see why – met July 27-30. This time the ROK – never a full member as the DPRK kept it out, arguing not unreasonably that hosting 20,000-plus U.S. forces constitutes alignment – did manage to get some of its preferred wording into the final cut: calling on the North to honor all inter-Korean accords. The aim and subtext here is to get away from the stance shared by Pyongyang and the last two ROK administrations whereby inter-Korean relations are falsely implied to have only begun with Kim Dae-jung and the 2000 summit.

This of course elides decades of fitful prior contacts, above all the two North-South accords – one general, the other on denuclearization – of late 1991. Neither was ever implemented, as the rise of the first North Korean nuclear crisis soured relations. Resurrecting this now is perfectly fair in theory, but as with its linking inter-Korean progress to denuclearization, one does wonder quite what Lee Myung-bak expects this changed stance will achieve in practice.

### **Human rights: silent no more**

Inter-Korean rapprochement will not be helped by signals from Seoul that it will not stay silent on Pyongyang's human rights abuses. The issue was raised, unprecedentedly, in President Lee's joint statement with President George W Bush, who stopped over briefly in August en route to Beijing. A week later the North refused to let Jay Lefkowitz, Bush's special envoy on DPRK human rights, visit the Kaesong industrial zone from Seoul. Lefkowitz has previously criticized working conditions at the complex.

Or again, in September the ninth Seoul Peace Prize, worth \$200,000, went to Suzanne Scholte, president of the Defense Forum Foundation (DFF), a conservative Washington NGO, for her work raising awareness of North Korean refugees and human rights issues. Previous winners are a diverse bunch: they include Kofi Annan, Vaclav Havel, George Schultz, Juan Antonio Samaranch and Oxfam. Ms. Scholte's sterling work would certainly not have been thus honored in Seoul during the past decade.

### **On Japan, at least, they agree**

August 15, Liberation Day from Japan in 1945, is a holiday in both Koreas. During 2001-06 they celebrated it jointly; not always without incident, as the North sometimes tried to enroll the Southern visitors in overtly pro-DPRK activities. Last year Busan, the ROK's main port and second city, was to play host – but North Korea pulled out at short notice, in protest at upcoming US-ROK military exercises. The latter, now renamed *Ulchi Freedom Guardian*, are an annual event, and Pyongyang's protests are equally routine. Needless to say there was no celebration

this year. Lee Myung-bak used the occasion to renew his call to North Korea to abandon nuclear weapons and resume full-fledged dialogue and economic cooperation with the South, but got short shrift.

But there is one thing Koreans can always agree on. North Korea is as fierce as the South in defending the “Koreanness” of the disputed Dokdo/Takeshima islets. Thus a joint committee for implementing the 2000 summit declaration used the occasion to condemn “the Japanese imperialists’ vicious colonial rule over the Korean nation,” adding that “Japan has not yet admitted the thrice-cursed crimes it committed against the Korean people, but is getting more frantic in distortion of its history of aggression, moves to grab Dokdo islets and political suppression of Koreans in Japan.” At other times, however, Northern media attacked Lee Myung-bak for allegedly kowtowing to Tokyo.

### **How hungry?**

It now looks as if the whole of 2008 will pass without South Korea giving any official food aid to the North. The half-million tons of grain which Seoul has sent – nominally as a loan – in most recent years was, in effect, substituted by the similar amount donated by the U.S. at an earlier, happier stage in the 6PT process. In August, WFP directly asked Seoul to give a modest \$60 million worth, but even this has not happened, despite the ROK’s professed willingness to provide. No doubt both Koreas find it hard to swallow their pride.

### **A Northern Mata Hari reveals all**

On Sept. 9 Won Jeong-hwa, 34, a North Korean defector, pleaded guilty to being a DPRK agent. Over five years since arriving in Seoul she had slept with at least four army officers, passing secrets thus obtained back to Pyongyang. On Oct. 1 prosecutors sought a five-year jail term; sentencing is due on Oct. 15. This trial is the first of its kind for a decade, a lacuna that conservatives claim is no accident as they accuse the last two presidents, Kim Dae-jung (1998-2003) and Roh Moo-hyun (2003-08) of playing down North Korean espionage so as not to jeopardize the “sunshine” policy. Likewise, the National Intelligence Service (NIS) was discouraged from pursuing the North’s malefactions, so jeopardizing national security.

There may well be some truth in this; just as, elsewhere, new school textbooks published in the past decade have swung from the old excoriation to a nationalist stance that forgives or whitewashes North Korea across the board. Finding a better balance is one thing, but the fear is that Lee Myung-bak, or some around him, will try to put the clocks back entirely. The NIS is heavily, perhaps fatally, compromised by its origins under the military dictators who ruled from 1961 to 1987, when, as the agency now admits, its predecessor the KCIA tortured and killed innocent democrats whom it falsely painted as pro-North.

## **Turning the clocks back**

Against that background, there are some worrying signs. On Aug. 26 police arrested Oh Se-cheol, former dean of the business school at prestigious Yonsei university, along with six other members of the Socialist Workers League of Korea (SWLK), for denouncing liberal capitalism: apparently a crime under the catch-all National Security Law (NSL), which dates back to the era of dictatorship and is long overdue for repeal (Roh Moo-hyun tried to, but failed). As Trotskyists, the SWLK are no friends to North Korea, which they denounce just as strongly as capitalism. Fortunately a court threw out the arrest warrant, noting that “no evidence shows that the group damaged society with fatal ideas.”

## **Rewriting history**

Again, in an unprecedented request on Sept. 6 the Defense Ministry (MND) formally asked the education ministry to revise 25 chapters of the current high school modern history texts. Regarding the military dictator Chun Doo-hwan, who seized power in 1979 and perpetrated the 1980 Kwangju massacre, MND wants the phrase that Chun “staged oppressive politics based on military power” replaced by “was forced to take several measures to curb activities of some left-wing groups, who, under the name of democracy, were friendly toward North Korea.” That is an odd way to describe the death sentence imposed on the democrat Kim Dae-jung – who ironically later pardoned Chun after he in turn was sentenced to death, on less trumped-up charges, in 1996. Balance is one thing, but this move seems ominous.

Separately, MND has a list of banned books that conscripts must not read. These include *Bad Samaritans*, a popular critique of the “Washington consensus” on development by Ha-Joon Chang, a well-known Korean professor at Cambridge whose stance is Keynesian rather than Marxist, far less pro-North. This ban too is ominous, as well as ludicrous and counter-productive: since the list was publicized, sales of this and other banned books have shot up.

On Sept. 27 the Seoul daily *Chosun Ilbo* reported that the National Police Agency (NPA) is monitoring 76 pro-DPRK websites overseas: 31 in the U.S., 19 in Japan, 13 in China, 4 in Germany, and 9 elsewhere. Some cunningly disguise themselves with names such as book center, university, bank, *baduk*, Korean music, and so forth. It is absurd by any standards that South Koreans are denied the freedom to see these mostly risible sites, as they still are.

## **Health warning**

Kim Jong-il’s absence on Sept. 9 from the DPRK’s 60<sup>th</sup> anniversary parade started rumors about his health around the globe – in Seoul by no means least. That is understandable, if again unhelpful in the context of trying to kick-start dialogue. Both the ROK government and NGOs returning from Pyongyang warned against intelligence leaks and excessive speculation, for fear that these would simply infuriate the North.

## **Gas or hot air?**

The end of the quarter found Lee Myung-bak on a state visit to Russia. On Sept. 29 he agreed with Russian President Dmitry Medvedev to link the inter-Korean and trans-Siberian railways, and to build a gas pipeline from Russia to South Korea via North Korea. Both are good ideas, which as Lee said would help South Korea cut its logistics costs. The gas project – only a memorandum of understanding (MOU), at this stage, between Kogas and Gazprom – envisages Seoul importing gas worth \$3 billion annually over 30 years, starting in 2015.

There is just one small problem. It is not South Korea that has a border with Russia. Lee airily told reporters that the benefits, especially from the pipeline, will be too attractive for North Korea to ignore. This suggests, alas, that he neither knows his history, nor has he learned the lessons of the failure of his approach to the North thus far.

The pipeline idea goes back two decades. The first to push for this was the late Chung Ju-yung, founder of the Hyundai conglomerate, on his pioneering first visit to North Korea in 1989. Yet not even the formidable Chung, well-connected in all three capitals, could make this happen. In those days South Korea too had cold feet – but basically the North Koreans were not interested, even in a project that could have earned them a handsome rent as well as providing badly needed energy, all at little cost or risk to their system.

Will it be different now? Kim Jong-il's regime may be in dire economic straits but it still has its pride. Pyongyang's brusque rejection of Lee's patronizing Vision 3000 plan – his offer to raise average Northern annual income per head to \$3,000 – should have told him how not to handle the North. It is the same technocratic arrogance that has seen his popularity plummet at home. Lee knows what is best for everyone, and expects them just to tag along. But politics does not work like that anywhere, least of all with prickly North Korea: not a regime that follows anyone, meekly or otherwise, nor much given to picking the sensible business option. At this writing the North had yet to comment on Lee's gas idea, so we shall see.

## **Slow train**

As for the railway, wheels are already in motion. In Moscow's first major investment in the DPRK for 20 years – \$8 billion in unpaid Soviet-era debts remains a disincentive – Russian Railways signed a deal in April to renovate the track from Russia's border town of Khasan to North Korea's Rajin port, where a container port will be built with an eye to South Korean cargo. Negotiations over that 30 miles of track took seven years. With the North's wider rail infrastructure falling to pieces – modernizing it will cost at least \$2 billion – no one should expect to catch a fast train from Seoul to Scotland any time soon. Physically, the journey is already feasible; but politically, despite all the excitement in Seoul last year over relinking cross-border railways (much rhetoric about healing the nation's severed arteries) in practice, North Korea was markedly reluctant to let the new lines actually be used – even to please the more sympathetic former Roh Moo-hyun administration.

## **Business? What business?**

Some of the best reporting on Korea in recent years has come from the *Los Angeles Times'* Barbara Demick. Her prizewinning masterpiece, a reconstruction from defector interviews of how the 1996-98 famine hit the northeastern city of Chongjin, forms the basis of a book due out next March – which hopefully will get neanderthal right wing bloggers (plus the likes of Hugh Hewitt, who should know better) off her case.

On a recent trip to Pyongyang, Demick noted “a mysterious building boom” and wondered who might be paying for it. Perhaps the South? Writing on Sept. 27, she continued:

...South Korean companies and individuals have mostly ignored the political chill. Among the biggest players here are a unit of the Hyundai conglomerate, which operates the resort where the shooting occurred, and companies affiliated with the Rev. Sun Myung Moon's Unification Church, which also runs a car assembly plant in North Korea. The church last year completed work on what it calls the World Peace Center, behind the Potonggang Hotel, also owned by church affiliates.

But this misleads, on two counts. First, the Hyundai that is losing money at the still closed Kumgang resort is no longer related to mighty namesakes like Hyundai Motor or Hyundai Heavy Industries (HHI), the world's largest shipbuilder. The empire built by Chung Ju-yung has splintered since his death in 2001. Internecine strife among his many sons is one reason, but another – not unrelated – is that most wanted nothing to do with their father's Northern adventure, seeing this as a license to lose money. The sole exception, Chung Mong-hun (his father's favorite), inherited the poisoned chalice – and killed himself two years later, under investigation over illicit financial transfers to Pyongyang. His widow now runs what is left of this rump of Hyundai, not helped by the North's tough line on the July shooting incident.

## **Most *chaebol* steer well clear**

The other misleading note is that Hyundai Asan and the Unification Church are not “among the biggest players.” Rather, they are the only ROK firms of any size active in the DPRK. None of the other *chaebol* – Samsung (by far the biggest), LG, Lotte, Hanwha, Hanjin et al – has ever dipped more than a toe in the water. The reason is simple: all have seen Hyundai taken to the cleaners and are steering well clear. The contrast with Taiwanese firms in China is striking. One wonders if Kim Jong-il, or his successor, will ever grasp that fleecing the few willing to take the plunge is no recipe for either partnership or long-run success. (As for the “Moonies” – an intriguing and ironic presence, given Rev. Moon's original expulsion from the DPRK and decades of staunch anti-communism – they are not in it for the money.)

## **Signs of a thaw?**

As a new quarter began, there were signs of a thaw. Thus Unification Minister Kim Ha-joong said he hoped Kumgang tourism could resume in time for its 10th anniversary in November. His basis for this was not clear, but perhaps the two sides are weary of sniping and ready to bury the

hatchet. If so, the timing looks hardly propitious in view of the state of the 6PT and Lee Myung-bak's insistence hitherto on denuclearization progress as a precondition.

Whatever "sunshine's" faults, it is hard to see this year as an improvement. Former President Roh Moo-hyun, while clearly not a neutral party, put it eloquently. Leaving his rural retirement retreat for the first time to come to Seoul for the first anniversary of his summit with Kim Jong-il (Unification Minister Kim was too busy to attend), Roh protested that the agreement he signed has been "abandoned. ... I hoped it would be thick with leaves and bear fruit one year later, but now the tree is shriveling." It is difficult to disagree. Some rethinking in both Korean capitals is surely overdue; we shall see if it is forthcoming.

### **Chronology of North Korea-South Korea Relations** **July-September 2008**

**July 1, 2008:** Sources in Seoul say the International Olympic Committee (IOC) has asked both Koreas that their athletes march together during the opening and closing ceremonies at the Summer Olympics in Beijing.

**July 3, 2008:** The DPRK's Committee for the Peaceful Reunification of the Fatherland (CPRF) denounces the ROK for officially commemorating the sixth anniversary of what it now dubs the "Second Yeonpyeong Naval Battle" on June 29, calling this a provocation. six ROK sailors died in a border clash when fired on by DPRK vessels.

**July 6, 2008:** In Seoul, UN Secretary-General Ban Ki-moon – a former ROK foreign minister – offers to play "a facilitator role" in improving inter-Korean relations.

**July 6, 2008:** The Associated Press (AP) reports that 100,000 or more South Koreans were killed in hurried mass executions in mid-1950 early in the Korean War by ROK authorities, who feared southern leftists might help the invading DPRK troops. The ROK's official Truth and Reconciliation Commission (TRC) is investigating this, including a possible U.S. role. The TRC estimates that 7,000 were summarily killed by military and civil police in Daejeon city alone, where an ex-prison guard has testified that all prisoners sentenced to 10 years or more were trucked off to the killing fields.

**July 7, 2008:** President Lee Myung-bak reiterates his willingness to meet DPRK leader Kim Jong-il any time, if this will help end North Korea's nuclear programs.

**July 8, 2008:** The Kaesong Industrial District Management Committee reports that as of July 4 the number of DPRK workers in the zone topped 30,000, hired by 72 ROK firms. Cumulative output in the zone since 2004 was worth \$374 million as of end-May.

**July 8, 2008:** Good Friends, a leading ROK Buddhist NGO, claims half a million North Koreans will starve to death by September absent immediate food aid from the South.

**July 10, 2008:** Six-Party Talks on the North Korean nuclear issue resume in Beijing, after a hiatus of nine months.

**July 10, 2008:** In a meeting at Panmunjom, North Korea protests upcoming US-ROK war games. Each side also accuses the other of violations within the truce village: Northern soldiers allegedly overturned tables while Southern tourists were visiting, while the KPA accused Southern troops of provoking them with angry stares.

**July 11, 2008:** A KPA soldier shoots dead a middle-aged female Southern tourist at Mt. Kumgang, Park Wang-ja, who apparently strayed into a restricted area on a pre-dawn walk. Seoul at once suspends tourism to the resort pending an investigation. The DPRK expresses regret, but refuses to apologize or allow entry to an official ROK enquiry team.

**July 11, 2008:** President Lee goes ahead with a planned speech to the new ROK National Assembly; saying that “full dialogue between the two Koreas must resume,” including on how to implement the summit accords of both 2000 and 2007 as well as the never-realized 1991 inter-Korean basic agreement. He also offers humanitarian aid.

**July 12, 2008:** The Guidance Bureau for Comprehensive Development of Scenic Spots, which oversees the North’s tourism business, says that the DPRK regrets the death of Park Wang-ja, but responsibility rests entirely with the South.

**July 12, 2008:** The Six-Party Talks in Beijing conclude with a six-point agreement. North Korea undertakes to fully disable its Yongbyon reactor by October, while other parties will complete delivery of energy aid by the same date. Details are to be finalized in working-level discussions.

**July 13, 2008:** *Rodong Sinmun*, daily paper of the DPRK’s ruling Workers’ Party of Korea (WPK), dismisses President Lee’s call to resume inter-Korean dialogue as “nothing new.” It accuses Lee of evasiveness in “mingling all the past agreements together,” rather than specifically endorsing and prioritizing the two summit accords of 2000 and 2007.

**July 15, 2008:** A propos the ROK navy’s participation in the ongoing *RIMPAC* multilateral maritime exercises off Hawaii, *Rodong Sinmun* accuses South Korea of seeking a “triangular military alliance” with the U.S. and Japan and warns of “catastrophic consequences.”

**July 18, 2008:** The DPRK’s Korean National Peace Committee calls the just-announced *Ulji Freedom Guardian* joint US-ROK exercises, to be held August 18-22, “an open declaration of confrontation” by the U.S. “warmongers” and South Korean “puppet forces”.

**July 19, 2008:** The North Korean website Uriminzokkiri denounces Tokyo’s renewed claim to the disputed Dokdo/ Takeshima islets, but blames Lee Myung-bak for ingratiating himself with the “mortal enemy”, claiming that “Lee has paid a tribute to the Jap King (sic), calling him ‘Tenno (The Lord of Heaven).’”

**July 20, 2008:** *Tongil Sinbo*, the North's weekly covering the South, says that Lee Myung-bak's July 11 address contained nothing new, but clearly revealed his confrontational stance towards the North. It demands that he clarify his position on the two inter-Korean summits.

**July 23, 2008:** At informal six-party meetings ahead of the Asean Regional Forum (ARF) in Singapore, ROK Foreign Minister Yu Myung-hwan reiterates Seoul's demand for a full joint investigation into the tourist incident to his DPRK equivalent, Pak Ui-chun. Yu also raises the issue a day earlier at the 'ASEAN + 3' (China, Japan, ROK) foreign ministers' meeting. For the North, Pak calls on the South to endorse the two inter-Korean summit declarations. Harried by both sides, the eventual chairman's statement deletes all references to Korea.

**July 24, 2008:** After ROK Defense Minister Lee Sang-hee calls the DPRK a "present enemy" on July 21, the North's Korean Central Broadcasting Station (KCBS) threatens the South with an unspecified "tougher counter-measure" for this "unpardonable provocation".

**July 27-30, 2008:** Diplomatic dueling continues at the Non-Aligned Movement (NAM) ministerial meeting in Tehran. The DPRK is a member, the ROK only an observer. Seoul is satisfied that the final declaration reflects much of its own position, specifically on honoring all inter-Korean agreements (and not only the two summits of the past decade).

**July 31, 2008:** South Korea's Unification Ministry (MOU) announces that President Lee's policy towards the North will officially be known as "coexistence and coprosperity." Critics complain of a lack of hard detail, while Pyongyang dismisses this as nothing new.

**Aug. 1, 2008:** An ROK firearms expert says forensic evidence suggests that Park Wang-ja may not have been fleeing when fatally shot. Denied access to the North, an 8-member team conducts a 2-day simulation of the incident on South Korea's east coast.

**Aug. 1, 2008:** In its first official comment, the ROK Defense Ministry (MND) denounces the KPA's shooting of Ms. Park, an unarmed civilian, as violating both humanitarian principle and international law.

**Aug. 3, 2008:** The (North) Korean People's Army (KPA) unit at Mt. Kumgang issues a "special statement in connection with the unsavory incident ... on July 11." Besides giving the North's version of events, this lambastes the "south Korean puppets" for their "reckless racket" and threatens to expel "unnecessary" South Koreans from the mountain resort.

**Aug. 4, 2008:** Chung Mong-joon, head of the (South) Korean Football Association – also a ruling party MP, presidential hopeful, Hyundai scion (shipbuilding) and Korea's richest man – says North Korea will again try to shift an upcoming soccer World Cup qualifying match with the South on Sept. 10 to a third country venue, as happened in March, rather than let the ROK fly its flag and play its national anthem in Pyongyang as FIFA regulations require.

**Aug. 5, 2008:** South Korea says it has given up trying for a joint march of both Koreas' athletes into the Beijing Olympic stadium, as in Sydney in 2000 and Athens in 2004. More ambitious

plans, for a single team and joint cheering squad, had already foundered over the North's refusal to discuss details since the change of government in Seoul.

**Aug. 6, 2008:** In Seoul, President Lee and the visiting U.S. President George W Bush jointly urge North Korea to improve human rights and immediately complete denuclearization as a prerequisite for normalizing relations. This is the first such joint pressure on human rights.

**Aug. 7, 2008:** MOU reveals that Pyongyang has refused to let Jay Lefkowitz, President Bush's special envoy on DPRK human rights, visit the Kaesong industrial zone from Seoul on Aug. 13. Lefkowitz has previously criticized working conditions at the complex.

**Aug. 8, 2008:** President Lee briefly meets the DPRK titular head of state, Kim Yong-nam, at a banquet marking the opening of the Olympic Games. They shake hands, and are seated diagonally opposite one another at a large table. It appears that they do not converse.

**Aug. 8, 2008:** MOU reports delivery of 600 tons of steel bars as part of South Korean energy assistance to the North under the 6PT. This brings cumulative ROK aid to 124,000 tons of heavy fuel oil (HFO) or its equivalent.

**Aug. 8, 2008:** The South returns the body of a KPA second lieutenant, found in the Imjin River last month, to the North's military mission at Panmunjom.

**Aug. 9, 2008:** The KPA's Mt. Kumgang unit notifies Seoul that it will implement its threat of a week earlier, and start expelling ROK officials the next day (Aug. 10). Some 20 South Koreans depart by Aug. 12, leaving over 140 still there to manage the resort.

**Aug. 13, 2008:** North Korea criticizes the captain of a South Korean barge, sailing for home after excavating sand (with permission) off the DPRK east coast, for a collision the previous night which sank a Northern fishing boat, killing two crew. The local KPA nonetheless lets the ROK vessel or crew go without any punishment, since this was an accident and at night.

**Aug. 13, 2008:** A spokesman for the 72 ROK companies in the Kaesong industrial zone says the minimum monthly wage for their 30,000 DPRK employees has been raised by 5 per cent, from \$52.50 to \$55.13. This is the second pay rise since the complex opened in 2004. The money is paid to DPRK authorities, so how much reaches the workers' pockets is not clear.

**Aug. 15, 2008:** President Lee marks Liberation Day – from Japan in 1945; a holiday in both Koreas, jointly celebrated from 2001 until 2006 – by renewing his call to North Korea to abandon nuclear weapons and resume full-fledged dialogue and economic cooperation with the South. There is no immediate response from Pyongyang.

**Aug. 15, 2008:** The North, South, and Overseas Side Committees for Implementing the June 15 [2000 inter-Korean summit] Joint Declaration issue a joint statement on "the Japanese imperialists' vicious colonial rule over the Korean nation," saying that "Japan has not yet admitted the thrice-cursed crimes it committed against the Korean people, but is getting more

frantic in distortion of its history of aggression, moves to grab Dokdo islets and political suppression of Koreans in Japan.”

**Aug. 18, 2008:** MOU reveals that North Korea has demanded further personnel cuts at Mt. Kumgang, down to 200 by Aug. 20. This will reduce the non-DPRK workforce from 536 (of whom 114 are South Korean) to 199: 74 from the ROK and 125 “necessary” other nationals.

**Aug. 18, 2008:** Both the KPA’s Panmunjom mission and the DPRK Committee for Peaceful Reunification of the Fatherland (CPRF) denounce the annual *Ulji Freedom Guardian* joint U.S.-ROK wargames, on the day these begin. *Minju Joson*, the DPRK cabinet’s daily paper, comments next day: “This shows what Lee [Myung-bak] means by ‘dialogue’ and ‘peace.’”

**Aug. 18, 2008:** As part of *Ulji Freedom Guardian*, the ROK holds a Cabinet meeting in an underground bunker. President Lee says South Korea must remain prepared in case of conflict. On Aug. 24 DPRK media denounce this as “unpardonable wild words of war.”

**Aug. 19, 2008:** Lim Tae-hee, chief policymaker of South Korea’s ruling Grand National Party (GNP), says that North Korea might have sent a representative to President Lee’s inauguration if it had received a special invitation, rather than the same ordinary invitation as sent to other countries. This hint was ignored, and the North duly stayed away.

**Aug. 22, 2008:** The DPRK’s front Social Democratic Party (SDP) and the ROK’s hard-left Democratic Labor Party (DLP) jointly denounce Tokyo’s claim to the Dokdo islets as well as its persecution of Chongryon, the organization of pro-North Koreans in Japan.

**Aug. 23, 2008:** The UN World Food Program (WFP) says that while North Korea’s food shortage is not at the famine level of a decade ago, aid from South Korea is essential. Earlier WFP asked Seoul to contribute food worth \$60 million.

**Aug. 25, 2008:** President Lee urges Chinese president Hu Jintao, on a visit to Seoul, to stop repatriating North Korean defectors from China. Hu’s response is not recorded.

**Aug. 26, 2008:** The DPRK announces that as of Aug. 14 it has stopped disabling its nuclear facilities at Yongbyon.

**Aug. 26, 2008:** MOU announces that the official English name for the new administration’s approach to North Korea is “the policy of mutual benefits and common prosperity.”

**Aug. 26, 2008:** MOU reports 1,744 North Korean defectors reached the South in the first half of this year, up 41.7 percent from 1,230 during the same period last year, and more than double the 2006 first-half figure of 869. At this rate, the total for 2008 will top 3,000 for the first time.

**Aug. 26, 2008:** Seoul warns that DPRK defectors who seek refugee status again in a third country, having already obtained ROK citizenship, may face criminal punishment. Last year some 130 North Koreans in this position were granted political asylum in the UK alone.

**Aug. 27, 2008:** South Korean prosecutors say they have arrested a female North Korean spy, Won Jeong-hwa, who posed as a defector and allegedly used sexual favors to gain sensitive information from South Korean military officers.

**Aug. 29, 2008:** The DPRK Red Cross ridicules the ROK's recent holding of luncheons to console elderly members of separated families as "a clumsy trick and a burlesque." Family reunions have been suspended since last November, owing to the current political freeze. In 16 such reunions since the June 2000 summit, 16,212 family members have briefly met their relatives. A further 3,748, mostly too weak to travel, have been reunited for a few hours via real-time video links since August 2005. Over 90,000 South Koreans are on a waiting list.

**Aug. 28, 2008:** To some surprise, the ROK defense ministry (MND) says it will not formally label the DPRK as an enemy in its next biennial White Paper. The two previous liberal administrations had drawn conservative flak for dropping this tag. MND adds that it will, however, emphasize the "very substantial and present threats" posed by North Korea.

**Sept. 1, 2008:** The South returns two North Koreans whose small boat had drifted into ROK waters, handing them over to DPRK authorities at sea at the Northern Limit Line (NLL): the de facto western marine border, which Pyongyang does not officially recognize. In a similar incident two days later, two young North Korean women whose boat also drifted into Southern waters are returned, this time via Panmunjom (and presumably sans boat).

**Sept. 3, 2008:** The ROK Foreign Ministry, MOFAT, formally protests (in mild terms) the DPRK's efforts to restore its Yongbyon nuclear site.

**Sept. 3, 2008:** The DPRK's Committee for the Peaceful Reunification of the Fatherland (CPRF) says that Won Jeong-hwa is a convicted criminal who fled to South Korea after being caught in scams and stealing. It accuses the ROK of fabricating the spy case.

**Sept. 3, 2008:** The ninth Seoul Peace Prize, worth \$200,000, is awarded to Suzanne Scholte, president of the Defense Forum Foundation (DFF), a conservative Washington NGO, for her work raising awareness of North Korean refugees and human rights issues.

**Sept. 4, 2008:** *Yonhap* reports a police survey finding that 1,687 Northern defectors, or 20 percent of the total arrivals of 8,885 (1998 – Jan. 2007), have criminal records in the South. Over half of these, or 10 percent of all defectors, committed murder, robbery, or assault. Other surveys find that nearly a quarter have been swindled financially in the ROK, while over 60 percent feel discriminated against at work and distrustful toward South Koreans.

**Sept. 9, 2008:** Kim Jong-il misses a military parade (itself scaled down) in Pyongyang for the DPRK's 60<sup>th</sup> founding anniversary. He is rumored to be ill, and to have suffered a stroke in August. North Koreans deny that anything is amiss; but Kim fails to reappear throughout September and through early October, so speculation continues.

**Sept. 5, 2008:** A German lawmaker visiting Pyongyang says that North Korea is waiting for "strong signals" from Seoul before resuming dialogue. Hartmut Koschyk, chairman of the

Germany-DPRK parliamentary group, quotes the North's titular head of state, Kim Jong-nam, as telling him that "inter-Korean relations depend on how South Korea acts."

**Sept. 7, 2008:** WFP director Jean-Pierre de Margerie tells Yonhap that Pyongyang would not reject food aid from Seoul despite the current political chill, at this "very dire period in terms of food security."

**Sept. 7, 2008:** A report by Hyundai Research Institute claims that inter-Korean cooperation has generated \$27.6 billion in economic gains for South Korea since the 2000 summit. This includes \$7.7 billion saved in interest payments as eased tensions raised sovereign credit ratings, and \$18.1 billion from reduced defense spending. Less nebulously, the Kaesong and Kumgang projects have created \$1.62 billion in employment and investment in the ROK.

**Sept. 16, 2008:** A government source says South Korea will deliver energy assistance due under the Six-Party Talks (6PT), despite the North's recent nuclear backtracking.

**Sept. 17, 2008:** South Korea repatriates via Panmunjom the body of a drowned KPA soldier, found in the Imjin River (which flows from North to South) on Sept. 2.

**Sept. 19, 2008:** Nuclear delegations from each Korea hold their first meeting in two months at Panmunjom, at the North's instigation, to discuss energy aid under the 6PT. No progress is made. Hyon Hak-bon of the DPRK Foreign Ministry criticizes U.S. verification demands, and dismisses reports that Kim Jong-il is unwell as "the mere sophistry of bad people who do not want our country to fare well."

**Sept. 20, 2008:** Seoul allows the first civic visits to the North since July's shooting incident. 136 members of the Korean Sharing Movement, plus a dozen journalists, fly to Pyongyang by chartered plane to monitor aid projects, while the Korean Confederation of Trade Unions (KCTU), the more militant of the country's two umbrella labor groups, sends a 13-member delegation on a five-day visit.

**Sept. 21, 2008:** *Rodong Sinmun* attacks "traitor" Lee Myung-bak for opposing plans for a Northern workers' dormitory at the Kaesong industrial complex, and accuses him of "trying to ruin all business projects in Kaesong." Lee claims this could lead to industrial unrest.

**Sept. 22, 2008:** 96 members of the (ROK) Catholic Priests' Association for Justice fly to Pyongyang to hold a special mass. A day later, 15 Southern pro-unification activists go to the North to discuss ways to enhance exchanges with their Northern counterparts.

**Sept. 22, 2008:** *Radio Pyongyang* reports that U.N. Secretary-General Ban Ki-moon sent congratulations to Kim Jong-il for the DPRK's 60th anniversary. This is the first time that North Korean media have directly named Ban, a former ROK foreign minister.

**Sept. 25, 2008:** Foreign Minister Yu Myung-hwan says Seoul will take no immediate retaliation in regard to the DPRK's nuclear recidivism. He warns next day, however, that "the North's denuclearization has returned to the starting point, back to square one."

**Sept. 26, 2008:** North Korea unexpectedly proposes working-level inter-Korean military talks four days hence, on Sept. 30. The South suggests Oct. 2 instead; the North accepts.

**Sept. 26, 2008:** The North's Democratic Front for the Reunification of the Fatherland (DFRF) attacks the ROK's decision to create a special panel on DPRK human rights as "a vicious profanity of our dignity and system and another unpardonable provocation."

**Sept. 27, 2008:** Defense Minister Lee Sang-hee tells a forum in Seoul that the DPRK is a grave threat to regional security, as it "maintains a vast military and forward deploys more than 70 percent of its ground forces. It stands ready to mount a surprise attack any time."

**Sept. 27, 2008:** *Chosun Ilbo* reports that the ROK National Police Agency (NPA) is watching 76 pro-DPRK websites overseas: 31 in the US, 19 in Japan, 13 in China, 4 in Germany, and 9 elsewhere. Some cunningly disguise themselves with names like book center, university, bank, *baduk*, Korean music, and so forth.

**Sept. 27, 2008:** Police and intelligence agents raid the Seoul HQ of an NGO, Solidarity for Practice of the South-North Joint Declaration, accused of being pro-North in violation of the National Security Law (NSL). Materials are confiscated, and seven members arrested.

**Sept. 27, 2008:** Foreign Minister Yu reiterates that the South will only "actively pursue economic cooperation with North Korea when the second phase [of nuclear disarmament] is completed in an irreversible way."

**Sept. 29, 2008:** Former WPK secretary Hwang Jang-yop, 85, still the highest level DPRK defector ever, tells Seoul lawmakers that Kim Jong-il's illness is unimportant: "Anyone ... can govern" North Korea, and even "Kim's death will never lead to its collapse." Hwang also calls the disabling of Yongbyon "a fake gesture," since the DPRK has nuclear weapons.

**Sept. 29, 2008:** In Moscow, President Lee and Russian President Dmitry Medvedev agree to link the inter-Korean and trans-Siberian railways, and to build a gas pipeline from Russia to South Korea via North Korea. It is unclear if Pyongyang was consulted about any of this.

**Sept. 29, 2008:** Jin Yeong, a lawmaker of the ROK ruling Grand National Party (GNP), says the Kim Dae-jung and Roh Moo-hyun governments gave or loaned the DPRK Won2.7 and 5.7 trillion respectively (about \$8 billion in total). The 'loan' component, such as rice aid where repayment is nominally due to start from 2010, may well be irrecoverable.

**Sept. 30, 2008:** U.S. Assistant Secretary of State and Chief Delegate to the Six-Party Talks Christopher Hill arrives in Seoul to consult with his ROK counterpart Kim Sook. He goes on to Pyongyang by car next day, via the DMZ.

**Sept. 30, 2008:** *JoongAng Ilbo* says the ROK is negotiating with Mongolia and Thailand to accommodate DPRK refugees – but is failing to persuade China to change its stance of regarding all border-crossers as economic migrants and repatriating them.

**Oct. 1, 2008:** The North Korean website Uriminzokkiri calls Suh Jae-jean, new head of the Korean Institute for National Unification (KINU: South Korea's official think tank on the North, under the MOU), an “extremely vicious … anti-DPRK hysterical.” Suh recently told a university forum that dialogue with an “abnormal and wrong regime” like the DPRK is worthless, and that reports that Kim Jong-il is ailing had brought reunification closer.

**Oct. 1, 2008:** In his first public appearance since leaving office in February, ex-President Roh Moo-hyun tells an unofficial meeting in Seoul, ahead of the first anniversary of his summit with Kim Jong-il, that the agreement he signed has been “abandoned … I hoped it would be thick with leaves and bear fruit one year later, but now the tree is shriveling.”

**Oct. 2, 2008:** The first inter-Korean military talks in eight months – also the first official bilateral North-South dialogue of Lee Myung-bak’s presidency – are held at Panmunjom, but are brief and make little headway. The DPRK called the meeting to protest at ROK NGOs spreading propaganda leaflets across the DMZ. The start is delayed almost an hour when the North demands that media be present throughout; the South protests that this is not usual.

**Oct. 2, 2008:** Some 40 lawmakers of South Korea’s center-left main opposition Democratic Party (DP) visit the Kaesong industrial zone. DP chairman Chung Sye-kyun is photographed being given a flu injection by a North Korean nurse at the complex. Chung calls for talks between the two sides’ parliamentarians as a way to thaw the current inter-Korean ice.

**Oct. 5, 2008:** Lee Jeong-hyun, a lawmaker of South Korea’s ruling Grand National Party, says the Unification Ministry has admitted – having at first denied – that 62 counterfeit US banknotes (all but one \$100 bills) were found circulating at Mt. Kumgang during 2005-07. MOU and Hyundai Asan both profess to believe that Southern tourists brought them in.

**Oct. 5, 2008:** Another GNP lawmaker, Hong Jung-wook, claims there are critical loopholes in ROK contingency planning. Specifically, President Lee was not told about the Kumgang shooting incident for several hours, leaving him no time to amend his Jul. 11 address.

**Oct. 7, 2008:** A multi-faith group of South Korean Christians and Buddhists, led by Ven. Bomnyun of the Buddhist relief group Good Friends, hands Unification Minister Kim Ha-joong a petition with over a million signatures calling for urgent food aid to the North.

**Oct. 7, 2008:** Unification Minister Kim Ha-joong tells the ROK National Assembly that he hopes tourism to Mt. Kumgang can resume “as soon as possible” and at all events in time for the 10<sup>th</sup> anniversary of such tours on Nov. 8.

**Oct. 8, 2008:** Following North Korea’s Oct. 2 complaint, MOU asks Southern civic groups to refrain from sending leaflets across the DMZ by balloon. Two such groups immediately say they will ignore this and go ahead with planned launches.





**China-Korea Relations:**

**Post-Olympic Hangover: New Backdrop for Relations**

**Scott Snyder**  
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The Games of the 29<sup>th</sup> Olympiad had preoccupied Chinese leaders for almost a decade as they sought to utilize it to project to domestic and international audiences China's accomplishments on an international stage. It has framed many issues in Sino-Korean relations, especially given the many resonances between the 1988 Olympics in Seoul and the Beijing Olympics two decades later. But now that the Games are over, Chinese leaders may adopt a different frame for viewing the world and the Korean Peninsula, the details of which have begun to emerge in the "post-Olympics era." President Lee Myung-bak was among the many world leaders who attended the opening ceremonies, while President Hu Jintao returned the visit to Seoul only two weeks later, less than a day after the closing ceremonies in Beijing. In contrast, Kim Jong-il was a no-show not only for the Olympics, but also for the 60<sup>th</sup> anniversary commemoration of the founding of the DPRK on Sept. 9. The Olympics brought with it a surprising undercurrent of popular anti-Korean sentiment in China, most of it stimulated through internet rumors and the attempt by Korean journalists to tape and release a portion of the Olympic opening ceremonies days before the event. This sentiment may suggest that the "Korean wave" (Chinese attraction to Korean pop culture) is receding – or at least that it is accompanied by a strong undertow of backlash among certain segments of Chinese society. On the Korean side, Chinese product safety issues are another drag on the relationship.

**Beijing Olympics and Sino-Korean relations**

The Olympics has first and foremost served as a catalyst and focal point for the promotion of Sino-Korean economic ties. Large Korean companies such as Samsung, a major Olympic sponsor, sought every opportunity to participate in China's massive modernization effort prior to the Games, and South Korea's corporate presence was ubiquitous at the games. A selling point and attraction for some Korean companies to get involved with Beijing's pre-Olympic preparation was South Korea's own experience with hosting the Olympics. Sports and business have been a part of the Sino-South Korean relationship for almost two decades since South Korea provided automobiles and other support to Beijing when it first played host to the Asian Games in 1990, prior to political normalization. Beijing's hosting of the Olympics has contributed to the \$156 billion bilateral trade relationship with South Korea, which is now projected to reach \$200 billion by 2010 instead of the originally projected date of 2012.

South Koreans were pleased with their performances in Beijing, registering a seventh place finish in gold medals (13) and eighth place (31) in the overall medal count. The North Korean

team brought home six medals, including gold medals in women's weightlifting and in the women's vault gymnastics individual competition. Chinese efforts to promote inter-Korean cooperation came to naught: the order of entry at the opening ceremonies was dictated by Chinese stroke order and had the North and South Korean teams entering together, but the North Koreans objected. Efforts to seat President Lee Myung-bak with DPRK President Kim Young Nam at a banquet of state leaders to mark the opening ceremony also came to naught.

News of Olympic success buoyed South Korean sentiment that had been weighed down by economic frustrations and political disillusionment – the Olympics was even attributed as a factor that raised President Lee's popularity ratings back above 30 percent for the first time since the beef crisis last spring. But the Olympics also had some negative effects, including an apparent clash of nationalisms on the internet, where South Koreans became a target for Chinese netizens who felt that South Koreans had impinged on China's national pride. One spillover effect from this "virtual" dispute (to be explored in greater detail below) was that Chinese audiences tended to cheer against Korea in major medal competitions with Japan and other countries. This negative expression toward Korean athletes is notable, given the relatively warm and even-handed reception Chinese audiences were reported to have given to athletes from other nations. Negativity in Sino-South Korean sentiment may have developed as a spillover from the 2006 Winter Asian Games in Changchun, in which South Korean speed skaters received negative attention in the Chinese media for using a medal ceremony to make a political statement about Korean sovereignty over Paekdusan, a mountain that straddles the national territory of China and North Korea.

### **South Korea rising as a Chinese diplomatic priority**

Chinese diplomatic attention to South Korea has intensified with the election of Lee Myung-bak as South Korea's president. Even prior to Lee's inauguration, the two sides exchanged special envoys. China also pushed hard to upgrade the relationship to the status of a "strategic cooperative partnership" during Lee's first visit to Beijing as South Korea's president in May. Thus far, the most significant implication of such a partnership has been the frequency of bilateral top-level meetings in recent months. Chinese and South Korean leaders met on the sidelines of the G8 summit in Hokkaido in early July, on the occasion of the opening ceremonies of the Beijing Olympics, and Hu Jintao made Seoul his first stop following the Olympic closing ceremonies. The frequency of top-level bilateral contacts is not yet matched by tangible diplomatic accomplishments, but the seeds of new developments are visible.

The vibrant economic relationship and expanded grassroots interactions (4 million Koreans visited China and 2 million Chinese visited Korea last year) continue to justify closer political ties. During Hu's visit to Seoul, several economic accords were signed and Lee expressed interest in strengthening investment in energy, communications, finance, and logistics, and sought South Korean participation in China's plans to expand nuclear plant construction. In addition to trade and investment promotion efforts, cooperation accords covered areas including energy conservation, prevention of desertification, and expanded educational cooperation. Meanwhile, bilateral trade continues to grow at double-digit rates, and South Korean investment in China remains strong. The two leaders pledged to "actively consider" negotiation of a bilateral free trade agreement.

The South Korean government pressed to make post-Olympic gains with some apparent success in gaining commitments regarding Chinese handling of North Korean refugees, an issue that China has long resisted in light of concerns about stability and political considerations vis-à-vis North Korea. The issue also drew attention as a result of public demonstrations on the occasion of Hu's visit to Seoul by North Korean refugee groups against China's practice of repatriating North Korean refugees against their will. (A former North Korean refugee in the U.S. also held a solo hunger strike in front of China's Embassy in Washington during the Olympics.)

The oft-made pledges to establish air and naval military hotlines between the two countries were repeated once again, along with pledges to set up senior-level strategic talks between senior foreign ministry officials and to send observers to each other's military exercises. Thus far the pace of political-military cooperation has been gradual and has lagged the level of cooperation in other areas of the relationship.

### **China, Six-Party Talks, and the future of North Korea**

While in Seoul, President Hu supported South Korean efforts to promote co-existence and co-prosperity with North Korea and pledged to work to achieve North Korea's denuclearization through the Six-Party Talks. Although there was no public mention of the subject, one cannot help but wonder whether information might also have been exchanged regarding the health condition of Kim Jong-il, who was subsequently rumored to have experienced a "medical event," a possible stroke, a few weeks prior to that meeting.

Public speculation regarding Kim Jong-il's health was stimulated following his failure to appear at a parade to mark the 60<sup>th</sup> anniversary of the founding of the Democratic People's Republic of Korea (DPRK). Intelligence leaks from various agencies in the U.S. and South Korea revealed that Chinese doctors may have been called to Pyongyang on an emergency basis to treat Kim for his illness. These reports also suggested – without providing a basis for their statements – that Kim was recovering and remained in control.

These rumors stimulated a wave of speculative reporting in South Korea about the future of the North, to the extent that North Korean authorities complained privately that such reports were having a negative impact on inter-Korean relations. Speculative reports also played on popular views in South Korea that China has actively sought to make North Korea into a puppet regime or that prospects for Chinese intervention have grown. Such rumors were not substantiated by the public comments by Chinese scholars, who argued with notable unanimity that the regime would survive even without Kim Jong-il based on the close-knit mutual interests of the collective ruling elite in Pyongyang. More importantly, such rumors are likely to have catalyzed active efforts to promote information sharing and intelligence cooperation between Seoul and Beijing.

The question of China's potential influence on North Korea's political succession process is complex. China has clearly had the greatest direct interaction of any country with Pyongyang's ruling elite. It has carefully stepped up contacts in recent years through its embassy presence and through the careful cultivation of high-level leadership visits, especially in the context of Beijing's convening role in the Six-Party Talks. While Chinese specialists are particularly

reticent to discuss contacts with Kim Jong-il's oldest son Kim Jong-nam – a long-time resident of Macao – one cannot help but note that although he appears to have been discredited given his apparent “exile” status, he is also the Kim family member whom the Chinese must know best and who has the deepest experience with the fruit of Chinese reforms.

Intensified Chinese contact with North Korea’s top leadership does not necessarily translate into greater influence, given the apparent discomfort North Koreans feel with their extensive dependence on China for resources necessary to their survival. Moreover, overt Chinese efforts to shape North Korean succession politics might backfire if any candidate known to have Chinese backing were to fail in his quest for leadership, possibly raising strains in Sino-DPRK relations to higher levels. Thus, China’s most likely option in the event of a political succession in North Korea would be to wait and see who emerges as the frontrunner and then throw support behind the likely winner in any leadership struggle.

Speculation aside, the U.S. has continued in its efforts to harness the support and leverage of the other parties in the six-party process to press North Korea to accept a comprehensive verification protocol as a condition for finally delisting North Korea from the terrorism list as President Bush had pledged to do in late June, when North Korea submitted a limited declaration of its facilities. Much of that effort this quarter occurred in Beijing or in consultation with Chinese authorities. China and South Korea continue to be critical partners in seeking leverage that induces North Korea’s positive response without destabilizing North Korean society.

### **Undercurrents of negative public sentiment in China-South Korea relations**

South Koreans were taken aback by Chinese anti-Korean expressions during the Olympic Games. These expressions are evidence of the growing influence of the internet and its ability to feed emotional nationalism among Chinese netizens. This round of anti-Korean sentiment began back in April following the Olympic torch rally in Seoul. At that time, South Korean emotions were aroused when Chinese students attending the torch relay in Seoul physically confronted anti-Chinese protesters (over Tibet or rights of North Korean refugees). The incident created a minor firestorm of reaction among South Koreans. It also stimulated a vituperative reaction in China fueled by false internet rumors in China that the South Korean government had prosecuted and sentenced a Chinese protestor to a 10-year jail sentence. Shortly thereafter in the aftermath of the Sichuan earthquake, statements were attributed to Koreans that the earthquake was “God’s punishment of China,” further stimulating animosity among Chinese netizens.

Other sources of grievance among Chinese about Koreans revolve around a Korean bid to register a traditional festival (*Dan-o* in Korean and *duanwujie* in Chinese) with UNESCO as a tradition that originated in Korea. In addition, there has also been a dispute between Koreans and Chinese over the origins and marketing of acupuncture and traditional herbal medicine cures as originally “Korean” or “Chinese.” There are indignant reactions in the Chinese-language internet to alleged Korean claims that Confucius and Chinese poet Qu Yuan were actually Korean and not Chinese.

A few days prior to the opening of the Olympic Games, the South Korean TV station *SBS* (*Seoul Broadcasting System*) stimulated further ire among Chinese officials and citizens for taping and

distributing on the internet bootleg copies of portions of a rehearsal for the opening ceremonies, which had been a closely guarded secret in the run-up to the games. This tempest further incited a public backlash against South Korea, setting the stage for a negative Chinese reception to South Korean athletes during the games.

In the real world, some Chinese have pointed out an “ugly Korean” image that has spread as South Korean presence has expanded within China. A tendency among South Korean expatriates (rapidly growing communities of Korean students, retirees, or businessmen) to cluster in certain neighborhoods, behave arrogantly, and the effects of noisy or indiscreet South Korean night-life has extended this image to major cities in China. Some Korean businessmen have left a negative impression for talking big about investment plans, but subsequently failing to deliver on their promises. Many ethnic Koreans from China (*Joseonjok*) who have come to South Korea for economic reasons face different types of discrimination and return to China with a negative feeling about South Korea. The increasing number of Chinese students in South Korea has deepened first-hand experience among Koreans and reaffirmed negative stereotypes regarding Chinese people.

For South Koreans, a major factor shaping images of China is related to product and consumer safety and quality. Chinese-made goods have developed a reputation for poor quality, which extends to Haier’s electronics and kitchen products (“white goods”), in the South Korean market. Those goods have a reputation of breaking down more than Korean-made goods and do not have in place a good after-sales service network inside South Korea. China’s tainted milk-powder scandal also had reverberations in South Korea and led to the recall of six different Chinese-made products, including “Misarang Custard” rice soft cakes, Ritz Bits Cracker Sandwiches Cheese, and “gosohan ssalgwaja” (tasty rice snack). The Korea Food and Drug Administration banned these and other Chinese-made food products containing powdered milk in late September. The scandal has stimulated a push for more stringent product labeling requirements detailing the point of origin for goods sold in the South Korean market.

Prior to Hu Jintao’s August visit to Seoul, a brief dispute over conflicting claims to Ieodo (or Suyan Rock, in Chinese) threatened to boil to the surface as a result of Korean internet protests over the designation of this geographic feature by the China Oceanic Information Network as Chinese territory. The designation of the feature as contested territory soothed Korean sentiment in much the same manner as the situation that developed with the U.S. Board of Geographic Names in the run-up to George W. Bush’s visit to South Korea only weeks earlier. The South Korean government also protested the use of a map that referred to the Sea of Japan by the Beijing Olympics Organizing Committee during the Games’ closing ceremonies.

Negative South Korean images of China have been shaped by the fact that many leading phishing or identity theft rings have operated from Chinese territory, making prosecution and remuneration as a result of theft or fraud nearly impossible for South Korean victims of such swindles. And there have been further cases of industrial espionage involving the leakage of Korean technology to China, with the indictment of executives of the flat-panel display maker BOE-Hydis, a Chinese-invested Korean firm that is alleged to have illegally transferred sensitive information in 2005-2006 to a Chinese manufacturing company named BOE-OT that specialized

in the manufacture of LCD devices. Additional cases involving technology leakage from Chinese-invested firms Ssangyong Motors and Orion PDP are also currently under investigation.

### **Countervailing economic trends and expanded cooperation**

Despite the somewhat surprising and inevitable emergence of mixed and more realistic public perceptions on both sides of the relationship, cultural and economic developments continue to drive opportunities for cooperation and for closer interaction between China and South Korea. The two governments pledged to further promote tourism in anticipation of the World Expos to be held in 2010 in Shanghai Expo and in 2012 at Yeosu (South Korea). A Chinese actress, Yin You Can, was cast as the lead in a Korean musical, "Failan," currently playing in Seoul's main theater district. Korean entertainment companies such as JYP Entertainment are turning to China to seek aspiring next generation pop stars. Elementary schools in South Korea's Kangnam district are reintroducing a requirement to learn at least 900 Chinese characters as part of its primary school curriculum. China has agreed for the first time to send the destroyer *Harbin* to an international fleet review to be held in Busan in October. And the Red Cross Society of China recognized LG, Samsung, and SK for their contributions to victims of the Sichuan earthquake, the only non-Chinese companies other than General Electric to be recognized for their efforts.

As the biggest overseas markets for Korean cosmetics, companies such as Amore Pacific, LG Household & Care, Koreana Cosmetics, and Missha have benefited directly from the popularity of "Korean wave" pop stars to gain a foothold in greater China (including Hong Kong and Taiwan). South Korea's Financial Services Commission is actively marketing investment opportunities in Korean companies to China Investment Corporation, a sovereign wealth fund, in part as a method for offsetting capital outflows from the Korean stock market by Western investors. LG Electronics is considering the sale of its oldest plasma display panel manufacturing line to a Chinese company. China was Hyundai Motors' biggest growth market in the first half of the year, with a 46.9 percent increase in vehicle sales to 165,000. KEPCO has announced that it will invest \$150 million in wind-power development facilities in western China. Shinsegae and Lotte are planning to expand their retail operations to Beijing, and a Korean biotech company RNL Bio Ltd. has announced an investment in the Tiantan Puhua Hospital in Beijing to promote cooperation in development of stem cell technologies.

### **Post-Olympic hangover or emergence of a stable, mature relationship**

The contours of Chinese foreign policy may be shifting now that the Olympics are over. Its leaders face unprecedented domestic challenges and new foreign policy challenges as it looks to the future. The prospect of a North Korean leadership transition and the importance of an effective Sino-South Korean relationship as components of China's strategy in Northeast Asia are unlikely to be underestimated. Whether events in North Korea might promote convergence or divergence between China and South Korea in the longer term remains to be seen.

The bloom is off the rose in terms of Sino-South Korean images of each other. As over 6 million Chinese and South Koreans rub shoulders with each other each year, frictions are bound to arise, especially if China's development blurs complementarities between the two markets and overtakes South Korea in the economic sectors where it has developed core competencies to

produce for the international market. Given the intensity of economic interdependence between China and South Korea, these ties deserve more frequent and intense top-level attention. The economic relationship has had a remarkable growth spurt, but must now develop the political basis for a mature, sustained interaction. Thus far, such developments have not conflicted with South Korea's own political perceptions or regional security objectives. The rise of anti-Korean expressions in China suggests that an emerging future task will be the effective management of the political effects of rising nationalism in both countries.

### **Chronology of China-Korea Relations\*** **July-September 2008**

**July 1, 2008:** South Korean biotech company RNL Bio Ltd. and Tiantan Puhua Hospital in Beijing announce a collaboration to commercialize stem cell technology and research.

**July 8, 2008:** President Lee Myung-bak meets President Hu Jintao on the sidelines of the G8 summit in Toyako, Japan.

**July 23, 2008:** The Korea Electric Power Corporation announces that it will build wind-power facilities worth \$150 million in Neimeng and Gansu provinces in China.

**July 30, 2008:** The Red Cross Society of China recognizes LG, Samsung, and SK for their contributions to help victims of the Sichuan earthquake in May.

**July 31, 2008:** South Korean broadcaster SBS airs a two-minute clip that had been secretly recorded from a rehearsal of the opening ceremony for the Beijing Olympic Games, stimulating sharp criticism in China.

**Aug. 4, 2008:** The Korea Cosmetic Association announces that out of a total of \$304 million in cosmetic exports from Korea, \$157 million were sold in "greater China," including China, Hong Kong, and Taiwan.

**Aug. 7-9, 2008:** DPRK President Kim Young Nam visits China to attend the Beijing Olympic Games and meets senior Chinese officials including President Hu Jintao.

**Aug. 8-9, 2008:** President Lee visits China to attend the Beijing Olympic Games opening ceremony and to hold a bilateral meeting with President Hu Jintao.

**Aug. 13, 2008:** China's Foreign Minister Yang Jiechi visits South Korea and meets his counterpart Yu Myung-hwan to discuss President Hu's visit.

**Aug. 14, 2008:** A *Korea Times-Hankook Ilbo* poll shows that 50.2 percent of respondents chose China as the country likely to have the biggest impact on South Korea, followed by the U.S. at 39.8 percent and Japan with 6.7 percent.

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\* Chronology compiled by Minha Choi

**Aug. 14, 2008:** The Chinese Oceanic Information Network claims that a disputed rock (Ieodo in Korean, or Suyanjiao in Chinese) is Chinese territory.

**Aug. 15, 2008:** The Chinese Oceanic Information Network deletes its territorial claim over the disputed rock that lies between China and South Korea to show that it is contested territory.

**Aug. 24, 2008:** Yin You Can is cast as the lead actress in the production of a South Korean musical, "Failan."

**Aug. 24, 2008:** LG Electronics announces that it is considering selling equipment from its oldest plasma panel manufacturing line to China's Sichuan Changhong Electric Company.

**Aug. 24, 2008:** North Korean defectors in Seoul stage a rally to protest China's repatriation of North Korean refugees on the occasion of President Hu's arrival in South Korea.

**Aug. 24, 2008:** South Korea files a formal protest over China's use of the name "Sea of Japan" on a map displayed at the Beijing Olympic Games closing ceremonies.

**Aug. 24-26, 2008:** Hu Jintao makes his second visit to Seoul as president of the PRC.

**Aug. 28, 2008:** The Seoul Central Prosecutor's Office announces the indictment of two executives of flat-panel display maker BOE-Hydis for passing key technology to a Chinese firm.

**Sept. 1, 2008:** Japan's *Mainichi* newspaper reports that China, Japan, and South Korea have agreed to set up a nuclear energy hotline to quickly inform neighboring countries in the event of a nuclear power plant accident.

**Sept. 16, 2008:** South Korea's Navy announces that the Chinese destroyer *Harbin* will take part in an international fleet review to be held in Busan in October.

**Sept. 17, 2008:** Kangnam district in Seoul announces the reintroduction of a primary school curriculum that will require students to learn 900 Chinese characters prior to graduation.

**Sept. 18, 2008:** South Korea's Food and Drug Administration announces that it will begin inspections of butter imported from China in response to public concern over a scandal involving dairy products made in China.

**Sept. 20, 2008:** Elliana Soleil Snyder is born.

**Sept. 22, 2008:** South Korea's National Police Agency requests South Korean mobile phone providers to have sender's numbers displayed on the receiving device to counter voice phishing calls, which primarily originate from China.

**Sept. 24, 2008:** China seeks agreement to appoint the PRC Ambassador to Malaysia Cheng Yonghua as its new ambassador to the ROK.

**Sept. 25, 2008:** The Korea Food and Drug Administration orders a recall of all biscuit products of two snack companies and bans Chinese-made food products containing powdered milk after finding that the products contained melamine.

**Sept. 28, 2008:** The Korean Coast Guard detains 11 Chinese fishermen who, while engaged in illegal fishing in Korean waters, allegedly killed a patrolling coast guard officer.

**Sept. 30, 2008:** The Korea Food and Drug Administration expands its recall of snack products imported from China to include Ritz Bits Cracker Sandwiches Cheese and “gosohan ssalgwaja” (tasty rice snack) based on additional tests that revealed the presence of higher than normal concentrations of the chemical melamine.





Japan-China Relations:

## The Gyoza Caper: Part II

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The issue of contaminated frozen *gyoza* moved to the bilateral front burner during the quarter. In his meeting with President Hu Jintao on the sidelines of the G8 summit at Lake Toya, Hokkaido and again during the opening ceremonies of the Beijing Olympics, Prime Minister Fukuda Yasuo emphasized the importance of making progress on the six-month old case. Hu promised to accelerate efforts to identify the source of the problem and in mid-September, Japanese media reported that Chinese authorities had detained nine suspects at the Tianyang factory. The commemoration of the end of World War II on Aug. 15 passed quietly with only three Cabinet ministers visiting the Yasukuni Shrine. Meanwhile, joint Japanese and Chinese public opinion polling data revealed markedly different perceptions on the state and future course of the bilateral relationship. In early September, Japan's Ministry of Defense released its *Defense White Paper 2008*, which again expressed concerns about China's military modernization and its lack of transparency. Later in the month, the Maritime Self-Defense Force sighted what was believed to be an unidentified submarine in Japanese territorial waters. Reacting to Japanese media speculation, China's Foreign Ministry denied that the submarine belonged to China's Navy.

### Fukuda-Hu meeting at the G8 summit

On July 9, on the occasion of the G8 summit in Hokkaido, Prime Minister Fukuda Yasuo met President Hu Jintao. With the Six-Party Talks set to resume the following day in Beijing, Fukuda asked for China's assistance in resolving the abductees issue and made clear that without North Korea taking concrete steps to reopen its investigation of the abductees cases, Japan would not be able to take steps to partially remove its sanctions. Hu replied that he wanted to see Japan play a constructive role in the Six-Party Talks and realize the denuclearization of North Korea at an early date. While he understood Japan's concern with the abductees, he hoped Japan and North Korea could resolve their differences.

The two leaders also discussed other issues of mutual concern. First, they agreed to promote the signing a treaty to finalize the agreement on joint development of resources in the East China Sea (See below). Second, they agreed to cooperate in rebuilding post-earthquake Sichuan, with Hu expressing his interest in enhancing cooperation in disaster relief. The previous night Hu met separately with 16 members of the Japanese rescue team that participated in relief efforts following the Sichuan earthquake, thanking them for their efforts saying that "the Chinese people would forever carry in their hearts their contribution." Finally, Fukuda asked for cooperation in

resolving the food safety issue related to poisoning from frozen gyoza imported from China,” a matter of high and continuing concern” in Japan. Hu replied that he had directed officials to accelerate the investigation in an effort to resolve the issue as soon as possible.

### **Gyoza: on the front burner**

On Aug. 6, two days before Prime Minister Fukuda traveled to China to attend the opening ceremonies of the Beijing Olympics, the *Yomiuri Shimbun*, reported that a number of Chinese citizens had become ill in mid-June after eating frozen gyoza made by the Tianyang Company, the same food processor suspected of earlier causing food poisoning in Japan by exporting contaminated gyoza. The *Yomiuri* also noted that the Chinese government had reported the incident to Tokyo in early July, the week before the G8 summit.

The fact that the Fukuda government had not disclosed the incident opened the government to attack by the opposition. Ozawa Ichiro, leader of the Democratic Party of Japan (DPJ), blasted the government for inaction. Ozawa observed that while relations with China are important, like relations with the United States, “unless things that ought to be said are said precisely, the interests of the public cannot be protected.”

Foreign Minister Komura Masahiko attempted to explain the government’s inaction. He acknowledged that China had informed Japan of the incident in early July but asked Japan not to go public with the information in light of Beijing’s ongoing investigations into the matter and out of concern that doing so might compromise the investigations. In short, “they asked us not to make it public, so we didn’t ...” “Non-disclosure,” he noted, “is a general principle in the world of intelligence.” Komura said that the Prime Minister’s Office, the National Police Agency, and the Foreign Ministry were informed of the intelligence. (On Aug. 12, the Foreign Ministry acknowledged that Beijing had communicated news of the food poisoning incident to Tokyo through the Japanese Embassy on the evening of July 7 and that the Foreign Ministry had informed the prime minister the following day).

DPJ Secretary General Hatoyama Yukio challenged the government’s handling of the information, which he said was “too serious to be kept undisclosed at the request of the Chinese government.” He argued that the government “should have asserted in a stately way that it would make the information public even if asked to hush it up.” He charged the government with being “overly weak-kneed” and said that its response was “far from one taken out of consideration for the viewpoints of consumers and the people.” Before leaving for Beijing, Fukuda told reporters that he would take up the gyoza issue and ask for China’s cooperation in resolving the matter.

On Aug. 8, Fukuda met President Hu and Premier Wen Jiabao. Fukuda congratulated Hu on the opening of the Beijing Olympics and also expressed his hopes for the rapid recovery of Sichuan following the earthquake, while Hu expressed his “deep friendship for Japan” as a result of its cooperation and assistance after the earthquake.

Addressing the gyoza issue, Fukuda asked that China provide information on the progress of its investigation, explaining that the “Japanese people have a strong interest in the poisoned

dumplings incidents.” He asked again for China’s cooperation. Hu replied that China “will investigate what really happened by accelerating investigative cooperation.” Hu emphasized that China is “consistently giving priority to this issue” and that he would like to make “every effort to resolve it as quickly as possible.” After the meeting, Fukuda told reporters that “I think this issue will make progress.”

Fukuda also raised the issue of a Chinese police assault on Japanese reporters in the Xinjiang Uighur Autonomous region (see Reporters below). Hu found the incident regrettable and said that China was giving “priority to this incident and will handle it properly.” China welcomed Japanese reporters and “will secure their safety.”

On Tibet, Fukuda urged dialogue with the Dalai Lama, and Hu responded that two meetings had already taken place and that the dialogue would continue.

### **Gyoza: looking for answers**

On Aug. 10, Japanese media reported that Komura would visit China Aug. 16-18 and that resolution of the *gyoza* issue would be at the top of his agenda. Meanwhile the DPJ continued its assault on the government. A DPJ task force asked the Prime Minister’s Office to explain why Fukuda had followed the Foreign Ministry’s decision to honor Beijing’s request that reports of the incident not be disclosed. Meeting with the DPJ task force, the Foreign Ministry explained that it was concerned that disclosing the information could compromise China’s ongoing investigation of the incident, telling the legislators that “to secure future food safety, it is essential to learn the truth through the investigation.” DPJ member Yamanoi Kazunori asked whether the prime minister “put China’s request above Japanese citizens’ concerns about food safety?” At the same time, the DPJ pressed the Prime Minister’s Office to hold closed-door hearings to address the issue during the Diet’s recess.

Pressed to explain his decision, Fukuda told reporters “I was told that if the information was disclosed, the truth about the food poisoning incident would not be learned.” The prime minister apologized to the Japanese public.

Seeking progress on the issue, Komura traveled to Beijing on Aug. 17 where he met separately with his counterpart Yang Jeichi and State Councilor Dai Bingguo. In his meeting with Yang, Komura urged that China release information on the poisoning incident “to show the public specific cooperation … to shed light on the truth.” It was “important to put all our efforts into resolving the poisoning cases, including a link between the *gyoza* poisonings in Japan and China.” Yang emphasized that Beijing placed “importance on food safety” and said that China wanted to resolve the matter “as quickly as possible by stepping up cooperation between the investigative authorities of the two countries.” The two ministers agreed to exchange information between the two sides.

At the conclusion of the Olympics, Japanese media reported that the Chinese investigation had moved into high gear, seemingly a reflection of President Hu’s personal interest.

On Aug. 28, the *Asahi Shimbun* reported that Chinese authorities had informed Japanese investigators of the details of their investigation, which seemed to place responsibility for the poisoning incidents in Japan and China to short-term contract workers dissatisfied with difficult working conditions, low wages, and plant management at the Tianyang plant. Chinese officials also informed their Japanese counterparts that they were undertaking a comparative analysis of the toxic substance found in the *gyoza* consumed in Japan and China. Japanese officials noted a sharp and positive turn in China's cooperation toward resolving the issue. Meanwhile, *Kyodo News* reported that the Chinese official in charge of the investigation, Yu Xinmin, who had previously dismissed the possibility of China being the source of the contaminated *gyoza* as "highly unlikely," had been replaced.

On Sept. 16, *Kyodo News* reported that Chinese investigators had identified nine employees at the Tianyang factory as suspects in the case. However, the suspects, according to Chinese public security officials who had questioned them, denied any involvement in the case.

### **High-level meetings**

On July 16, Liberal Democratic Party (LDP) Vice President Yamasaki Taku, accompanied by former Japan Defense Agency Director General Nakatani Gen, Lower House Foreign Affairs Committee Chairman Hirasawa Katsuei, and Senior Vice Finance Minister Moriyama Hiroshi, traveled to Beijing for discussions with senior Chinese leaders on North Korea. In a meeting with Vice Foreign Minister Wu Dawei on July 17, Yamasaki was told that the foreign ministers of the six parties would meet informally at the ARF meeting in Singapore scheduled for July 24. Wu was critical of Japan's position not to participate in energy assistance to North Korea pending progress on the abductee issue, telling Yamasaki that China is "resolutely against" the idea of another country taking over Japan's portion of the energy assistance package. Doing so would cast a shadow on relations between Japan and North Korea and "hurt Japan's image."

The following day, Yamasaki met with Wang Jiarui, chairman of the Chinese Communist Party's External Liaison Department, and asked for China's support in resolving the abductee issue. Wang observed that the present deadlock was the result of the two countries holding fast to their positions and that without mutual changes in positions progress would not be made. Wang added that China well understood Japan's strong concerns on the issue, but expressed the view that the Japanese government was being swayed by public opinion rather than leading it with regard to overall objectives of the Six-Party Talks process.

### **Japanese reporters in Xinjiang**

On Aug. 4, four days before the opening of the Beijing Olympics, a Japanese reporter from *Nippon Television* and a photographer from the *Chunichi Shimbun* were detained and manhandled by paramilitary police while attempting to cover a deadly attack on Chinese police in the Xinjiang region. Both suffered minor injuries. The next day, the deputy commander of the local police visited the journalists and apologized and the Foreign Ministry expressed its regrets to the Japanese Embassy in Beijing, which in reply asked that China take steps to prevent such incidents in the future. In Tokyo, Chief Cabinet Secretary Machimura told reporters that the

government intended to lodge a strong protest. Prime Minister Fukuda raised the issue during his meeting with President Hu on Aug. 8.

### **East China Sea**

On July 22, during the ASEAN meeting in Singapore, Foreign Minister Komura met with his Chinese counterpart to discuss a range of bilateral issues. On the East China Sea, the two ministers agreed to accelerate efforts aimed at concluding a treaty to finalize issues regarding joint development of oil and natural gas fields.

On July 24, the *Tokyo Shimbun* reported that several sources involved in the bilateral relationship told the paper that China intended to restrict Japanese investment in the Shirakaba field to less than a one-third share in order to demonstrate China's lead role in developing the area. The paper reported that a Chinese official had commented that a Japanese share exceeding one-third would be greater than that of the two Chinese partners and that would be "unacceptable." Vice Foreign Minister Wu Dawei made clear that Japanese participation in the Shirakaba field was to be "based on Chinese law and with the acknowledgement that China has sovereignty over that gas field." The paper also reported that nationalist opposition in China was growing to the proposed 50-50 partnership in developing the Asunaro gas field which straddled the median-line boundary in the East China Sea

### **Yasukuni**

On Aug. 5, Prime Minister Fukuda, when asked by reporters if he would pay homage at the Yasukuni Shrine on the Aug. 15 anniversary of Japan's surrender, replied that he wanted them to look at his past conduct in this regard. He would, however, attend ceremonies at the Chidorigafuchi National Cemetery. Foreign Minister Komura also made clear that he would not visit the Shrine.

On Aug. 15, Justice Minister Yasuoka Okiharu, Agriculture, Forestry and Fisheries Minister Ota Seichi, and State Minister for Consumer Administration Noda Seiko paid homage at the Shrine, as did former Prime Ministers Abe Shinzo and Koizumi Junichiro and Tokyo Gov. Ishihara Shintaro. Over 50 members of the Diet also visited at the shrine.

On Aug. 17 the LDP's Koga Makoto, chairman of the War Bereaved Families Association, told an *Asahi Television* audience that he could not accept the circumstances surrounding the enshrining in Yasukuni of Class-A war criminals that did not perish in the war without a discussion of the issue with the families of the war bereaved. Troubled feelings toward the shrine resulted from the fact that the enshrinement was accomplished without consulting the families of the war dead. Koga wanted to establish an environment in which the Japanese people including the emperor could visit the shrine without being troubled.

Meanwhile the debate over the construction of a secular national memorial facility for the war dead continued in its own desultory fashion. First proposed as a concept in 2002 when Fukuda was chief Cabinet secretary, the government has consistently refrained from appropriating funds for a feasibility study. When asked about the issue on the morning of Aug. 15, Chief Cabinet

Secretary Machimura told reporters that the present was not necessarily the time to take action in a panic – the government is not driving a discussion on the issue, rather it was essential for the government to pay close attention to how the Japanese public is addressing the issue.

### **Security: Defense White Paper 2008**

On Sept. 5, the Japanese government released the *Defense White Paper 2008*. With respect to China, the document called attention to 20 consecutive years of double-digit defense spending and called on Beijing to assure transparency, citing the lack of transparency as inviting mistrust and misunderstanding. The paper noted the ongoing modernization of China's nuclear arsenal, in particular the construction of nuclear submarines capable of launching ballistic missiles with a range of 8,000 km. as well as the development of a cyber warfare force focused on computer attacks directed against the command and control systems of potential enemies.

Earlier, the *Nikkei Shimbun* reported that in light of the evolution of the international security environment and China's continuing military buildup, the government had decided to revise Japan's National Defense Program Outline. An experts council would be established in the Prime Minister's Office to carry out the study with a Cabinet decision anticipated by the end of 2009.

### **Submarine Chase**

On the morning of Sept. 14, an unidentified submarine was detected in the Bungo Strait between Shikoku and Kyushu, in Japanese territorial waters. The submarine soon departed the area. Two days later, in response to Japanese media reports suggesting the submarine might have been Chinese, China's Foreign Ministry rejected the stories as false and filed a protest with the Japanese Embassy in Beijing.

In Tokyo, Defense Minister Hayashi Yoshimasa explained that the Defense Ministry lacked information to identify that nationality of the submarine. The Ministry suspended search activities for the submarine on the afternoon of Sept. 16. The next day Chief Cabinet Secretary Machimura told reporters that "protest" was too strong a word to describe communications between the two governments. Machimura confirmed that the government could not establish the origin of the submarine and said that reports that some elements of the government believed the submarine to be Chinese did not reflect reality.

On Sept. 21, the *Nikkei Shimbun* and *Tokyo Shimbun* reported that the unidentified submarine may have been a whale. However, two days later Vice Minister of Defense Masuda Kohei told reporters the ministry still believed the object to have been a submarine.

### **Public opinion**

On Aug. 4, the *Yomiuri Shimbun* released the findings of a joint *Yomiuri-Xinhua* public opinion poll on the state of Japan-China relations. The poll revealed striking differences in perceptions. Asked to evaluate the current state of relations, 36 percent of Japanese respondents said that relations were "good," while 57 percent thought relations were "bad." In China, 67 percent of respondents said relations were "good," while 29 percent found them "bad."

The apparent improvement of relations over the past year as the two governments attempted to advance the “Mutually Beneficial Strategic Partnership” was not reflected in Japanese public opinion, where the percentage of those who thought of relations as “good” fell from 42 percent in 2007 to 36 percent in 2008.

When asked about “trust,” 19 percent of Japanese respondents said they could trust China while 78 percent said they could not. In contrast, 56 percent of Chinese respondents said they could “trust” Japan, while 42 percent said they could not. As for the future, 38 percent of Japanese respondents thought relations would “improve” and 51 percent saw “no change,” while 8 percent thought relations would be “worse.” Among Chinese respondents, 75 percent believed relations would “improve,” 21 percent foresaw “no change,” while only 3 percent thought relations would be “worse.”

A second joint survey, the 2008 Japan-China Public Opinion, conducted by the Japan’s Genron NPO and the *China Daily*, revealed similar differences in perceptions. 54.3 percent of Chinese respondents said relations were “good,” an increase of 24.9 percent over the previous poll. Among Japanese respondents only 13 percent thought relations to be “good,” while 46.1 percent considered relations “bad.” As for the future, 81 percent of Chinese respondents believed relations would “improve.” In contrast, the 35 percent of Japanese respondents who saw “no change” exceeded the 32.2 percent who thought relations would “improve.”

## Prospects

Following Prime Minister Fukuda’s resignation announcement, Beijing expressed its appreciation for his efforts to advance the China-Japan relationship. *Xinhua* welcomed his successor, emphasizing Aso Taro’s expected domestic policy initiatives without touching on his foreign policy views. With Diet elections pending in Japan and the duration of the Aso government a matter of daily speculation, foreign policy issues, including the Japan-China relationship, are likely to be second order issues during the October-December quarter.

## Chronology of Japan-China Relations July-September 2008

**July 4, 2008:** Japanese Supreme Court upholds lower court decision dismissing claims for compensation raised by wartime Chinese forced laborers in port of Niigata. The court, while acknowledging abuse occurred, cited expiration of statute of limitation.

**July 4, 2008:** Taiwan National University Maritime Research ship intrudes into Japanese territorial waters in the vicinity of the Senkaku Islands. Ignoring warning of Japanese Coast Guard ship, the Taiwanese ship remains in the area for three hours.

**July 8, 2008:** Foreign Minister Komura Masahiko meets President Hu Jintao in Sapporo and asks for China’s assistance in resolving the Japanese abductee issue with North Korea.

**July 8, 2008:** President Hu meets in Sapporo with members of Japanese search and rescue and medical teams who participated in Sichuan earthquake relief operations.

**July 8, 2008:** Japanese Supreme Court rejects compensation suit filed by Chinese who were forced laborers in World War II, stating that plaintiff's rights to seek compensation were forfeited in 1972 Japan-China Joint Statement.

**July 8, 2008:** Japanese government informs LDP and Komeito that Prime Minister Fukuda will attend opening ceremony at Beijing Olympics.

**July 9, 2008:** Prime Minister Fukuda and President Hu meet on sidelines of the G8 summit.

**July 16-18, 2008:** LDP Vice President Yamasaki Taku leads delegation to China and meets Vice Minister of Foreign Affairs Wu Dawei and Chairman of the CCP External Liaison Department Wang Jiarui.

**July 21, 2008:** Taiwan President Ma Ying-jeou meets delegation of Japanese lawmakers.

**July 22, 2008:** Kuomintang Chairman Wu Po-hsiung meets delegation of Japanese lawmakers.

**July 22, 2008:** Foreign Ministers Komura and Yang Jiechi meet on the sidelines of ASEAN meeting in Singapore. Japan, China, and South Korea agree to set up ASEAN assistance fund to support agriculture and information technology development.

**July 30, 2008:** Japanese government announces that Prime Minister Fukuda will travel to the Beijing Olympics in Air Self Defense Force *U4* multipurpose aircraft.

**Aug. 4, 2008:** Japanese reporters, while covering unrest in Xinjiang are roughed up and detained by Chinese police.

**Aug. 5, 2008:** Prime Minister Fukuda indicates that he does not intend to visit Yasukuni Shrine on Aug. 15.

**Aug. 5, 2008:** Foreign Correspondents Club of Japan calls on Beijing to lift restrictions on Internet access for correspondents covering the Olympics.

**Aug. 7, 2008:** Shanghai court hears opening argument in a suit brought by Japanese author Watanbe Junichi against Beijing Publishing Company alleging violations of author's rights.

**Aug. 8, 2008:** Fukuda meets President Hu and Premier Wen Jiabao at the opening of Beijing Olympics.

**Aug. 12, 2008:** Thirtieth anniversary of Japan-China Treaty of Peace and Friendship is celebrated at Chinese Embassy in Tokyo.

**Aug. 15, 2008:** Three Cabinet ministers visit Yasukuni Shrine along with former Prime Ministers Koizumi and Abe.

**Aug. 17, 2008:** Foreign Ministers Komura and Yang meet in Beijing. Komura also meets State Councilor Dai Bingguo.

**Aug. 17, 2008:** Chairman of the War Bereaved Families Association expresses concerns over Class-A war criminals continuing enshrinement at Yasukuni Shrine.

**Aug. 19, 2008:** Taiwan announces appointment of Feng-Ji-tai as envoy to Japan.

**Aug. 21, 2008:** Japanese Foreign Ministry announces Kobe as the site of Japan-China-ROK heads of government meeting scheduled for Sept. 21.

**Aug. 21, 2008:** Japan's Finance Ministry reports July 2008 exports to China climbing to ¥1.29 trillion, a 16.8 percent increase, exceeding for the first time value of exports to the U.S. since government began recording monthly figures.

**Aug. 28, 2008:** ASEAN Plus 3 Economic Ministerial is held in Singapore.

**Aug. 29-31, 2008:** Taiwan and Japan hold compensation negotiations for June incident involving Taiwanese vessel and Japanese Coast Guard ship. Talks end without agreement on sum while lawyers for both sides to continue negotiations.

**Sept. 1, 2008:** Prime Minister Fukuda announces his resignation

**Sept. 2, 2008:** Chinese Foreign Ministry praises Fukuda for significant contributions to the development of bilateral relations.

**Sept 2, 2008:** Japanese Foreign Ministry announces postponement of Sept. 21 Japan-China-ROK summit as a result of Fukuda resignation.

**Sept. 2, 2008:** Japan and Macau reach a customs agreement.

**Sept. 5, 2008:** Japanese *Defense White Paper 2008* is released.

**Sept. 6, 2008:** Director General for Asian and Oceanic Affairs Saiki Akitaka meets Vice Foreign Minister Wu Dawei in Beijing to discuss Six-Party Talks.

**Sept. 7, 2008:** President Hu meets with Kato Koichi, chairman of the Japan-China Friendship Association and former LDP secretary general.

**Sept. 14, 2008:** Japan Defense Ministry reports sighting of an unidentified submarine in Bungo Strait between Shikoku and Kyushu.

**Sept. 16, 2008:** China's Foreign Ministry objects to Japanese media reports suggesting submarine sighted in Bungo Strait is Chinese.

**Sept. 16, 2008:** Minister of Defense Hayashi Yoshimasa tells reporters that government has no information as to the nationality of the submarine and calls off a search for the submarine.

**Sept. 16, 2008:** *Kyodo News* reports that Chinese investigators have identified nine suspects in frozen gyoza case.

**Sept. 16-17, 2008:** Fourth meeting of the Tokyo-Beijing Forum is held in Tokyo. Approximately 100 leading political, economic, academic, and journalist leaders participate in the conference aimed at enhancing Japan-China cooperation.

**Sept. 17, 2008:** Chief Cabinet Secretary Machimura denies reports that elements of the government believed the submarine to be Chinese. He also tells reporters that Chinese authorities have assured the government that poisoned milk products were not exported to Japan.

**Sept. 18, 2008:** President Hu meets visiting Keidanren delegation and calls for strengthening exchanges on macroeconomic policy and the international environment.

**Sept. 20, 2008:** Japanese food company Maudai recalls imported Chinese milk products suspected of contamination.

**Sept. 22, 2008:** Aso Taro elected LDP president. China's *Xinhua News Agency* expects Aso to focus on economic recovery initiatives and does not mention foreign policy.

**Sept. 22-25, 2008:** Former Taiwan President Lee Teng-hui visits Okinawa. He tells a dinner audience that Senkaku Islands are Japanese territory.

**Sept. 24, 2008:** The Diet elects Aso to be prime minister.

**Sept. 24, 2008:** Members of Japan-China Economic Association visit China and meet senior Chinese officials to express concerns with about Chinese plan to initiate in 2009 a new system that would force disclosure of proprietary information in IT equipment.

**Sept. 25, 2008:** *Kyodo News* reports that Japanese food makers Ezaki Gilco and Nissin Foods have suspended imports of Chinese milk products.

**Sept. 25, 2008:** Prime Minister Aso addresses UN General Assembly and cites China and South Korea as important partners.

# Comparative Connections

A Quarterly E-Journal on East Asian Bilateral Relations



## Japan-Korea Relations: Tentative Improvement through Pragmatism

David Kang, Dartmouth College  
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Although there was little movement in Japan's relations with North Korea, this quarter was dominated by the news leaking out of North Korea in early September that Kim Jong-il was potentially very sick. Questions about Kim's health, the status of his leadership in North Korea, and the future of North Korea's leadership quickly dominated discussion. Coupled with Japanese Prime Minister Fukuda's surprise resignation and the quick choice of Aso Taro as prime minister, Japanese foreign policy was on a brief hiatus while the new leader set his own agenda. Known as a conservative, it is expected that Aso will take a harder line toward the North – and the region more generally – than did Fukuda. But his official appointment, coming on Sept. 24, was so recent that it is too early to see how Aso plans to proceed. Thus, there was actually little substantive change in Japan's relations with North Korea, and the quarter ended basically where it began.

In contrast, Japan-South Korean relations plunged to new lows after a promising spring in which both Fukuda and President Lee Myung-bak had pledged to move the relationship forward. The question of who owns the Dokdo/Takeshima islets once again reared its ugly head, and both sides dug in their heels, choosing to be as provocative as possible. In what was at best a tone-deaf decision in July, Tokyo released a new set of guidelines for its middle-school teachers claiming that Takeshima was irrefutably Japanese. Seeming to contradict the spirit of the just completed and highly successful summit meeting between Japan and Korea during the spring, the decision left President Lee with little choice but to respond strongly, and relations quickly cooled between the two countries.

Although it appeared at first that there was some potential for progress on the two enduring issues on the agenda of Japan-North Korea relations – the abduction issue and Pyongyang's nuclear development program – by the end of the quarter both issues remained essentially in the same place as they had been before. The abduction issue continued to define the tone of bilateral relations, as Japan tried to ensure that progress in the Six-Party Talks was tied to its resolution. The Tokyo-Pyongyang working-level talks in mid-August, following last quarter's agreement that Pyongyang would reinvestigate the fate of the Japanese abductees in exchange for partial lifting of the sanctions on the North, concluded with an agreement on the terms of the investigation to be completed as swiftly as the fall of 2008. But Fukuda's resignation as prime minister led Pyongyang to notify Japan that it would wait and see how the Aso administration approaches bilateral issues before starting the reinvestigation. Despite taking a step closer toward normalizing their diplomatic relations, there was no substantive policy change in Japan toward

Pyongyang and by the end of the quarter, the new Aso administration decided to extend economic sanctions against North Korea for another six months.

### **Japan and North Korea fret over the U.S. State Sponsors of Terrorism List**

President George W. Bush's announcement on June 26 that he had asked the U.S. Congress to rescind North Korea's designation as a state sponsor of terrorism put the Japanese government in a delicate situation. At home, families and supporters of Japanese citizens abducted by North Korea voiced their opposition to the prospects of any reward for Pyongyang without tangible breakthroughs in the abduction issue, including the lifting of Pyongyang from the State Sponsors of Terrorism List. In the Six-Party Talks, Japan's continued refusal to participate in the economic and energy aid program for Pyongyang raised the prospect that Tokyo could become the odd man out just as negotiations were progressing toward the verification phase following Pyongyang's declaration of its nuclear activities.

Reflecting this tension, the temperature of bilateral relations warmed very little since Tokyo and Pyongyang reached an agreement in June to reopen the case. North Korea criticized Japanese conservatives' hard line stance on the U.S.'s delisting of Pyongyang as "a criminal act to scuttle the denuclearization process" and – siding with South Korea – vociferously condemned Tokyo over the Dokdo/Takeshima islets dispute. While Japan was being reassured by the U.S. that Japanese abductees would never be forgotten and that the actual rescission would take place after the six parties agreed on acceptable verification principles and protocol, Japan's Foreign Minister Komura Masahiko criticized the North on the public broadcaster *NHK* in late June, saying that Pyongyang's enduring goal is to divide Japan from the United States. During the two months between the June agreement and the working-level meeting on Aug. 11, neither side took the initiative to implement the pledges they had made in June.

When the Heads of Delegation Meeting of the Six-Party Talks was held July 10-12, Japan asked the other four parties to help settle its bilateral dispute with Pyongyang over the abduction issue, while refusing their call to join them in providing aid to North Korea. The South Korean daily *Joongang Ilbo* reported on July 14 that Tokyo's insistence on resolving the abduction issue had become a major source of tension with the other parties during the negotiations. While Japan's Director General of the Asian and Oceania Affairs Bureau of the Ministry of Foreign Affairs Saiki Akitaka explained that other countries understand Japan's position, the *Joongang Ilbo* quoted a South Korean delegate's comment that understanding Japan's position does not mean they would take Japan's refusal for granted or just accept it. After the failed attempts to produce the details of the North's verification of its nuclear program and to push the abduction issue forward, the July negotiations left the Japanese government "anxious and frustrated," according to Japanese conservative daily *Yomiuri Shimbun* on July 14. On July 23, the foreign ministers of the six parties met in Singapore on the sidelines of the ASEAN Regional Forum, but yet again, made little progress on the issue of a verification regime.

### **A thin ray of optimism clouded with mistrust: the August bilateral talks**

Amid domestic calls to further pressure North Korea, Tokyo's several requests led to a working-level bilateral meeting with Pyongyang on Aug. 11-13. As a result of the talks, North Korea

agreed to reinvestigate its abduction of Japanese citizens with the goal of completing its probe by this fall. In return, Japan promised to partially lift economic sanctions against North Korea and allow North Korean ships to enter Japanese ports once Pyongyang commenced the reinvestigation probe. To date, the key points of contention between Tokyo and Pyongyang have been the number of Japanese abducted by Pyongyang and the fate of those abductees. After the talks, Saiki told families of the abductees that the talks had worked in Japan's favor. Foreign Minister Komura described the agreement as progress and a step closer to the stage of "action for action," because Pyongyang had agreed to report any progress in the probe to Japan and to hold talks whenever necessary. Japan was further entitled to confirm the results of the reinvestigation through interviews with the concerned parties, review of documents and visits to related sites. But domestic sentiment remained skeptical about whether North Korea would keep its promises, and there were calls for caution about rushing to lift sanctions.

Japan's apprehension about the U.S. removal of North Korea from the State Sponsors of Terrorism List and its possible negative effect on Japan's efforts on the abduction issue proved unwarranted – at least for now as Pyongyang announced that it had restored its nuclear facilities after the U.S. decision to postpone de-listing the North. Despite Tokyo's hope that the reinvestigation would go on as scheduled regardless of the denuclearization efforts, immediately following Fukuda's resignation on Sept. 1, North Korea informed Tokyo on Sept. 4 that it would suspend the launch of a panel to reinvestigate the fate of the abductees until it confirmed the new administration's North Korea policy. The families of the abductees blamed Fukuda for being "irresponsible."

### **Aso and North Korea**

Not only Japan, but also North Korea may have a new head of state in the near future. Bilateral relations closed the quarter in the midst of rumors about North Korean leader Kim Jong-il's health problems and uncertainty surrounding the future of the disarmament-for-aid deal with North Korea. Through its office *Central News Agency of DPRK* on Sept. 23, North Korea blamed Japan for designating Pyongyang as a "serious threat" in its recently published defense white paper, and for describing the Dokdo/Takeshima islets as part of Japanese territory as "nothing but a renewed declaration of reinvasion of Korea." On Japan's part, the Aso administration decided to extend economic sanctions for another six months. Although there were no active policy debates regarding North Korea leading up to the LDP prime ministerial election, it is likely that Japan's North Korea policy under Prime Minister Aso will remain unchanged: pressuring Pyongyang while seeking closer coordination with other parties in the Six-Party Talks regarding the abductee issue. Aso, a supporter of strict economic sanctions against the North, originally handled the abduction issue under the Koizumi and Fukuda administrations while also playing a key role in drafting the U.N. Security Council resolution in 2006 sanctioning Pyongyang for testing long-range missiles.

### **Japan-South Korea relations: yet again disputes over some rocks**

Last quarter's pledges from both Prime Minister Fukuda and President Lee for "forward looking" bilateral relations did not pass the "Dokdo/Takeshima islets" test. Upon the Japanese government's official announcement on July 14 that middle school teachers should describe the

Dokdo/Takeshima islets as an “integral part of Japan,” Japan-South Korea relations quickly deteriorated and remained so until the end of the quarter with no sign of resolution.

Gone was not just the friendly mood between Tokyo and Seoul, but also all the diplomatic achievements from the Fukuda-Lee Summit in April. The Japan-Korea FTA talks were delayed indefinitely as South Korea announced that it was having a second thought whether it would cooperate with Japan with regard to the resolution of Japan’s abduction issue, that it might consider reducing or cutting military exchanges with Japan, and that several exchange programs between schools in Japan and South Korea were canceled due to unfavorable political climate.

Indeed, Lee may be the third consecutive South Korean president to have a “false start” with Japan: both Kim Dae-jung and Roh Moo-hyun had also pledged to look to the future in ROK-Japan relations, only to be drawn into disputes over the past. After all, this was not the first time that one would see this pattern in Japan-South Korea relations: Japan initiates a “provocation” over historical or territorial issues that leads to a vehement South Korean reaction of canceling meetings and suspending other initiatives, and then a change of administrations in either Seoul or Tokyo allows bilateral cooperation to resume. What was different this time about South Korea’s reaction was the comprehensive manner in which Seoul responded to the Dokdo/Takeshima islets issue, employing numerous measures to counter Japan’s claim. From South Korean public opinion to high-ranking government officials including President Lee and both the ruling Grand National Party (GNP) and the opposition Democratic Party (DP) leadership, criticism of Japanese moves was consistent.

What is often overlooked is that both Japanese and Korean claims are deeply emotional. Neither country is simply working off the “facts,” but both feel that the issue is nonnegotiable. Although each side tends to express this emotional sentiment differently, the simple truth is that decisions about what happened historically are never simply an adjudication of facts, but rather are bound up in decisions today about what countries care about and how they define themselves. For example, both sides produced maps from centuries ago to prove their claim; but it makes no sense to apply the modern concept of sovereignty – and in particular demarcated maritime borders – to a time when neither Japan nor Korea had any idea what that concept meant. The Dokdo/Takeshima issue is a modern dispute, born of facts that did not exist until the modern era.

In any event, the news about Tokyo’s description of the Dokdo/Takeshima islets as Japanese territory was followed by some 30 members of the Korean Federation of Trade Unions (the more radical of South Korea two umbrella unions) throwing rotten eggs and tomatoes at the Japanese Embassy and condemning the “revival of Japanese “militarism” and calling for tougher actions by Seoul. South Koreans welcomed a *New York Times* July 9 full-page advertisement claiming South Korea’s sovereignty over the islets. Kim Jang-Hun, a popular singer who bought the ad, became a national hero. According to the *Choson Ilbo* of Aug. 26, some 110,000 South Korean internet users funded another full-page advertisement in the *Washington Post* on Aug. 25.

For President Lee – who had pledged pragmatism in his dealings with Japan – the Dokdo/Takeshima islets issue was the latest foreign policy problem for his already struggling presidency. Lee had already faced mass protests against his decision to lift the import ban on U.S. beef and resistance to his more skeptical stance toward North Korea. Thus, his attempt to

strike a balance between responding to the South Korean public and pursuing forward-looking diplomacy with Tokyo came under increasing tension. According to the July 9 *Choson Ilbo*, prior to the July 14 decision about Japan's new guidelines for schoolteachers, the South Korean government had been making strenuous efforts to prevent the new guidelines by contacting former and incumbent Japanese lawmakers. As recently as a week before Tokyo's official announcement, President Lee had said, "I believe Japanese political leaders will not dare include the Dokdo/Takeshima islets in the document" in an interview with the Japanese press.

As a result, Lee had little or no choice in how to respond. Not only had his goodwill pledges to Fukuda been ignored in what Koreans saw as an insulting manner, South Korean public opinion firmly supported of a strong response. Thus, once Tokyo's official decision was officially announced, Seoul took a series of both tough and immediate actions. On the day of the announcement, South Korea's Foreign Minister Yoo Myung-Hwan summoned Japanese Ambassador Shigeie Toshinori to protest against the decision. South Korea recalled its ambassador to Japan, Kwon Chul-hyun, in another sign of protest. Ruling GNP Supreme Council member Rep. Chung Mong-Joon and DP Chairman Chung Se-Hyun each led delegations to the Dokdo/Takeshima islets. South Korea's presidential office Cheong Wa Dae accused the Japanese government of spreading false information about President Lee's remarks on the Dokdo/Takeshima islets issue because Japan's *Yomiuri Shimbun* had reported in its internet edition on July 14 that President Lee made an ambiguous remark about the islets during his brief meeting with Prime Minister Fukuda on the sidelines of the G8 summit. Two days later, on July 16, South Korea's Ambassador to Japan Kwon Chul-hyun indicated that Seoul might withdraw its support for Tokyo's efforts to find Japanese citizens abducted by Pyongyang and to stop the North from developing long-range missile. Seoul also turned down Tokyo's proposal for a bilateral meeting on the sidelines of the ASEAN Regional Forum.

As for Japan, it appears that an increasingly assertive Japan decided to push the islets issue forward fully expecting South Korea's heated reaction, while hoping that the fallout might be minimal and not affect their other common bilateral interests. For example, Japan's Cabinet Chief Secretary Machimura Nobutaka remarked that Japan "should fully teach the facts about Takeshima and deepen understanding of Japan's land and territory." On July 15, Tokyo stepped up its claims, and Japan's public TV network *NHK* reported that the government will ask schools nationwide to start education on territorial issues in 2009, pushing forward from 2012 the implementation of these new middle school textbooks teaching guidelines.

Diplomatic tension went beyond angry words as the bilateral FTA talks were reportedly postponed indefinitely with no promise for resumption in the near future. South Korea's three-day military exercise near Ullenug Island and the Dokdo/Takeshima islets caused Tokyo to protest that increasing military tension would do no good in strengthening the bilateral ties. According to South Korea's Navy, the exercise was to prepare for an invasion of the area by countries including Japan. According to the Sept. 9 *Korea Times*, South Korea's Ministry of National Defense was also considering severing high-level ties with Japan's military authorities.

Also notable was the change in the South Korean government's strategy toward the islets issue, from "quiet control" to active assertion of South Korean sovereignty over the territory. In the past, South Korea had been wary of Japan's diplomatic goal of bringing international attention to

the islets issue, because to do so might portray the area as disputed territory and increase the possibility of taking the case to the International Court of Justice. In addition to the establishment of a joint task force on the Dokdo/Takeshima islets (a permanent countermeasures system headed by the Prime Minister's Office and joined by relevant ministries such as Foreign Affairs, Maritime Affairs, and Defense), South Korea produced various plans for the Dokdo/Takeshima islets, including building a marine hotel, ensuring accessibility to citizens, and creating a permanent residential village and a so-called "Dokdo experience center." In its report on the South Korean government's decision to enhance habitability of the islets, Japan's conservative daily *Yomiuri Shimbun* accused South Korea of "illegally occupying" the islets.

To his credit, President Lee called for a "strategic and nonpartisan" response to Japan's move regarding the islets, emphasizing that the South Korean public's anger over the dispute should not be exploited for political gain. Lee used the example of joint efforts by Germany and Poland to create a history textbook, and emphasized the need for Japan and Korea's efforts to compile history texts and use them in schools to contribute to regional peace. For his part, Prime Minister Fukuda did not visit Yasukuni Shrine.

The sudden resignation of Fukuda and the inauguration of Aso Taro as Japan's prime minister seemingly brought little change in the dynamics of bilateral relations. To South Koreans, Aso is known for his spontaneous remarks, including his incorrect assertion in 2003 that Koreans had voluntarily adopted Japanese names during Japan's occupation of Korea, for which he later apologized. Aso's nationalist tendencies are well known, and how that will affect his foreign policies toward South Korea are still unclear.

### **Economic and cultural relations remain separate from politics**

Yet again, despite all the political tension between the two countries, economic relations moved forward of their own accord. For example, Japanese car sales in South Korea were unaffected by the Dokdo/Takeshima islets dispute. The Aug. 5 *Choson Ilbo* reported that Honda Korea sold 1,665 cars in July, up 22 percent from its monthly all-time high set the previous month. The market for Nissan's high-end Infinity model also grew 6 percent, although Toyota's Lexus sales fell 10 percent. Overall, while Korean carmakers such as Hyundai and Kia (which hold more than 70 percent of the local auto market) try to defend their share in the South Korean car market, Japanese imports are doing very well. According to the Korean Automobile Importers and Distributors Association, Japanese cars were the most popular imported cars in June. Of the top 10 imported cars, six were Japanese.

The Dokdo/Takeshima islets dispute did not deter South Korean travelers from visiting Japan either. According to South Korea's two largest tour agencies, Hana and Mode, sales of Japanese tour packages this summer were similar to last year's, which set an all-time record. Some 23,400 South Korean tourists traveled to Japan in the month of July with Hana Tour, compared to last year's 23,200. Mode Tour reported an 8.5 percent year-on-year increase in the number of travelers to Japan in July. There were hardly any cancellations since Tokyo's announcement over the Dokdo/Takeshima islets.

South Korea's trade deficit vis-à-vis Japan is growing not only in goods but services. According to the Bank of Korea, South Korea's services account deficit with Japan increased 53.1 percent to \$2.82 billion in 2007 from \$1.84 billion in 2006. The rise is a 3.9-fold rise from 2005, the year when South Korea's service account with Japan began going into the red with losses of \$730 million. Last year South Korea's travel account with Japan recorded a deficit of \$2.88 billion, up 89.4 percent from \$1.52 billion in 2006.

The Korea International Trade Association (KITA) issued its 2008 IT industry competitiveness index in September. According to the index, South Korea's IT competitiveness fell to eighth among 66 countries from last year's third (after the U.S. and Japan). Japan's ranking dropped from second to 12<sup>th</sup>, while Taiwan rose to second from last year's sixth. China took fiftieth.

If economic relations were affected very little by the Dokdo/Takeshima islets issue, its impact was very much felt by those students whose plans for municipal cultural exchange programs were canceled or postponed due to the bilateral diplomatic dispute. According to the July 24 *Japan Times*, junior high school students from South Korea's city of Chuncheon were planning on visiting Japan's Kakamigahara in August, while Japanese students were going to stay in the South Korean city in the fall. But Chuncheon sent a letter to Kakamigahara saying that the exchange projects were not a good idea at such a time. Similarly, short home-stay projects of three female high school students between Japan's town of Rifu in Miyagi Prefecture and South Korea's Uijeongbu were canceled citing the territorial dispute as the main reason.

### **The coming quarter**

The fourth quarter promises to be eventful. With Prime Minister Aso taking control of the government in Japan, both South and North Korea will watch carefully to see how he molds his foreign policy. Similarly, the fate of North Korea's leadership remains unclear, but over the next few months it is possible that we may achieve some clarity about who is in charge, or whether Kim can return to visible power. How the leadership in both these countries pursue their bilateral relations will be one of the main questions for the autumn.

### **Chronology of Japan-Korea Relations July-September 2008**

**July 9, 2008:** *New York Times* carries a full-page advertisement, "Do you know?" claiming South Korean sovereignty over the Dokdo/Takeshima islets.

**July 10-12, 2008:** A Heads of Delegation Meeting of the Six-Party Talks is held in Beijing.

**July 14, 2008:** The Japanese government announces that new guidelines for middle school teachers will describe the Dokdo/Takeshima islets as an integral part of Japanese territory.

**July 14, 2008:** Foreign Minister Yoo Myung-hwan summons Japanese Ambassador Shigeie Toshinori to protest the decision. Ruling GNP Supreme Council member Rep. Chung Mong-joon and DP Chairman Chung Se-hyun lead delegations to the islets.

**July 14, 2008:** *Yomiuri Shimbun* reports that President Lee Myung-bak made ambiguous remarks regarding the islets in a meeting with Prime Minister Fukuda Yasuo on the sidelines of G8 summit in Hokkaido.

**July 15, 2008:** South Korea's Coast Guard says it stepped up patrols near the Dokdo islets.

**July 15, 2008:** *NHK* TV reports that Japan has announced its plan to educate students on the islets beginning in 2009 instead next year instead of 2012.

**July 16, 2008:** *Choson Ilbo* reports that the U.S. Library of Congress makes changes to the naming of the Dokdo/Takeshima islets from "Tok Island (Korea)" to "Liancourt Rocks."

**July 16, 2008:** South Korea's Ambassador to Japan Kwon Chul-hyun says in a press conference that Seoul may withdraw its support for Tokyo's efforts on the abduction issue as well as on the North's development of long-range missile that can reach Japan.

**July 21, 2008:** *Yomiuri Shimbun* quotes South Korea's *Yonhap* as saying that South Korea will postpone the bilateral FTA talks indefinitely due to unfavorable political environment.

**July 23, 2008:** Foreign ministers of the Six-Party Talks meet in Singapore on the sidelines of the ASEAN Regional Forum. Secretary of State Condoleezza Rice urges North Korean counterpart Pak Ui-Chun to set up a nuclear verification regime and to address the abduction issue.

**July 24, 2008:** Seoul establishes a joint task force on the Dokdo/Takeshima islets to counter Japan's claim on the islets. The countermeasure system will be headed by South Korean Prime Minister's Office and joined by relevant ministries.

**July 28, 2008:** *Asahi Shimbun* reports that the territorial dispute over the Dokdo/Takeshima islets has led to cancellations of Japan-South Korean student exchange programs.

**July 28, 2008:** *Korean Times* reports that South Korean *Defense White Paper 2008* will make a stronger claim on the sovereign over the islets.

**July 29, 2008:** South Korea starts a 3-day defense exercise in waters near Ulleung Island and Dokdo in preparation for an invasion of the area by countries including Japan, according to South Korea's Navy.

**July 30, 2008:** The U.S. National Security Council's senior director for Asian Affairs announces that the U.S. Board of Geographic Names reversed its change of the status of the Dokdo/Takeshima islets from "non-designated territory" to "South Korea."

**Aug. 5, 2008:** South Korea' Ambassador to Japan Kwon Chul-hyun returns to Japan after being recalled in protest over Japan's claim over the Dokdo/Takeshima islets.

**Aug. 5, 2008:** *Sankei Shimbun* poll shows that 73.7 percent of Japanese respondents think that the Dokdo/Takeshima islets are Japanese territory, while 75 percent says that the Japanese government should lay stronger claim to the islets.

**Aug. 9, 2008:** The U.S. announces its decision to postpone its removal of North Korea from the State Sponsors of Terrorism List from the original date Aug. 11.

**Aug. 10, 2008:** Foreign Minister Komura says that Japan will consider a partial lifting of its sanctions against North Korea if it starts the reinvestigation of the abduction issue.

**Aug. 11-12, 2008:** Japan and North Korea meet for a 2-day working-level meeting to discuss the implementation of the agreement reached in June.

**Aug. 13, 2008:** North Korea agrees with the terms of reinvestigation of the abduction issue. Foreign Minister Komura describes the agreement as "progress."

**Aug. 15, 2008:** President Lee, in his speech commemorating Korea's liberation from Japan's colonial rule, urges Japan to face up to history and refrain from unfortunate past today. He avoids directly referring to the Dokdo/Takeshima islets dispute.

**Aug. 15, 2008:** Prime Minister Fukuda does not visit Yasukuni Shrine. Three of his Cabinet Ministers – Agriculture, Forestry and Fisheries Minister Ota Seiichi, Justice Minister Yasuoka Okiharu and State Minister Noda Seiko – make separate visits to the shrine but refrain from characterizing the visit as "official."

**Aug. 18, 2008:** The U.S. State Department spokesman Robert Wood reiterates that it will not take North Korea off its State Sponsors of Terrorism List until Pyongyang agrees to a proposed process of a full verification.

**Aug. 19, 2008:** ROK nuclear envoy Kim Sook and Japanese counterpart Saiki Akitaka discuss a strategy to encourage Pyongyang to accept a proposed verification mechanism. Tokyo shares with Seoul the outcome of its working-level negotiations with Pyongyang.

**Aug. 22, 2008:** South Korea's Democratic Labor Party and North Korea's Democratic Labor Party issue a joint statement criticizing Japan's claim over the Dokdo/Takeshima islets.

**Aug. 25, 2008:** *Washington Post* carries a full-page advertisement funded by some 110,000 South Korean internet users supporting South Korea's claim to the Dokdo/Takeshima islets.

**Sept. 1, 2008:** Prime Minister Fukuda announces his resignation after being in office for less than a year.

**Sept. 1, 2008:** *Korea Times* quotes diplomatic sources in Seoul and reports that Japan described the Dokdo/Takeshima islets as Japanese territory in its *Defense White Paper 2008*. It is the fourth consecutive time Japan's annual defense paper makes that claim.

**Sept. 2, 2008:** Japan announces that a trilateral summit among China, South Korea, and Japan proposed for Sept. 21 will be postponed following Prime Minister Fukuda's resignation.

**Sept. 8, 2008:** The Chongryon group of North Korean residents urges Japan to compensate for its wartime aggression before the normalization of the bilateral relations.

**Sept. 24, 2008:** Aso Taro is appointed as Japan's prime minister.

**Sept. 27, 2008:** In his address at the UN General Assembly, North Korea's Vice Minister of Foreign Affairs Pak Gil-Yon defends Pyongyang's resumption of its nuclear activities and claims that "war criminal state" Japan is not suited to be a permanent U.N. Security Council member.

**Sept. 30, 2008:** Japan announces its intention to extend economic sanctions against Pyongyang for another six months after Oct. 13.



## China-Russia Relations:

### Guns and Games of August: Tales of Two Strategic Partners

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The third quarter of 2008 was quite eventful for Russia and China as well as their bilateral relationship. The 29<sup>th</sup> Summer Olympics in Beijing opened and concluded with extravaganza and a record 51 gold medals for China. Shortly before the opening ceremony on Aug. 8, Georgia's attacks against South Ossetia – a separatist region of Georgia – led to Russia's massive military response, a five-day war, and Russia's recognition of their independence. Thus, the August guns and games brought the two strategic partners back to the world stage. One consequence of the Georgian-Russian war is that China's "neutrality" is widely seen as a crisis in China's strategic partnership with Russia.

Beyond the Olympics, Ossetia, and chaos in world financial markets, Moscow and Beijing were able to move their relationship forward: an additional border agreement was signed to end the border disputes of the previous 400 years, bilateral energy talks at the deputy ministerial level were launched, long-stalled military sales started to show some sign of life as the two sides resumed discussions for the 38 *Il-76* and *Il-78* military cargo planes, the Shanghai Cooperation Organization (SCO) managed to keep a delicate balance for both internal and external politicking while elevating its observers' status by creating so-called "Dialogue Partners," and 1,000 Chinese children from the earthquake-devastated areas – many more than the original proposed number of 50 by Medvedev when he visited China in late May – spent several weeks in Russia's resort areas.

#### China's "strategic ambiguity"

In the early morning of Aug. 8, 2008 when President Dmitri Medvedev was on vacation and Prime Minister Vladimir Putin was in Beijing attending the Olympics Games, Georgia launched a military offensive to surround and capture Tskhinvali, the capital of South Ossetia. In the 14 hours before Russia's intervention, 1,700 were killed, including 12 Russian peacekeepers, and many parts of the region were devastated, according to Russia's account. Putin blamed Washington for Georgia's war saying "If what I presume turns out true, then there is a suspicion that there are forces in Washington that deliberately fueled the tensions in order to create an advantage to one of the presidential challengers." On Aug. 12, Medvedev and French President Nicolas Sarkozy reached a six-point plan for cease-fire. Vice President Dick Cheney visited Tblisi on Sept. 2-3 and offered \$1 billion in U.S. economic assistance to Georgia.

Putin, who was in Beijing for the Olympics opening ceremony, immediately informed the Chinese in his meeting with Premier Wen Jiabao on Aug. 8. China's immediate reaction,

according to Putin, was that “nobody needs the war,” which was also President George W. Bush’s reaction. Meanwhile, China expressed serious concern over the escalated tensions and armed conflict in South Ossetia and Abkhazia, and urged the relevant sides to exercise restraint, ceasefire immediately, and resolve their dispute peacefully through dialogue. An official *Xinhua* news analysis worried about the possible escalation and spread of the conflict in the region and beyond. The same analysis also directly quoted, without any reference, the sharply different views of Medvedev and Putin on the one hand and Georgian President Mikhail Saakashvili and Bush on the other. In his meeting with Bush on Aug. 10, President Hu Jintao was indirectly quoted as saying that all sides to the conflict must demonstrate restraint, stop hostilities in the nearest future and sit down at the negotiating table to find a mutually acceptable solution. In a way, Beijing did not publicly and explicitly support Moscow.

A Chinese source pointed to the dilemma: “Russia and Georgia are countries with which China maintains diplomatic relations and friendly ties, hence it should hold a very cautious stance so as not to damage these relations.” What the sources did not say is that Washington, too, is part of this list of “friendly” nations with whom China did not want to jeopardize relations. Strategic ambiguity, if not neutrality, is perhaps the only rational stance for Beijing. Moreover, because Washington has been Tblisi’s strongest supporter, a more cautious approach to the still evolving situation is therefore needed.

There were some exceptions among China’s carefully balanced posture of evenhandedness. One of them was China’s decision to send \$1 million in humanitarian aid to South Ossetia, to which the Russians publicly expressed appreciation. Meanwhile, China’s official ambiguity contrasted sharply to the critical views of Georgia and the U.S. in China’s internet chat rooms, including those run by the official media outlets.

Six days after the Russian troops halted their military offensive on Aug. 12, the Russian Security Council Secretary Nikolai Patrushev arrived in Beijing for a “working visit.” The situation in the Caucasus was discussed in his one-hour closed-door meeting with Chinese counterpart State Councilor Dai Bingguo. Very little, however, has been disclosed so far. Two days after the end of the Beijing Olympics and two days before the SCO’s annual summit in Tajikistan, President Medvedev declared that Moscow recognized the independence of South Ossetia and Abkhazia. Beijing’s immediate official reaction was a news release by the official *Xinhua News Agency*, citing the negative reactions from various Western capitals (U.S., UK, France, Sweden, and Germany). Toward the end, this *Xinhua* news “round-up” noted “the two regions broke from central Georgian rule during wars in the early 1990s after the collapse of the former Soviet Union, but their self-proclaimed independence is not recognized internationally.”

China did not immediately react to Moscow’s recognition of the independence of South Ossetia and Abkhazia, with good reason as Presidents Hu and Medvedev were to meet the next day prior to the opening of the SCO’s eight annual summit. During the meeting, Medvedev briefed Hu on Russia’s stand and the situations in South Ossetia and Abkhazia. Hu said the Chinese had noted the latest changes in South Ossetia and Abkhazia, hoping that the relevant parties would appropriately resolve the problems through dialogue and consultations. Chinese media reported that in the meeting Hu stated:

At present, China-Russia strategic cooperative partnership maintains a good development impetus. Not long ago, both sides exchanged in-depth views on major issues related to China-Russia energy negotiating mechanism and energy cooperation, and *conducted explorations on the operation of the China-Russia strategic security consultation mechanism and the third round of consultations* [emphasis added]. The smooth operation of the aforesaid two mechanisms and other mechanisms between the two countries will increase both sides' political mutual trust, strengthen the two countries' strategic cooperation, and play an important role in upgrading the level of China-Russia strategic cooperative partnership.

It is unclear exactly how the two sides "explored" the "operation of the China-Russia strategic security consultation mechanism." The Patrushev-Dai talks on Aug. 18 in Beijing looked like a "strategic security consultation," but Chinese media never referred to the meeting as "the third round of consultations." What was clear from the Hu-Medvedev meeting in Dushanbe was Beijing's lack of unambiguous support of Moscow's policies toward South Ossetia and Abkhazia.

According to Chinese sources, the Russian Foreign Ministry presented a revised proposal for the Dushanbe Declaration, requesting that a statement be included on joint action on security and conflict prevention issues, but China did not agree to the proposal. Foreign Ministry spokesman Qin Gang reiterated China's official position on Aug. 28 that "China assumes a principled position on analogous issues: all problems need to be resolved through dialogue and consultations." As a result, the Dushanbe Declaration adopted a posture of "neutrality" as its third clause states: "The member states of the SCO express their deep concern in connection with the recent tension around the issue of South Ossetia, and call on the relevant parties to resolve existing problems in a peaceful way through dialogue, to make efforts for reconciliation and facilitation of negotiations."

The same document reiterates:

In the 21st century interdependence of states has grown sharply, security and development are becoming inseparable. None of the modern international problems can be settled by force, the role of force factor in global and regional politics is diminishing objectively.

Reliance on a solution based solely on the use of force faces no prospects, it hinders comprehensive settlement of local conflicts; effective resolution of existing problems can be possible only with due regard for the interests of all parties, through their involvement in a process of negotiations, not through isolation. Attempts to strengthen one's own security to the prejudice of security of others do not assist the maintenance of global security and stability.

The participants of the Dushanbe meeting underline the need to respect historical and cultural traditions of every state and every people and the efforts aimed to preserve in accordance to international law unity and territorial integrity of states as well as to encourage good-neighbourly relations among peoples and their common development.

Aside from these familiar principles, the Declaration does contain a somewhat more comforting statement for Russia: “The member states of the SCO welcome the approval on 12 August 2008 in Moscow of the six principles of settling the conflict in South Ossetia, and support the active role of Russia in promoting peace and cooperation in the region.”

### Russia’s story

SCO’s position, along with that of China, was at least a disappointment for Russia, despite the effort of the Russian leaders to explain it away. *Gazeta*, a Moscow daily, believed “the SCO has given Russia exactly the amount of support that corresponds to their interests in the international arena, without hurting their relationship with the United States and the European countries and without *seriously offending* [emphasis added] Moscow. The joint declaration the SCO members adopted at the summit in Dushanbe on 28 Aug. is a classic example of the art of diplomacy.” Separately, some Russian analysts equated the wording of the Dushanbe Declaration with the statements of many EU members after the Medvedev-Sarkozy plan was signed.

The SCO’s apparent neutrality, nonetheless, may not be a surprise for Moscow. Two days before the SCO summit, Russian political analyst Vyacheslav Nikonov argued that Russia should not expect China’s support in this issue. “China has domestic problems. This is not only Taiwan but also Xinjiang Uyghur Region and Tibet. This problem will be a barrier to approving Russia’s decision to recognize Abkhazia and South Ossetia.” For the same reason, “Russia cannot count on 100 percent support from the SCO but understanding of a considerable number of its members, or perhaps even all, is quite feasible. But there will be no formal support,” he said.

Meanwhile, a source in the Russian delegation to Dushanbe revealed that the SCO leaders orally expressed their approval of Moscow’s line, but in the Declaration they supported the principle of territorial integrity and opposed using force in interstate relations. President Hu was quoted as saying that he “understood the Russian position, but he explained that we’ll be unable to officially side with Moscow.” Later, the Kazakh president was quoted as apologizing for having failed to support Moscow due to different reasons.

To explain the discrepancies between SCO’s informal and formal positions, Foreign Minister Sergey Lavrov explained in his press conference after the summit saying, “Russia didn’t seek to persuade its partners to recognize South Ossetia and Abkhazia. Unlike certain Western partners, we prefer that every country should make its mind without any external pressure.” Moscow knew about U.S. envoys’ visits to other states, where they “told them what to say regarding the problem.” “Such sort of boorishness is not inherent in our political tradition,” Lavrov told the journalists. In his address, President Medvedev was said to have even thanked his colleagues “for the understanding and the unbiased assessment of Russia’s peacekeeping role.” A week later, the Russian ambassador to Beijing expressed his “appreciation” for China’s “understanding” of Russia’s position. Vitaliy Tretyakov, dean of the Moscow State University Higher School of Television, took a step further by claiming that the “silence” of China was in fact “recognition of Russia’s right to do what it did.”

In mid-September, Prime Minister Putin offered his own story. “This [China’s] position has absolutely not disappointed us. Moreover, we perfectly understand the People’s Republic of

China's foreign and home political priorities and do not want to put them in some uncomfortable situation," Putin said in an interview. "We have openly told our Chinese partners about this. I said it myself while attending the Olympic opening ceremony in Beijing. We relieved them from this responsibility in Russian-Chinese relations before hand... In terms of international law, one country's recognition is enough for the appearance of a new entity under international law."

### **China's "independent foreign policy": beyond the Georgian-Russian conflict**

The more Russia tries to clarify the situation, the less the West seems to believe it. For many, China's cautious "neutrality" is a departure from, if not a betrayal of, its strategic partnership with Russia. Such a view misreads the state of the Sino-Russian relationship. Western perception of the Beijing-Moscow relationship seems to have swung from exaggerating its strength, or possible "threat" to the West, to one of overplaying their differences. Neither is right. Both focus on the superficiality while ignoring the substance. To begin with, the timing of the conflict was an irritant for Beijing. China did not like any war at the historical moment of hosting the Olympics, whether Russia was part of the conflict or not. Given the complexities of the ethnic conflicts dating back to the 1920s and the U.S. looming large in the background, China's cautious reaction was expected, if not desirable for Moscow.

Since the outbreak of the conflict, several leading Chinese analysts observed that the Georgian-Russian conflict is in essence between the U.S. and Russia. While there was finger pointing between Moscow, Washington, and Tbilisi regarding who made the first move, it is inconceivable that a small Georgia would dare to take on its giant neighbor without explicit support from Washington. Indeed, Washington was not only aware of Georgian military actions before they started, it also explicitly sided with Tbilisi for the August surprise, which may have contributed to Saakashvili's recklessness and miscalculation.

China's "harmonious world" means stability of the existing international system, despite the fact that the West dominates the system. Indeed, China would like to see, as much as the West would, the stability and continuity of the existing international system, from which China has benefited enormously. Beijing has been on good terms with all three players in the crisis (Moscow, Washington, and Tbilisi) and does not want to take sides among the three. Doing so may please one side but inevitably at the expense of China's relations with the others. Keeping amicable relations with all of them is perhaps the least harmful for China.

The abrupt switch of the Western perception of the Beijing-Moscow relationship from one of "threat" against the West to the premature celebration of its obituary is rooted in misreading the Beijing-Moscow strategic partnership, which is essentially a normal relationship without the mutually binding commitment in a typical military alliance. It is largely a pragmatic approach to "conduct strategic coordination without alliance and close relationship without excessive dependence" according to a Chinese analyst. Moreover, there is a willingness to develop the more cooperative aspects of their relationship while managing those of disagreement and competition. Such a relationship, strategic or not, is the result of a long and sometimes painful learning experience in the second half of the 20<sup>th</sup> century – that bilateral relations between Moscow and Beijing oscillated between excessive dependence (particularly China on Russia) and almost zero interaction. Within this context, even if the Russians did not get all of what they

wanted from China and the SCO summit in late August, this is far from the beginning of the end of their strategic partnership.

Much of this “normal” nature of the Sino-Russian strategic partnership also constitutes the reason behind the SCO’s “neutrality.” All of the SCO’s Central Asian states were former Soviet republics. Many, if not all of them do not want to see any slight replay of the Georgian-Russian conflict in their part of the world. That concern, however, remains a distant possibility, given that the SCO provides a framework for its members to resolve disputes and to achieve common purposes of security and development. The key to SCO’s stance toward the Georgia-Russian conflict, however, lies in the nature and structure of the regional security group. Far from becoming a military bloc like NATO in which members are obligated to defend one another, the SCO is a large and diverse community of nations. If its observer members are included, the SCO would consist of almost half of the world’s population, the three largest nations (Russia, China and India), and almost all major civilizations: Christianity, Islam, Hinduism, and Confucianism, all of which have become nuclear powers. Meanwhile, the SCO charter allows considerable space for individual members to pursue their own policies for their own interests. There is simply no obligation for SCO members to automatically commit themselves members of typical military alliances would. Given these reasons, Moscow perhaps never explicitly asked or demanded public support from the SCO members over the South Ossetian conflict.

Under these circumstances, the SCO’s Dushanbe Declaration may mean quite a lot for the Russians as it supports the “active role of Russia in promoting peace and cooperation in the region.” The member states of the SCO also “express their deep concern” over the tension around the issue of South Ossetia and call for peaceful means through dialogue for reconciliation and facilitation of negotiations. This can be seen as directed to both sides, particularly Georgia, which started the ball rolling on Aug. 8.

The expectations that Beijing and Moscow are heading toward some sort of “separation” is, therefore, an overstatement at best. It is also largely derived from the West’s own experience and practice, which insists on unity because of (or by, of, and for) uniformity. Hence, NATO members must be democracies and the EU must be European, Christian, and perhaps white. Applying the same “recipe” to the SCO and recent Sino-Russian relations, which have largely transcended the past practice of alliances, may lead to nowhere.

Last if not least, Beijing’s public “neutrality” toward the Georgia-Russian conflict should not be a surprise in that it has been the pattern in China’s diplomacy since the 1980s. In almost all cases ranging from international crises (Korea, Iran, Kashmir, etc.) to bilateral disputes (South China Sea with ASEAN, East China Sea with Japan, border settlements with Russia, Vietnam, India etc.), China has opted for dialogue and compromise, rather than confrontation or taking sides. The same operational principle has also applied to difficult issues such as Taiwan and Hong Kong, for which China negotiated with Britain for the ending of colonialism there in the 1980s. In contrast, India, which is a democracy, used force to take Goa from Portugal in December 1961. Since the adoption of its “independent foreign policy” in 1982, China seldom judges others along the friend-foe fault line but according to a more pragmatic, independent, and case-by-case approach. Even with its allies such as North Korea, China will be critical of its neighbor’s policy

if it is destabilizing. The Georgian-Russian crisis simply provides another chance for China to display the independent nature of its foreign policy.

### **It is still “Western civil war,” stupid!**

Perhaps more than anything else, China’s caution regarding South Ossetia resulted from its deep concern regarding the possibility of the return of the Cold War, or the last stage of the “Western civil war” (William Lind cited by Samuel Huntington, 1993), which was said to have ended in 1991 when the Soviet Union collapsed. Although the Cold War did provide China with strategic opportunities, a new round of the Cold War may well mean uncertainties and create instabilities that serve no one’s interests.

“South Ossetia is a crisis with far reaching consequences,” declared veteran Chinese political commentator He Liangliang in early September. “It is, nonetheless, a crisis of the West, not one for China.” He argued that the root cause of the crisis was America’s relentless effort to squeeze Russia’s security space, which is necessary for any “normal” major power. Ever since Peter the Great, stated He, Russia has pursued an unrequited affection of joining Europe. Such sentimentality was particularly keen at the moment when Russia has largely recovered from its difficult transition from the wreckage of the Soviet Union. Western policies such as NATO expansion, “color revolution,” missile defense, among others, had created a Russia feeling betrayed and enraged. South Ossetia was, therefore, Russia’s strategic counter-move. Unfortunately, neither the Russian-speaking Secretary of State Condoleezza Rice, who majored in the Cold War history, nor German Chancellor Angela Merkel, who grew up in the Soviet-type system, seem to have understood this “West complex” of the Russians, argued He.

In retrospect, it is remarkable that just a few months ago the young President Medvedev was widely described and expected to be “liberal” and “pro-West.” In early June, Medvedev offered in Berlin his grand blueprint for a Euro-Atlantic community from Vancouver to Vladivostok. Within this community, Russia and Europe were said to share common roots, history, values, and thinking. A month later, the Russian president again talked of the “Medvedev doctrine” at the G8 summit in Japan. On the same day, however, Secretary Rice and the Czech Republic signed the missile defense agreement, to the dismay of Moscow.

Putin, too, began his presidency with an unambiguous Westpolitik (visiting Britain for his first foreign tour as Russian president, toyed with a “hypothetical” idea of Russia joining NATO, and “confessed” to the visiting U.S. Secretary of State Albright of his “European essence” and his Asian superficiality of practicing judo and eating Chinese food). Overtime, however, Putin became increasingly Euro-Asian, meaning moving away from a Euro-centric stance.

Even Boris Yeltsin, father of the Russian Federation, began with an obsession of Western style political democratization and economic “shock therapy.” Prior to his sudden exit from power at the end of 1999, Yeltsin chose Beijing to remind the West of Russia’s huge nuclear arsenal, in a manner more like “a recidivist Soviet premier.” In between, the man who brought down the Soviet empire became progressively more disillusioned with the West.

Perhaps it is time for the West to reflect its current Ostpolitik (missile defense, NATO expansion, etc.), not necessarily only for West's own interests, but also those of the Russians. The alternative, of course, is to stay the course in making Russia a "problem" for the 21<sup>st</sup> century. If this remains a possibility, China will be better off staying out. This "neutrality," according to He Liangliang, is an indicator of China's maturity, not a crisis, in its diplomacy.

## **Chronology of China-Russia Relations**

### **July-September 2008**

**July 9, 2008:** President Hu Jintao and President Dmitry Medvedev meet in Toyako, Hokkaido, on the sidelines of the G8 summit. The two agree to promote bilateral strategic and cooperative partnership, and express their determination to give priority to the development of a long-term and steady partnership.

**July 17, 2008:** One hundred Chinese children affected by a devastating earthquake in Sichuan Province arrive in the Kemerovo region to spend three weeks in a regional children recreation center. A total of 1,000 Chinese children from the quake area would go to Russian resorts during the third quarter.

**July 21-22, 2008:** Foreign Minister Sergei Lavrov visits China and signs with his counterpart Yang Jiechi the "Additional Protocol-Description of the Line of the Russian-Chinese State Border in its Eastern Part," which means the territorial issue between Russia and China has been finally resolved after 40 years of negotiations. In Beijing, Lavrov also meets President Hu Jintao.

**July 25, 2008:** Shanghai Cooperation Organization's Council of the Foreign Ministers meets in Dushanbe, Tajikistan to finalize documents for the annual SCO summit, including the drafts of the Dushanbe Declaration, a new mechanism for the SCO to interface with "dialogue partners," an agreement to establish an expert group for the development of criteria of adopting new members, and an agreement on fighting terrorism and illegal circulation of arms.

**July 26-7, 2008:** Vice Premier Igor Sechin visits China to launch a new mechanism of China-Russia energy negotiations. Sechin meets Prime Minister Wen Jiabao, Vice Premier Wang Qishan and managers of the China National Petrochemical Corporation and the China Nuclear Industry Corporation.

**Aug. 7-8, 2008:** In response to Georgian attacks on Ossetian separatists, Russian troops invade and occupy South Ossetia and from there launch attacks into Georgia proper.

**Aug. 7-9, 2008:** Prime Minister Putin visits Beijing. In addition to attending the opening ceremony of the Olympic Games, Putin holds "informal talks" with President Hu, Premier Wen, and former President Jiang Zemin.

**Aug. 17-18, 2008:** Secretary of the Russian Security Council Nikolai Patrushev visits Beijing and meets State Councilor Dai Bingguo to discuss bilateral, regional, and international issues including the situation in the Caucasus.

**Aug. 27, 2008:** Presidents Medvedev and Hu meet on the sideline of the SCO summit in Dushanbe, Tajikistan. They discuss the situations in South Ossetia and Abkhazia.

**Aug. 28, 2008:** The 8<sup>th</sup> annual SCO summit is held in Dushanbe. Russia assumes chairmanship until the next session of the Council of SCO Heads of State in Yekaterinburg, Russia in 2009.

**Aug. 28, 2008:** Deputy Foreign Minister Alexei Borodavkin meets Chinese Ambassador to Russia Liu Guchang and informs Liu about Russia's decision to recognize independence of Abkhazia and South Ossetia.

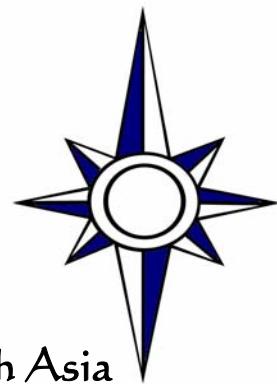
**Sept. 3-4, 2008:** The SCO conducts the 2<sup>nd</sup> phase of the "*Volgograd Anti-Terror 2008*" antiterrorist exercise in Russia's Volgograd. The goal is to practice teamwork between the units from each SCO member state.

**Sept. 11, 2008:** SCO's Business Council holds a session in the East-Siberian city of Irkutsk chaired by Dmitry Mezentsev, the Council's president. The participants discuss issues of setting up a SCO energy club, public health, insurance, and social security of population of the member-states, as well as a SCO university.

**Sept. 25, 2008:** Vice Premier Wang Qishan separately meets in Beijing chiefs of the delegations to the first SCO Economic and Trade Ministerial Meeting. Wang propose three principles for promoting regional economic cooperation: promoting investment and trade facilitation in a down-to-earth manner, building networks to promote economic convergence, and encouraging enterprises to carry out exchanges and strengthen cooperation in pooling capital.

**Sept. 27, 2008:** Foreign Minister Yang meets Foreign Minister Lavrov in New York City during the 63<sup>rd</sup> UN General Assembly. The two discussed bilateral, regional and global issues.





**Occasional Analysis:**

**U.S. Presidential Candidates' Views on Relations with Asia**

With the presidential elections in the U.S. scheduled for Nov. 4, the candidates' views of relations with Asia are of great interest to the foreign policy community in the U.S. and throughout Asia. In an effort to provide some insight into the policies of Sen. John McCain and Sen. Barack Obama, we have surveyed both campaigns' statements to answer a series of questions regarding their Asia policy stances as the basis of this quarter's Occasional Analysis.

**Overall priorities for East Asia**

*Senator Obama*

America's future prosperity and security are closely tied to developments in Asia. Our relations with Asia's diverse countries and economies have been stable but stagnant these past few years. Our narrow focus on preventing the spread of weapons of mass destruction and prosecuting a war on terrorism have earned us some cooperation, but little admiration. The war in Iraq has lost us good will among both allies and adversaries and has distracted our attention and policy initiatives from Asia's issues. Our preoccupation with Iraq has given a strategic advantage to China in the region, with as yet uncertain consequences. Barack Obama believes that the U.S. needs to strengthen our alliances and partnerships and engage more broadly in the regional trend toward multilateralism in order to build confidence, maintain regional stability and security, restore our international prestige, and promote trade and good governance in this crucial region.

Asia is a complex and evolving region, a mix of economic dynamism and cooperation alongside tensions and deep suspicions that spring from historical, ideological, and cultural discord. The United States has long played a pivotal role in preserving the peace in Asia and undergirding its economic development. That leadership should continue, but must adjust to changes taking place in Asia. Our alliances – friendships that have stood the test of time – remain crucial elements for Asian confidence and security. But new ideas are in play, and the U.S. must be attentive to calls for change. The emergence of an economically vibrant, more diplomatically engaged China and India has energized interest in Asian economic and security arrangements that could augment bilateral alliances and build confidence among adversaries and friends alike. Barack Obama believes we need to demonstrate unequivocally to Asians that our presence in the region is enduring, that our economic, political, and security interests demand it, and that we will reengage with, and listen to, our Asian friends after years of giving the region short shrift. (Barack Obama, "Strengthening U.S. Relations with Asia," August 2008)

*Senator McCain*

The resurgence of Asia is one of the epochal events of our time. It is a renaissance that is not only transforming the face of this vast region, but throwing open new opportunities for billions of people on both sides of the Pacific – Americans and Asians alike – to build a safer, more prosperous and freer world.

Seizing these opportunities, however, will require strong American leadership and an unequivocal American commitment to Asia, whose fate is increasingly inseparable from our own. It requires internationalism rather than isolationism, and free trade rather than protectionism. When our friends and allies in the Asia-Pacific region think of the future, they should expect more – not less – attention, investment and cooperation from the highest levels of the U.S. government.

Fortunately, the next American president will inherit a set of alliances and friendships in Asia that are already in good shape. At a time when America's popularity has declined in many regions, Asia stands as an exception. Polls show that the United States enjoys more support in Japan, South Korea, China and India than it did in 2000. Our core alliances with Japan, South Korea and Australia have never been stronger; relations with old friends in Southeast Asia like Singapore are excellent; and promising partnerships have been forged in recent years with friends like India, Vietnam and Indonesia.

The next president must expand on these achievements with an ambitious, focused agenda to further strengthen and deepen these relationships. Putting our alliances first, and bringing our friends into greater partnership in the management of both regional and global affairs, is key to meeting the collective challenges we face in a changing Asia and in a changing world. For the same reason, the U.S. must also participate more actively in Asian regional organizations.

(John McCain and Joseph Lieberman, "Renewing America's Asia Policy," *Wall Street Journal Asia*, May 27, 2008)

**U.S.-Japan alliance**

*Senator McCain*

The U.S.-Japan alliance has been the indispensable anchor of peace, prosperity and freedom in the Asia-Pacific for more than 60 years, and its importance will only grow in the years ahead. Deepening cooperation, consultation and coordination between Washington and Tokyo is the key to meeting the collective challenges that both of our nations face – from nuclear proliferation to climate change – and to advancing our common interest in building a safer, better world for all of our citizens.

With respect to North Korea, for example, former Prime Minister Junichiro Koizumi was right: We must bring both dialogue and pressure to bear on Pyongyang. We have the right framework in the six-party talks and the right tools in the U.N. Security Council resolution passed after North Korea's 2006 nuclear test, as well as the U.S.-Japan-South Korea trilateral coordination group. Now we must use those tools to press for the full, complete, and verifiable declaration,

disablement and dismantlement of North Korea's nuclear weapons programs – goals already agreed upon by the six parties. Future talks must also prioritize North Korea's ballistic missile programs, its abduction of Japanese citizens, and its human rights record.

The United States and Japan must also work closely together with regard to China – not to contain or isolate Beijing, but to ensure its peaceful integration as a responsible stakeholder in the international system. In fact, it is precisely by strengthening our alliance and deepening our cooperation that Japan and the United States can lay the necessary groundwork for more durable, stable, and successful relations with China.

Ultimately, the enduring strength of the United States' alliance with Japan is rooted not just in a set of shared interests, but in the bedrock of shared values. Thanks to the success of Japan's democracy, numerous other nations across Asia have been inspired to follow in its path. In fact, more people live under democratic government in Asia today than in any other region of the world. Japan is a major reason why. The United States and Japan have a clear interest in enshrining these norms and values at the center of our international system. (John McCain and Joseph Lieberman, "Putting Our Allies First," *Yomiuri Shimbun*, May 29, 2008)

#### *Senator Obama*

The US Japan alliance has been one of the great successes of the postwar era and Japan's remarkable achievements and constructive role in world affairs over the past 60 years are a great testament to the Japanese people. As the world's two wealthiest democracies, the US and Japan have a shared interest in promoting security and prosperity in Asia and around the world – shared interests that rest on a bedrock of shared values: in democracy, the rule of law, human rights, and free markets. As one of America's closest allies, Japan today plays a vital role in working with the US in maintaining regional security and stability, promoting prosperity, and meeting the new security challenges of the 21st century.....The US-Japan alliance must remain at the core of efforts to revitalize Japan's role in ensuring stability and security in the region.... Although the US-Japan relationship remains the centerpiece of both US and Japanese policy in the Asia-Pacific region, in recent years the Bush administration has let its attention to this critical relationship drift as it has been distracted by other issues. The alliance demands, and is deserving of, close political cooperation and coordination at every level, reflecting the key role Japan plays as an anchor of US economic and security interests in the region and across the globe. (Floor Statement, *Congressional Record*, April 25, 2007, on occasion of visit to US by PM Abe.)

Japan, as a major consumer and standard center in energy conservation and innovation, is our natural partner in tackling these and other global challenges. In statements in the Senate, Senator Obama has recognized the contributions Japan has made in responding to the December 2004 tsunami in Southeast Asia, fighting avian flu, assisting Africa and its leadership role on environmental issues and climate change. US-Japan cooperation on these global challenges will be a major growth area in our relationship under an Obama administration. (Walter Mondale, Honorary Chair, Japan Advisory Council for Obama Campaign, during an interview with *The Asahi Shimbun*, August 22, 2008)

## **U.S.-China relations**

### *Senator Obama*

America and China have developed a mature, wide-ranging relationship over the last 30 plus years. Yet we still have to do serious work if we are to create the level of mutual trust necessary for long-term cooperation in a rapidly changing region. Each country has deep concerns about the long-term intentions of the other and those concerns will not disappear of their own accord....In the coming years, the US and China face challenges that require fresh thinking and a change from the US policy approach of the past eight years. How the US and China meet these challenges and the extent to which we can find common ground will be important both for our own countries and for others in Asia and beyond....US and Chinese cooperation in the 6 Party talks on the NK nuclear issue over the past few years makes clear that we can work together constructively bilaterally and with others to reduce tensions on even extraordinarily sensitive issues.... I know that America and the world can benefit from trade with China but only if China agrees to play by the rules and act as a positive force for balanced world growth. I want China's economy to continue to grow, its domestic demand to expand, and its vitality to contribute to regional and global prosperity. But China's current growth is unbalanced....As President I will take a vigorous pragmatic approach to addressing these issues, utilizing our domestic trade remedy laws as well as the WTO dispute settlement mechanism wherever appropriate....The climate change challenge demands that the US and China develop much higher levels of cooperation without delay. We are currently the world's two largest consumers of oil and two largest emitters of greenhouse gases....Our cooperation to reduce the threat of climate change can produce models, practices, and technologies that will provide impetus to global efforts, including those to reach agreement on a post-Kyoto climate regime....In the modern world, non-traditional security threats are looming increasingly large. These include challenges of terrorism, proliferation, failed states, infectious disease, humanitarian disasters, and piracy on the high seas....I look to China to work with us to prevent Iran from developing nuclear weapons..... to halt the genocide in Darfur.....Greater progress in protecting the human rights of all its people and moving toward democracy and the rule of law will better enable China to achieve its full potential as a nation, domestically and internationally. China's own people will expect, indeed demand this....China cannot stand indefinitely apart of the global trend toward democratic government, rule of law, and full exercise of human rights. Protection of the unique cultural and religious traditions of the Tibetan people is an integral part of such an agenda. ("U.S.-China Policy Under an Obama Administration," *AmCham-China, China Brief*, October 2008.)

### *Senator McCain*

China's double-digit growth rates have brought hundreds of millions out of poverty and energized the economies of its neighbors. The U.S. shares common interests with China that can form the basis of a strong partnership on issues of global concern, including climate change, trade and proliferation. But China's rapid military modernization, mercantilist economic practices, lack of political freedom and close relations with regimes like Sudan and Burma undermine the very international system on which its rise depends. The next American president must build on the areas of overlapping interest to forge a more durable U.S.-China relationship. Doing so will require strong alliances with other Asian nations and a readiness to speak openly

with Beijing when it fails to behave as a responsible stakeholder. (John McCain and Joseph Lieberman, “Renewing America’s Asia Policy,” *Wall Street Journal Asia*, May 27, 2008)

Firm commitments to our allies will set the stage for an American engagement of China that builds on the many areas of common interest we share with Beijing and encourages candour and progress in those areas where China has not fulfilled its responsibilities as a global power.

We have seen both aspects of China’s rise vividly demonstrated during the Olympics. Americans and Australians have been impressed with Beijing’s glittering landscape and warmed by the hospitality and graciousness of the Chinese people. But in Beijing our journalists have also seen up close how human dignity suffers when basic rights such as freedom of speech and religious worship are denied. Our shared challenge is to convince the Chinese leadership that their nation’s remarkable success rests ultimately on whether they can translate economic development into a more open and tolerant political process at home, and a more responsible foreign policy abroad. (John McCain, “Alliance into the 21<sup>st</sup> Century,” *The Australian*, September 23, 2008)

### **Cross-strait relations**

#### *Senator McCain*

I welcome reports indicating that the sale of defensive arms to Taiwan – a package that has been on hold for too long – will now move forward. By notifying Congress of its intent to provide weapons aimed at bolstering Taiwan’s self defense, the administration is taking a step in the right direction. I have long supported such sales in order to strengthen deterrence in the Taiwan Strait and to help preserve the peace. American interests in Asia are well-served through faithful implementation of the Taiwan Relations Act, and if I am fortunate enough to be elected President, I will continue the longstanding and close ties between our peoples.

In that spirit, however, I note that the administration has refrained from providing all of the elements requested by Taiwan for its legitimate security requirements. For example, the package will not include submarines or new F-16 aircraft. I urge the administration to reconsider this decision, in light of its previous commitment to provide submarines and America’s previous sales of F-16s. These sales – which could translate into tens of thousands of jobs here at home – would help retain America’s edge in the production of advanced weaponry and represent a positive sign in these difficult economic times.

We should seek cooperative and productive relations with China that proceed in a spirit of confidence, and we should promote the improvement of cross-strait relations. As we do, however, we should understand that the possibility of productive ties between Taiwan and China are enhanced, not diminished, when Taipei speaks from a position of strength. I believe that America should continue to sell defensive weapons to Taiwan in the future, in accordance with its security requirements, and stand by this remarkable free and democratic people. (Statement by John McCain on Taiwan, October 3, 2008)

*Senator Obama*

I sincerely hope that the PRC will respond to the beginning of your Presidency in a constructive and forward-leaning way. It is important for Beijing to demonstrate to the people of Taiwan that the practical and non-confrontational approach that you have taken toward the mainland can achieve positive results. I hope there will be progress including development of economic ties, expanding Taiwan's international space and cross-Strait security on which you have made proposals that deserve a good faith response. I support the "one China" policy of the US, adherence to the three US-PRC joint communiqués concerning Taiwan, and observance of the Taiwan Relations Act. On that foundation, I believe the US should strengthen channels of communication with officials of your government. We should continue to provide the arms necessary for Taiwan to deter possible aggression. (May 20, 2008 letter from Obama to Taiwan's President Ma Ying-jeou)

Senator Obama welcomes the Bush Administration's decision to notify Congress concerning the package of weapons systems for Taiwan. This package represents an important response to Taiwan's defense needs. This action is fully consistent with US obligations under the Taiwan Relations Act. The sale helps to contribute to Taiwan's defense and the maintenance of a healthy balance in the Taiwan Strait....Senator Obama strongly supports the reduction of tensions between China and Taiwan and commends China's President Hu Jintao and Taiwan's President Ma Ying-jeou for their efforts in that regard. A strengthening of Taiwan's defenses will not undermine the process of reduction of tensions and can actually promote it. (Statement by Obama campaign spokesperson Wendy Morigi, October 6, 2008)

**Korean Peninsula, denuclearization, and the Six-Party Talks**

*Senator Obama*

North Korea's agreement to these verification measures is a modest step forward in dismantling its nuclear weapons program. President Bush's decision to remove North Korea from the list of State Sponsors of Terrorism is an appropriate response as long as there is clear understanding that if North Korea fails to follow through there will be immediate consequences. It is now essential that North Korea halt all efforts to reassemble its nuclear facilities, place them back under IAEA supervision, and cooperate fully with the international community to complete the disablement of the Yongbyon facilities and to implement a robust verification mechanism to confirm the accuracy of its nuclear declaration. The last eight years have demonstrated the necessity of confronting the threat from North Korea through aggressive, sustained and direct bilateral and multilateral diplomacy. Too often, there has been a failure to effectively engage our partners throughout this effort....If North Korea refuses to permit robust verification, we should lead all members of the 6 Party talks in suspending energy assistance, re-imposing sanctions that have recently been waived, and considering new restrictions. Our objective remains the complete and verifiable elimination of North Korea's nuclear weapons program. This must include getting clarity on North Korea's efforts to enrich uranium and its proliferation of nuclear technology abroad. (Obama Statement on US-North Korea nuclear agreement, October 11, 2008)

The U.S.-ROK alliance has been a remarkably strong and successful one. Forged in blood during the Korean war more than a half-century ago, the alliance has sustained itself through the crucible of the cold war and remains central to U.S. security policy in East Asia. Our bonds have only deepened through the extensive social and cultural ties that have formed between our two countries, including 100,000 Americans who live in Korea, and the 2 million Korean-Americans who enrich our society through their classic American ethic of hard work, strong families, and tight-knit church communities.

Nonetheless, I do not think it is an overstatement to say that the U.S.-Korea relationship has been adrift in recent years. At the heart of it have been our respective approaches to North Korea. The Bush administration has been divided within itself on how to deal with Pyongyang, branding it a member of the “Axis of Evil” and refusing bilateral discussions with it before subsequently reversing course. This unsteady approach not only has allowed North Korea to expand its nuclear arsenal as it has resumed reprocessing of plutonium and tested a nuclear device. It also has understandably caused anxiety in South Korea, as its leaders and people have tried to figure out what the Bush administration policy is.

The U.S.-Korea economic relationship has also benefited both nations and deepened our ties. I look forward as well to supporting ways to increase our bilateral trade and investment ties through agreements paying proper attention to our key industries and agricultural sectors, such as autos, rice, and beef, and to protection of labor and environmental standards. Regrettably, the U.S.-Korea Free Trade Agreement does not meet this standard.

We need to work with South Korea on a common vision for the alliance to meet the challenges of the 21st century, not only those on the Korean Peninsula but in the region and beyond.

An alliance that once was built solely on defense against common threats must today be built also on our shared values and strong mutual interests. (Floor Statement, *Congressional Record*, February 11, 2008)

*Senator McCain*

The next president will need to use intensive diplomacy to move towards a fully denuclearized Korean Peninsula, but cannot make the mistake of assuming that talking is our only tool. We cannot be so naive as to think we will convince Kim Jong-il to give up his nuclear weapons, let alone end his horrific treatment of his people, by promising that the president of the United States will unconditionally sit down with him to ask what else he wants.

Rather, it is through close cooperation with our closest allies – our strong alliance with the Republic of Korea, close trilateral coordination with Japan, and full use of UN Security Council Resolution 1718 – that we can best hope to solve the North Korean challenge.

We strongly support President Lee’s strategy of seeking full reciprocity in terms of denuclearization, human rights, and accounting for the hundreds of South Koreans abducted over the years by Pyongyang. North Korea’s bellicose rhetoric towards Seoul in recent weeks is revealing. It tells us that Pyongyang continues to try to divide the participants in the six-party

talks instead of taking steps that would reassure the legitimate concerns that have been raised about the North's intentions. We support Seoul's calm and firm response to these efforts. Our priority must be a united front with our democratic allies in confronting the dangers posed by North Korea." (John McCain and Joseph Lieberman, "*Putting Our Allies First*," *Joongang Ilbo*, May 29, 2008)

Reports indicate that the administration may soon remove North Korea from the list of state sponsors of terrorism. I have previously said that I would not support the easing of sanctions North Korea unless the U.S. is able to fully verify the nuclear declaration Pyongyang submitted on June 26. It is not clear that the latest verification arrangement will enable us to do so.

I am also concerned that this latest agreement appears to have been reached between Washington and Pyongyang and only then discussed with our Asian allies in an effort to garner their support. Diplomacy is a critical tool in ending the North Korean nuclear weapons program, and it must involve our closest partners in Northeast Asia. While we conduct this diplomacy, we must keep our goal in sight – the verifiable denuclearization of North Korea – and avoid reaching for agreement for its own sake, particularly if it leaves critical verification issues unaddressed. I am also concerned that recent negotiations appear not to have addressed the issue of North Korean abductions of Japanese citizens, a serious omission and directly relevant to any decision about North Korea's support for terrorist activities.

As this process moves forward, I expect the administration to explain exactly how this new verification agreement advances American interests and those of our allies before I will be able to support any decision to remove North Korea from the list of state sponsors of terrorism. (Statement by John McCain on North Korea, October 11, 2008)

### **Regional economic cooperation and free trade agreements**

*Senator McCain*

American leadership is also necessary on trade. For six decades, Democratic and Republican presidents have consistently stood for free trade, but in this presidential election the Democratic candidate has broken with that tradition. I believe that free trade agreements, such as those we have entered into with Australia and Singapore and have negotiated with South Korea, are critical building blocks for an open and inclusive economic order in the Asia-Pacific region. They create billions of dollars' worth of new exports and set a higher standard for trade liberalization that ultimately helps all the nations in the region.

America has never won respect or created jobs by hiding behind protectionist walls and I will continue making the case for free trade, regardless of political expediency. (John McCain, "Alliance into the 21<sup>st</sup> Century," *The Australian*, September 23, 2008)

The U.S. has successfully negotiated an important free trade agreement with South Korea. This agreement will benefit Americans and Koreans alike by creating new jobs on both sides of the Pacific and setting a new standard in opening Asia's rising economies to America, at a time when some are seeking to exclude us. Unfortunately, some politicians in Washington oppose the

FTA. Rather than encouraging American entrepreneurship and competitiveness, they are exploiting unfounded fears about Asia's economic dynamism and thus retreating from the bipartisan consensus on trade liberalization that has guided America for over 50 years. They are putting the protection of special interests before the promotion of the national interest. This position is irresponsible and shortsighted. Rejecting the FTA will not only leave Americans and Koreans alike worse off; it will also undermine America's global economic leadership. Retreating behind protectionist walls has never created American jobs or advanced America's national security, and it will not today. That is why we remain so strongly committed to the U.S.-South Korea FTA. (John McCain and Joseph Lieberman, "*Putting Our Allies First*," *Joongang Ilbo*, May 29, 2008)

*Senator Obama*

In terms of our shared prosperity, nowhere is America's sustained leadership more important in ensuring that the global economy remains vibrant. Together the economies of the APEC region account for over half the world's output and trade. It is essential that Asian countries work with us to ensure balanced growth and openness of the global trading system. This means shifting away from their traditional dependence on export-led growth and weak currencies toward stronger consumption at home and greater absorption of imports. The United States should negotiate only "gold standard" agreements with our Asian trading partners that stimulate growth and jobs and contain binding labor and environmental standards and intellectual property protections. (Asia Issues Fact Sheet)

Sen. Obama believes that existing mechanisms, such as the Asia-Pacific Economic Cooperation forum, are a useful platform for U.S. economic engagement with the Asian region, and that any new trade agreements negotiated with the U.S. must have binding labor and environmental standards, provide effective access for American exports, and be rigorously monitored and enforced. (Michael Schiffer, Asia Advisor to Obama campaign, September 2008)

**Norms, Values, Promotion of democracy and human rights, and U.S. Foreign Policy in Asia**

*Senator McCain*

Ultimately, America's alliances in the Asia-Pacific region are guided by more than the pursuit of shifting alignments of interest. Rather, our leadership in the region is rooted in the norms and values we hold in common with the region's great democracies.

Sixty-five years ago, there were only two Asia-Pacific democracies: Australia and New Zealand. Today, more people live under democratic government in Asia than in any other part of the world. Japan's leaders have spoken eloquently about the importance of democracy in Asia. India's prime minister has called liberal democracy the natural order of social and political organization in today's world.

We agree. No nation holds a monopoly on the insight that all men and women are created equal and endowed with certain inalienable rights. These are not only universal truths; they are also the indispensable bedrock for the shared prosperity and stability we all desire. That is precisely why

the United States and its allies must work together to put these norms at the center of our international system.

America itself must be a responsible stakeholder in that system, and a good global citizen. American power does not mean we can do whatever we want, whenever we want. On the contrary, our position in Asia has been strongest when we have listened to our friends, and when we have worked not only to persuade them that we are right, but been willing to be persuaded that they are right. We must take seriously our responsibility to address our contribution to climate change, for instance, if we are to persuade others to take seriously their responsibilities to do the same. (John McCain and Joseph Lieberman, "Renewing America's Asia Policy," *Wall Street Journal Asia*, May 27, 2008)

*Senator Obama*

Barack Obama understands that the political and economic development of Asia means a more peaceful and stable Asia: Obama will make support for the aspirations of the people of Asia for human rights, democracy, and good governance a tenet of his regional foreign policy. The people of Asia, like people all over the world, cherish the ability to raise their children free from fear and want and to have a say in their own futures.

The continuing dire situation in Burma requires particular attention in this regard. Burma's military junta is one of the most repressive regimes in the world, threatening the stability of neighboring states, among others. Barack Obama continues to support U.S. trade and investment sanctions against Burma to demonstrate our strong, principled condemnation of the regime's oppressive rule, and our solidarity with the Burmese people. He joins the international community, including Burma's ASEAN neighbors, in calling for the unconditional release of the nation's political prisoners, including the symbol and leader of Burma's democracy movement Aung San Suu Kyi. At the same time, he favors humanitarian assistance that will reach the suffering people of Burma and that does not empower the military junta. Efforts to influence the regime have seen only limited results – in part because the international community has been unable to coordinate its efforts. While the dynamics of change ultimately must come from within the country, Obama will work toward achieving a coordinated international approach that includes the nations of ASEAN, China, India, Japan, and Europe to help contribute to the process of reform and reconciliation in Burma. (Asia Issues Fact Sheet)

**East Asia community building efforts and regional multilateral security cooperation**

*Senator Obama*

With the nations of East Asia working together through ASEAN, the ASEAN Regional Forum, APEC, the East Asia Summit and other regional arrangements, Asia is moving ahead--with or without us--to create a new regional architecture. Our interests demand that we re-engage to ensure trans-Pacific linkages are relevant and strong. That means developing new arrangements to meet new and rising challenges and transnational threats that stem from globalization--especially in the areas of pandemic disease, climate change, and energy security. The latest pandemic, an unidentified, highly contagious virus affecting pigs, is sweeping Asia. We must

ensure that China and other affected countries cooperate in research and containing this and future outbreaks of disease. We should use the opportunity of APEC to further the dialogue about the growing problem of pandemics. (Obama Speech to Senate on Sustained Leadership in the Asia-Pacific Region, September 4, 2007)

### **Islam in Asia**

#### *Senator Obama*

Senator Obama ... is personally aware of the central role of Islam and Muslims in Southeast Asian affairs, having spent four of his first 10 years in Indonesia, the world's largest Muslim nation. He also understands that the region has undergone an extraordinary metamorphosis over the past decade, maintaining a religiously tolerant orientation while accommodating increased religiosity in its many diverse societies. While there have been some radical manifestations of Islam, including terrorist groups such as Jemaah Islamiah, the overall nature of Islam in Southeast Asia has been an essential component of the region's on-going political and economic development in recent years.

The Bush Administration's misguided war in Iraq and perversions of justice and the rule of law as symbolized by Abu Ghraib and Guantanamo Bay have contributed substantially to the terrible state of our relations and reputation with Muslims around the world, including in Asia.

To improve our relations with Asian Muslims, Senator Obama believes we must close down the detention centers in Guantanamo Bay, and reestablish the rule of law to begin to restore the U.S. reputation around the world, including in Muslim nations. Senator Obama understands that to the vast majority of Asian Muslims the extremists and terrorists are as big a threat to their well-being as to ours. As a result, he recognizes that we need to listen more to their perspectives on how to address this threat, align ourselves with their developmental interests, and contribute more of the resources they require to attack the extremist challenge from within.

While he will apply the full spectrum of U.S. power to the fight against terrorism, including military force when necessary, Senator Obama has made clear that he intends to bring the U.S. occupation of Iraq to an end." (Interview with Obama campaign outside foreign policy adviser Michael Schiffer, *Washington Report*, September, 2008)



## About The Contributors

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