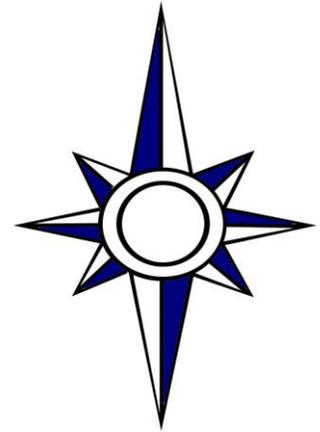




Pacific Forum CSIS



Comparative Connections



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

edited by

Carl Baker
Brad Glosserman

May – August 2011
Vol. 13, No.2
September 2011

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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 Triannual Electronic Journal on East Asian Bilateral Relations

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

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

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

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Rays of hope were seen in several areas across the region. Dim rays of light pierced what has been the darkness of the Six-Party Talks since their suspension in December 2008, even though prospects for actual Korean Peninsula denuclearization remain low. US-China relations continued to mend at the Shangri-La Dialogue and the ARF; Vice President Biden’s trip to China added to the light. Hopes have also been raised for an end to political turmoil in Japan and Thailand with the election of new prime ministers. Aung San Suu Kyi’s release from house arrest provides a ray of hope for progress in moving Burma/Myanmar toward democracy. Meanwhile, the self-inflicted debt crisis in the US has further dimmed hopes for US leadership in Asia and globally. Looking forward, there are flickering hopes that this year’s APEC Leaders Meeting in Honolulu will shine a new spotlight on this increasingly overshadowed institution. Finally, the death of Osama bin Laden has raised the hope that this signals the beginning of the end for al Qaeda; others hope it will hasten the US exit from Afghanistan as well.

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

Kan Naoto resigned as prime minister on Aug. 26 after promising to step aside almost three months earlier amid dissension within his ruling Democratic Party of Japan (DPJ) and dwindling public support after a clumsy response to the tragedies of March 11. He was succeeded by Finance Minister Noda Yoshihiko, who prevailed in the DPJ presidential race despite little evidence of support in the polls, but strong backing within the party. The US and Japan convened the first Security Consultative Committee or “2+2” in four years to outline common strategic objectives and strengthen alliance cooperation in a regional and global setting. The two governments also consulted on the margins of international events to discuss cooperation on various issues. Vice President Joseph Biden visited Japan in late August to reiterate US support for the recovery effort and met victims of the disaster in Tohoku. Public opinion polls in Japan and the United States revealed a solid foundation of support for the US-Japan alliance.

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by Sheldon Simon, Arizona State University

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by Aidan Foster-Carter, Leeds University, UK

There were signs that a shift in strategy or tactics toward the North may be underway in South Korea as President Lee Myung-bak heads into the final third of his term in office. Although the most significant move of replacing Minister of Unification Hyun In-taek did not occur until the end of August, there were several indications of the shift over the past four months. Attempts at dialogue included the apparently clumsy attempt at inter-Korean dialogue in Beijing May, which led to accusations of bribery from the DPRK delegation, and actual, albeit brief, discussions on the sidelines of the ASEAN Regional Forum in Bali. The announcement following Kim Jong Il's visit to Russia that the North was prepared to begin discussions on a trans-Korean gas pipeline from Russia fed the newfound optimism. However, the memories of past provocations and the failure of the Mt. Kumgang project will certainly temper any progress.

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by Scott Snyder, Council on Foreign Relations and See-won Byun, Asia Foundation

High-level exchanges between China and South Korea’s foreign and defense ministries appeared to recover momentum as the two countries marked their 19th anniversary of diplomatic relations. But efforts to consolidate the China-ROK strategic partnership have exposed policy differences over North Korea and the ROK alliance relationship with the US. Kim Jong Il visited China twice over the past four months as China and North Korea commemorated the 50th anniversary of the Treaty of Friendship, Cooperation and Mutual Assistance in July. China and the DPRK also agreed to strengthen military cooperation while China’s new joint economic projects in the North have raised debate on the prospects for North Korean reform.

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Private-sector contacts keep the bilateral relationship afloat while high-level official contact began to resume. Defense ministers met in June in Singapore and foreign ministers met in July in Beijing. In each instance, they agreed on the importance of advancing the strategic and mutually beneficial relationship. In early August, Japan’s Ministry of Defense released its *2011 Defense White Paper*, which expressed concerns over China’s military modernization, its increasing activities in waters off Japan, and its “overbearing” conduct in the South China Sea. Eight days later, the Chinese aircraft carrier *Varyag* left port for initial sea trials. Meanwhile, activities in the Senkaku/Diaoyutai Islands area continued to generate political friction in both Tokyo and Beijing.

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As has been the case for many years, relations between South Korea and Japan during the past four months were relatively stable, with increasingly deep economic relations, voluminous cultural flows, and general agreement on a strategy of isolation toward North Korea. Unfortunately, relations between them over the summer were portrayed by the media in both countries as hostile due to disputes over the ownership of Dokdo/ Takeshima. Coverage of the political sparring occurred at the expense of shedding light on other issues that deserved as much attention, if not more. Although there is no clear answer as to whether the disputes are real or symbolic, other events are more meaningful in moving the relationship forward. These included increased political interaction among legislators and increased economic interdependence. Meanwhile, relations between Japan and North Korea remained in a holding pattern.

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by Yu Bin, Wittenberg University

The summer of 2011 marked two anniversaries for China and Russia. In June, the Shanghai Cooperation Organization (SCO) celebrated its 10th anniversary at the annual SCO Summit in Astana, Kazakhstan. Over the past 10 years, the regional security group has grown fed by its “twin engines” of Russia and China. Immediately following the SCO Summit, President Hu Jintao traveled to Moscow, marking the 10th anniversary of the signing of the Friendship Treaty between Russia and China. There was much to celebrate as Moscow, Beijing, and the SCO have achieved stability, security, and sustained economic development in a world riddled with revolutions, chaos, crises, and another major economic downturn. The two anniversaries were also a time to pause and think about next steps. While the SCO is having growing pains, China and Russia have elevated their “strategic partnership relations” to a “comprehensive strategic cooperation and partnership.”

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Australia-US Alliance Enhanced as Economies Decouple

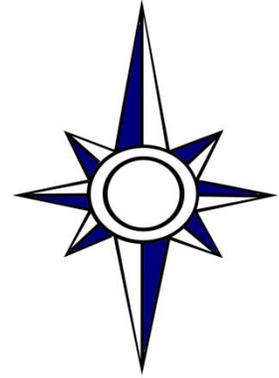
by Graeme Dobell, Lowy Institute for International Policy

Australia has a close alliance with the US and deep emotional and cultural ties, but the new reality is that the two economies have decoupled. Asia now sets Australia’s economic temperature, even as the Australian military draws closer to the US through parallel reviews of the posture of their defense forces. All these elements could be detected when Australia’s Prime Minister Julia Gillard addressed the US Congress in March and finished her speech of praise for America. The alliance, though, is also being reframed for Australia by the changes throbbing through Asia. These two themes define much of this review of Australia–East Asia/US relations: the continuing vigor of the alliance and the unfolding realization of what the “Asian Century” will mean for Australia.

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Regional Overview:

Rays of Hope?

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

A few dim rays of light pierced what has been the darkness of the Six-Party Talks since their suspension in December 2008, raising hopes that we would see a resumption of dialogue in the next few months (even though prospects for actual Korean Peninsula denuclearization remain low). US-China relations continued to mend at the annual Shangri-La Dialogue and ASEAN Regional Forum (ARF) gatherings amid ever-so-slight progress toward the creation of a South China Sea Code of Conduct. Vice President Biden's first official trip to China added to the light.

Hopes have also been raised that new prime ministers in Thailand and Japan can help end the political quagmires in both countries. Aung San Suu Kyi's release from house arrest and subsequent meeting with "civilian" government officials also provide a ray of hope that progress might be made in moving Burma/Myanmar toward democracy. Meanwhile, the self-inflicted debt crisis in the US has further dimmed hopes for US leadership in Asia and globally.

Looking forward, there are flickering hopes that this year's APEC Leaders Meeting in Honolulu will shine a new spotlight on this increasingly overshadowed institution. Finally, lest we forget, the biggest headline of this four-month period appeared on its first day: "Bin Laden is Dead!" Many hope this signals the beginning of the end for al Qaeda; others hope it will hasten the US exit from Afghanistan as well.

Light at the end of the tunnel?

Is there a light at the end of the long dark tunnel known as the Six-Party Talks? Perhaps! Readers will recall the Chinese three-step proposal for a resumption of the talks, which begins with inter-Korean dialogue, followed by direct US-DPRK talks, leading to eventual resumption of the Six-Party Talks. The first two steps were taken, albeit tentatively, over the summer months.

Despite proclamations by Pyongyang that it would never again talk with Seoul's "traitor" Lee Myung-bak's administration and a history of refusing to talk to the ROK about nuclear-related issues even when other dialogue was ongoing, the two Koreas' chief Six-Party Talks negotiators unexpectedly held a two-hour bilateral meeting on the sidelines of the ASEAN Regional Forum (ARF) in Bali on July 22. The South's Wi Sung-lac and the North's newly appointed Ri Yong Ho agreed to make a joint effort to resume the nuclear dialogue as soon as possible. Their respective bosses, Foreign Ministers Kim Sung-hwan and Park Ui Chun, also met briefly during the ARF ministerial, raising hopes that the hatchet was about to be buried, despite continued ROK insistence, before and after the Bali meeting, that the North still had to address – if not apologize for – its 2010 attacks against the *Cheonan* and Yongpyeong Island.

Many also see the replacement of the “hardline” Minister of Unification Hyun In-taek (who was retained as an adviser on unification issues) on Aug. 30 as another olive branch toward the North by the Lee administration. We put “hardline” in quotes because we have known Minister Hyun for several decades and always found him to be extremely open to dialogue and cooperation with the North, both as an academic and as a government official, albeit one who believed that cooperation was a two-way street that required some reciprocation from the North. The facts notwithstanding, Hyun had been seen as a symbol of the Lee administration’s tougher approach toward the North and his removal could help open the door for a resumption of dialogue. His successor, former geography professor Yu Woo-ik, is a close confidant of President Lee. He previously served as ROK ambassador to China, which should be helpful given Beijing’s pivotal role in the Six-Party Talks.

The second step on the road to resumption of the talks took place in New York City on July 28-29 when Special US Representative for North Korea Policy Stephen Bosworth met his North Korean counterpart, First Vice Foreign Minister Kim Kye Gwan, for two days of “exploratory” discussions, the first high-level, direct talks between the US and North Korea in 18 months. US spokesmen described the talks as “constructive and business-like,” and aimed at exploring Pyongyang’s willingness “to take concrete and irreversible steps toward denuclearization.” The US reportedly demanded an immediate halt to Pyongyang’s uranium enrichment program and asked if the North operated any such facilities other than the one in Yongbyon. Vice Minister Kim replied – contrary to the assessment of most nuclear experts – that Yongbyon is the North’s only uranium enrichment facility and that the North is committed to “peaceful nuclear activity to generate electric power.” (Pyongyang is obviously not committed to obeying UN Security Council resolutions that prohibit all such nuclear-related activities.)

There is still no telling when, or even if, Six-Party Talks will resume. Before deciding on next steps, Washington announced that it planned to first consult closely with Seoul and its other Six-Party Talks partners. It also made it clear that it was sticking to its earlier “not buying the same horse twice” approach. In a July 24 statement announcing the exploratory talks in New York, Secretary of State Hillary Clinton said the US “does not intend to reward the North just for returning to the table.” “We will not give them anything new for actions they have already agreed to take. And we have no appetite for pursuing protracted negotiations that will only lead us right back to where we have already been.”

Meanwhile, for the record and despite bad headlines and faulty reporting to the contrary, Pyongyang has not offered to suspend nuclear and missile tests if the talks resume. What the Russians actually reported, following Kim Jong Il’s meeting with Russian President Dmitry Medvedev at a military base in the Siberian town of Sosnovy Bor near Lake Baikal, was “Kim Jong Il expressed readiness to return to six-party talks without preconditions.” [Read: without addressing, much less being held accountable for, past transgressions.] “In the course of the talks the North Koreans will be ready to resolve the issue of imposing a moratorium on testing and production of missile and nuclear weaponry.” Not specified was the price tag the North will inevitably attach to “resolving the issue.” In the meantime, *KCNA* has re-initiated its propaganda campaign calling for a peace treaty (between Washington and Pyongyang, excluding Seoul) to end the Armistice.

Sweetness and light at the Shangri-La Dialogue

Not surprisingly, North Korea was a topic of discussion at the annual Shangri-La Dialogue in Singapore, an informal gathering of defense ministers from around and beyond the Asia-Pacific region. What was surprising was a very candid statement by Chinese Defense Minister Liang Guanglie. After making standard boilerplate comments calling on all sides to avoid “producing man-made tensions” and supporting a resumption of six-party negotiations, he added during the Q&A session: “I can be very frank with you that what we have done in communications with North Korea is much more than you imagine, including the work of our representatives to the Six-Party Talks, the Ministry of Foreign Affairs, and the leaders of our country. We have been advising North Korea, via different channels, not to take the risk.”

For his part, US Defense Secretary Robert Gates, making his fifth and final appearance at the annual International Institute for Strategic Studies (IISS)-sponsored dialogue, stressed the need to maintain nuclear deterrence by the US in the face of North Korean aggression. His main message, as in years past, was “the enduring and consistent nature of America’s commitments in Asia, even in times of transition and change.” Gates assured his Asia-Pacific counterparts that the US “will continue to meet our commitments as a 21st century Asia-Pacific nation – with appropriate forces, posture, and presence,” while further noting that this was his 14th trip to Asia over the past four and a half years.

Gates reiterated the “enduring principles” that guide US engagement in Asia: free and open commerce; a just international order that emphasizes rights and responsibilities of nations and fidelity to the rule of law; open access by all to the global commons of sea, air, space, and now, cyberspace; and the principle of resolving conflict without the use of force.

While a few of these principles – fidelity to the rule of law, resolving conflict without the use of force, etc. – might be interpreted as sending a message to Beijing, Gates, as in previous years, stressed the positive in US-China relations, noting that we are seeing the “fruits of bold decisions” by past US presidents to build a “positive, cooperative, and comprehensive relationship” with China.” He further noted that “I have made it a priority to build military-to-military ties with China, which have steadily improved in recent months.”

He did observe, without naming names, that “the U.S. Navy and Air Force have been concerned about anti-access and area denial scenarios for some time. These two military services are working together to develop a new concept of operations – called ‘Air-Sea Battle’ – to ensure that America’s military will continue to be able to deploy, move, and strike over great distances in defense of our allies and vital interests.” But, all in all, his comments regarding China reflected a genuine US desire for cooperation.

Gen. Liang did Gates one better. He did not mention the US at all during his (excessively long) presentation (although he did manage to slip in two references to “Cold War mentality,” a favorite Chinese catch phrase traditionally used to criticize Washington’s Asia-Pacific alliances). Even when baited during the Q&A session about US efforts to “control” China, Liang stuck to the high road, reminding his interlocutor that “the relationship between China and America is

favorable and developing,” while further noting that Presidents Hu and Obama had “reached a consensus on the construction of a partnership of mutual respect and mutual benefit between both sides.” He too cited the improvement in military-to-military relations and his joint commitment with Secretary Gates to “further strengthen our cooperation on national defense, promote the development of military relations between the two countries, and make continuous achievements.”

South China Sea: conduct unbecoming?

Somewhat surprisingly (since China tries to discourage discussion of the topic at international gatherings), Gen. Liang brought up the subject of the South China Sea in his prepared remarks, stressing that “China is committed to maintaining peace and stability” as a signatory to the 2002 “Declaration on the Code of Conduct on South China Sea” [the actual title is *Declaration on the Conduct of Parties in the South China Sea*, or DOC].

Addressing an historic US concern, he noted China’s commitment to “the settlement of the territorial and jurisdictional disputes by peaceful means” while reaffirming that “the freedom of navigation and overflight in South China Sea shall be respected according to universally recognized principles of international law.” He also noted that “China has been actively keeping dialogues and consultations with ASEAN countries in implementing the Declaration.” Such positive pronouncements notwithstanding, ASEAN continues to express frustration at China’s reluctance to replace the DOC with a more binding Code of Conduct.

Gates did not specifically address the South China Sea, but did note that “the US position on maritime security remains clear: we have a national interest in freedom of navigation; in unimpeded economic development and commerce; and in respect for international law.”

A (slightly) less contentious ASEAN Regional Forum

The constructive attitudes on display in Singapore did not fully carry over to the ARF in Bali, but the atmosphere was much improved when compared to the 2010 meeting in Hanoi. That meeting featured Secretary Clinton’s “interference” in the South China Sea debate – in truth, all she did was repeat longstanding US positions regarding freedom of navigation and the peaceful settlement of disputes while offering to help “facilitate” the resumption of dialogue on a Code of Conduct – and a fit of pique by Chinese Foreign Minister Yang Jiechi (his now infamous “China is a big country” admonition) over the subject being raised repeatedly at the Hanoi session.

This year, China and ASEAN, in their 10+1 ministerial preceding the ARF, agreed upon “Guidelines for the Implementation of the Declaration on the Conduct of Parties in the South China Sea (DOC)” which was hailed by the ARF ministers, who “looked forward to the full and effective implementation, in letter and spirit, of the DOC to promote conducive conditions with a view to building confidence and strengthening peace in the South China Sea through, among others, cooperative activities and projects.” The ASEAN-China agreement is an eight-point document that expresses intent to move to specific implementing guidelines, but reportedly does not define the guidelines or bind countries to them.

Secretary Clinton, on her eighth trip to Asia, called the agreement “an important first step toward achieving a Code of Conduct and reflects the progress that can be made through dialogue and multilateral diplomacy,” while noting that “we look forward to further progress.” She also reminded participants of America’s “national interest in freedom of navigation, open access to Asia’s maritime domain, the maintenance of peace and stability, and respect for international law in the South China Sea.” She also called on all parties to “clarify their claims in the South China Sea in terms consistent with customary international law,” further noting that claims to maritime space “should be derived solely from legitimate claims to land features.” [Read: and not based on dotted lines on an old Chinese map.]

The ministers encouraged Myanmar to “fulfill its own commitment in achieving the Seven Step Roadmap to Democracy,” promising “to render their support to Myanmar on its reform efforts, including in pursuing economic reforms, genuine national reconciliation, unity and reconsolidation, the release of all political prisoners as well as the transition to democracy in the country that will contribute to sound progress.” They also called on Thailand and Cambodia to “continue the cooperation which they have entered into within ASEAN and, in particular, allow the observers appointed by that organization to have access to the provisional demilitarized zone.”

As noted earlier, The ARF provided a venue for negotiators from North and South Korea to meet and take the first step toward a resumption of Six-Party Talks. The ministers applauded that meeting, called (as they always do) for a resumption of the Talks, and “reaffirmed that the complete, verifiable and irreversible denuclearization of the Korean Peninsula is essential not only for the enduring peace and stability in the region but also the integrity of the global nuclear non-proliferation regime.” In this context, they expressed concern about the DPRK’s uranium enrichment activities and called on the DPRK to comply fully with its international obligations and commitments, by abandoning all existing nuclear programs. The DPRK responded that their uranium enrichment activities are “an exercise of its legitimate right of a sovereign state for peaceful purposes.”

Biden comes a’ calling

Secretaries Clinton and Gates were not the only high-level US visitors during this four-month period; US Vice President Joe Biden took a brief three-country tour in August that took him to China, Mongolia, and Japan. He achieved his key objectives: working on building a relationship with his counterpart, Chinese Vice President Xi Jinping, and reassuring China and other Asian nations, especially Japan, of the ongoing US commitment to the region.

Biden’s trip followed up on a visit to the US in January of this year by Chinese President Hu Jintao. That visit set the tone for the bilateral relationship, emphasizing the positive and the need for the two countries to cooperate. While reaffirming the US desire to see relations move forward, Biden also specifically reached out to Xi, the man tapped to succeed Hu. While we know the broad outlines of his career, he remains, like so many second-rank Chinese officials, a cipher. In one of his best-known performances, two years ago in Mexico, he blamed “foreigners with full bellies and nothing better to do than engage in finger-pointing at us” for creating trouble for China. After their meetings, Biden pronounced Xi a man with whom he can do business,

pragmatic and strong. (For more details on the sit-down, see Bonnie Glaser's analysis in this issue of *Comparative Connections*.)

If bilateral relations are tough now, they will become even more difficult after the anticipated announcement of a new arms sales package to Taiwan this fall. This is expected to include a decision to upgrade Taiwan's aging *F-16A/B* fleet; the decision to replace its even older *F-5s* and *Mirages* with newer (but still old technology) *F-16C/D* is reportedly to be deferred, which should somewhat temper Beijing's response (or so it is hoped). The relationship will become even more delicate in 2012, when the US enters an election campaign and China prepares for its leadership transition. Both governments need to have confidence in its partner during that time and after. A reciprocal visit by Xi to the US later this year should help.

While most commentary focused on the China stop, it is important to remember that Biden also went to Mongolia and Japan. In Ulaanbaatar, he reminded his hosts (and other nations) of the US friendship and enduring desire for good relations. In Japan, he saw first-hand the damage done by the triple catastrophe of March 11 and pledged continuing US support. That message should be clear after *Operation Tomodachi*, but it always bears repeating – for Japanese ears and those of other nations. The US will support its allies and partners in their time of need.

Noda to the rescue?

Former Finance Minister Noda Yoshihiko is the new prime minister of Japan, besting four competitors to become president of the ruling Democratic Party of Japan (DPJ). Noda prevailed in the second round of the vote over Economy Minister Banri Kaeida in the race to succeed Kan Naoto, the hapless inhabitant of the Kantei for 15 months after taking over from the even more hapless Hatoyama Yukio. Facing approval ratings of 15 percent – from a high of 65 percent – Kan bowed to popular calls to step down when the Diet passed the third of three bills he had demanded as a condition of his resignation. Noda was elected Aug. 29, and named prime minister a day later.

Noda's win was a surprise: he came in third in most polls of the five candidates and claimed just 9 percent of voters in a national poll taken before Monday's vote. Still, he is a five-term Diet member and a graduate of the first class of the Matsushita Seikei Juku (a training school for politicians). Significantly, he is the first DPJ president who was not one of the party's founding leaders. His election represents the rise of a new group of DPJ players, even if, at 54, he is a little long in the tooth to be called "next generation."

His policy profile will comfort conservatives. He is a supporter of the US-Japan alliance and hawkish on China, criticizing its defense buildup and its "high handed foreign posture." His views on history veer uncomfortably to the right: he has said that the wartime leaders convicted after World War II weren't criminals and that visits to Yasukuni Shrine should not be controversial. Difficulties in relations with China and South Korea look inevitable. On economic policy, he is a fiscal conservative, endorsing higher taxes to get the country's books in order. He insists that the triple catastrophe of March 11 shouldn't be an "excuse" to postpone efforts to rein in the country's debt burden. When he gets down to business, however, he is likely to focus on domestic issues, and downplay his more radical views to avoid distraction.

A self-deprecating politician – he calls himself “a man of mediocrity” – who commands respect for having a steady hand and even temperament, some observers liken Noda to former Prime Minister Obuchi Keizo, a genial but bland politician who is perhaps best remembered for being said to have “all the pizzazz of cold pizza.” A steady hand is a good thing – and a marked departure from his immediate predecessors as PM – but we fear that isn’t going to be enough. Japan needs vision and energy; Noda doesn’t look like the person to provide it.

More worrying are the deeper structural problems that dog Japanese politics: a deeply divided DPJ, a dysfunctional political system, and a public confounded by its choices. The DPJ continues to have a rocky relationship with the bureaucrats who have experience in running the country. In retrospect, the historical political transition in 2009 was more difficult than anticipated: the DPJ knew less about the issues and how to govern than most observers anticipated. Yet its readiness to attack the bureaucrats alienated a key constituency and effectively prevented the new government from functioning. That relationship is improving, but there is a long way to go.

The DPJ remains deeply divided between factions loyal and opposed to master strategist, manipulator, and former party President Ozawa Ichiro, who despite his troubles, remains a powerful force in the DPJ. The results of the party vote show that he is no longer the king maker, but he can cause trouble. The threat of him and his supporters leaving the party is ever-present.

Party divisions transcend the simple divide between pro-and anti-Ozawa groups. In fact, neither the DPJ nor the LDP has an ideological center, and both parties’ platforms veer whenever expedient, moving to capture voters that lack a champion. This confuses voters and contributes to growing cynicism and apathy. The LDP’s “take no prisoners” mentality has compounded the difficulties of governing. Granted the DPJ has made a hash of things, but the LDP has made governing as difficult as possible. Politics is a competition, but the LDP’s zero-sum approach seems to have completely ignored any notion of national interest. In a storyline that sounds all-too-familiar to US readers, the opposition party seems focused on destruction of the incumbent government, rather than compromise to get the nation back on its feet.

Finally, there is what can only be called an absence of leadership. Japan needs a vision to unite and motivate the country and lift it out of the swamp it now inhabits -- a predicament that predated March 11, but which has become more pressing since that fateful day. That is difficult if not impossible when a prime minister can’t be sure that his own party is behind him and the opposition is going to torpedo those efforts regardless of merit. Energy is devoted to the day-to-day task of political survival rather than resuscitating the country. All of these difficulties are magnified when the public doesn’t trust its leaders or the political system. Apathy and cynicism are eroding the political system and its capacity to bring about change.

Yingluck in luck

In Thai national elections held in early July, Yingluck Shinawatra – widely viewed as a proxy for her brother, former Prime Minister Thaksin Shinawatra, deposed in 2006 by a military coup – and her Pheu Thai party won a commanding majority.

Yingluck was helped by low expectations. A businesswoman with no political experience, she proved to be a disciplined campaigner and championed her brother's populist platform – promising a 40 percent increase in the national minimum wage and free tablet PCs for nearly 1 million school children. Prime Minister Abhisit Yejjajiva, an Oxford-educated economist who has been in office since 2008, proved ineffective on the stump. He was too aloof from most voters, too obviously captive of entrenched interests, and subject to ridicule for making claims on the stump that were easily disproved – such as insisting that the government was the victim of the crackdown on protestors last year rather than the murdered demonstrators.

In the vote, Pheu Thai won 265 seats, a comfortable majority in the 500-seat Parliament. Yingluck quickly forged a broad five-party coalition that holds 300 seats in the legislature. That coalition needs to be as big and broad as possible. Thailand remains bitterly divided between the old order and the overwhelming majority of the nation, rural and urban poor who demand that democracy be real. The military and the wealthy have insisted that they prevail, despite losing every vote since they deposed Thaksin. A wide coalition will deter them from again trying to overturn the popular will by force of arms. It is a promising sign that the general who led the 2006 coup and has since formed his own party is working with Pheu Thai.

The lady makes a visit

Another woman made headlines in Southeast Asia when Burmese opposition leader Aung San Suu Kyi in August took her first visit to the countryside since she was released from house arrest in November. She visited two towns north of Rangoon, and made a 10-minute speech calling for support of her political party, the National League of Democracy (NLD). Reportedly thousands of well-wishers lined the road to greet her and hundreds heard her speak. The events were peaceful, despite government “fears” of unrest. The last time she traveled outside the city to meet supporters, her entourage was attacked by unknown assailants and several people died – a move that prompted the government to put her under house arrest for seven years.

While the relaxation of restrictions on Suu Kyi was long overdue, the permission to let her travel reflects the government's growing confidence. After holding elections last year and handing over power to a civilian administration, political winds have shifted. While the ballot was flawed – the new government is by most accounts military rule by thinly veiled proxy, thousands of political prisoners remain behind bars, and the government is still trying to suppress ethnic groups – political change has occurred and the regime has the upper hand. Critics must now respond.

In August, Suu Kyi also held her second meeting with the minister for labor and social welfare and they agreed to cooperation on national stability and development. The day that meeting took place, the government information minister urged Suu Kyi to officially register the NLD as a party (the party was ordered dissolved when it refused to register for last November's vote). The move is canny: while it would allow the NLD to take part in politics, it also implies NLD recognition of the new government's legitimacy. It would also undermine the argument of outsiders that they should not do business with that government.

A self-inflicted wound

In about as ugly a process that can be imagined – and we assume a sordid imagination – the US Congress managed to strike a deal Aug. 2 to extend the debt ceiling and avert a default on debt payments. The particulars of the deal aren't particularly important here, especially since it is our belief that both parties will use the 2012 national elections to claim a mandate to undo the more onerous outcomes; the way it was done and the impact on perceptions of the US are our focus. In a word, it is ugly. The debt deal has damaged perceptions of US credibility and its image as a responsible power. It is hard to talk about leadership after the August spectacle.

Weirdly, the US budget process consists of two steps: legislative approval of a budget and then a subsequent vote to allow the government to borrow the money needed to implement that budget. (The second step is needed because the US usually spends more money than it takes in revenue.) Since 1962, Congress has voted 74 times to raise the debt ceiling; 30 times since 1980. The US would have hit the ceiling on Aug. 2 and, absent agreement to raise it again, would have been forced to rely on cash in hand – rather than borrowings – to pay bills that came due. Since that amount is much less than the bills, the US would have gone into default. A number of legislators seemed to think that wasn't a problem and believed that they could use the threat of default to press a domestic agenda – a massive downsizing in the size of the US government. (While we aren't going to debate the merits of those positions, we do abhor the notion of playing chicken with US international credibility and engaging in hostage taking of this scale.)

At the last minute, the parties struck a deal that extends the ceiling by \$2.4 trillion through 2013 and calls for \$900 billion in budget cuts over 10 years. It set up a special congressional committee to identify up to \$1.5 trillion in additional deficit reductions, through tax reform and future cuts in programs. If the committee can't come up with \$1.2 trillion in savings, then spending cuts kick in automatically. In theory, these cuts are to programs favored by both parties; ostensibly this will prod them to make a deal.

During the negotiations, lawmakers' behavior seemed to be aimed more at setting the stage for next year's elections than resolving a fiscal crisis. The implications of that display were quickly evident: days after the vote Standard & Poor's downgraded the US debt rating by one notch. S&P's chief complaint was the process rather than the deal, insisting that the spectacle raised questions about the long-term ability of the US to manage its fiscal situation.

That view was shared by other observers. Peter Drysdale of Australia National University, is worth quoting at length. "The antics of the Congressional leadership and the cynical, half-baked nature of the deal that they put in place has downgraded US economic and political assets around the world. How the leadership of such a great country can have come to convey to global economic and political markets the appearance of being a bunch of street brawlers at this fragile moment in history, and inflicted such wounds on American and global recovery, is both terrifying and tragic." At meetings and conferences, friends of the US comment on what transpired with dismay. All the flaws in US politics have been made plain to the world.

There is potentially more at stake than that, however. There are worries that this congressional paralysis may hamper executive decision-making; and this is on top of the very real concerns

about the impact of fiscal restraint on US foreign and security policy. It diminishes faith in the US ability to pay its bills, which is problematic given US reliance on debt financing for just about everything and raises questions about US staying power in Asia, recent assurances by Obama, Clinton, Gate, and others notwithstanding.

Asia Pacific Economic Cooperation (APEC) leaders to descend on Hawaii

Looking toward the future, in November, the US hosts the 2011 APEC Leaders Meeting. A week of events in Honolulu is the wrap-up to a year-long set of programs across the US intended to showcase US commitment to trans-Pacific trade and economic integration. Readers who are in Honolulu on Nov. 4 during the run-up to APEC are invited to observe the Pacific Forum's Hawaii Emerging Leaders Program on APEC 2011, focused on "Climate Change in APEC Member Economies" at the State Capital. Undergraduate and graduate students interested in participating should contact us at pacificforum@pacforum.org.

Speaking at a press conference at the May meeting of APEC trade ministers, held in Big Sky, Montana, US Trade Representative Ron Kirk explained that the US sees 2011 as "a watershed year" for the US and for APEC as a whole. The US has identified three priorities for the year:

Strengthening regional economic integration and expanding trade. This entails working to define, shape, and address the next-generation trade and investment issues that should be included in 21st century trade agreements in the region, including a Free Trade Area of the Asia-Pacific (FTAAP).

Promoting green growth. Building on previous statements of support for this item, the US seeks commitments to take specific actions to promote green growth and help economies make a successful transition to a clean energy future.

Expanding regulatory cooperation and advancing regulatory convergence. Again, the US wants to build on earlier work by pushing forward practical, concrete outcomes related to regulatory convergence and cooperation. US representatives stress that this is not harmonization of standards and regulations, but some convergence.

Coming on the heels of the disappointing APEC Forum in Yokohama last year, there is some concern that lofty rhetoric notwithstanding, US interest and enthusiasm in APEC are on the wane. Some fear that fatigue and increasingly stretched diplomatic resources will oblige Washington to focus more in the future on the Trans-Pacific Partnership. A lot rides on the November outcome.

Osama bin Laden is dead!

Lest we forget, this reporting period began with the daring US Navy SEAL raid on May 1 that resulted in the killing of Osama bin Laden. The strike produced a treasure trove of documents that were taken from bin Laden's compound in the town of Abbottabad, a garrison town about 40 miles north of Islamabad that is home to Pakistan's premier military academy. It also strained US relations with Pakistan as the government there complained bitterly about the invasion of its

sovereignty and not being informed in advance of the raid – as well as denied any knowledge of bin Laden’s presence and shrugged off the embarrassment it created. While burnishing President Obama’s national security credentials, the killing had little impact on regional relations, apart from those detailed in Sheldon Simon’s chapter on Southeast Asia. US drone strikes on al-Qaeda leaders continue, making the number two spot in that organization one of the least sought-after positions in the terrorist job bank.

It remains to be seen if bin Laden’s death signals the beginning of the end of al Qaeda, as many intelligence specialists are proclaiming. More certainly, it has increased calls from many in the US, including among President Obama’s staunch supporters, for a quicker departure from Afghanistan. Stay tuned!

Regional Chronology

May – August 2011

May 1, 2011: A US Special Forces team kills Osama bin Laden at a compound inside Pakistan and recovers his body.

May 7-8, 2011: The 18th ASEAN Summit is held in Jakarta.

May 9-10, 2011: China and the US hold their third Strategic and Economic Dialogue (S&ED) in Washington DC.

May 11, 2011: US Senators Carl Levin (D-MI), John McCain (R-AZ), and Jim Webb (D-VA) release a statement calling for the reexamination of US military basing plans in East Asia, including the relocation of MCAS Futenma on Okinawa.

May 16-18, 2011: US Special Representative for North Korea Policy Stephen Bosworth visits Seoul and meets Foreign Minister Kim Sung-Hwan, Special Representative for Korean Peninsula Peace and Security Affairs Wi Sung-Lac, and Presidential Security Adviser Chun Young-Woo.

May 18-21, 2011: The fifth ASEAN Defense Ministers Meeting (ADMM) is held in Jakarta and endorses two new initiatives – the establishment of the ASEAN Peacekeeping Centers Network and the ASEAN Defense Industry Collaboration.

May 20-26, 2011: North Korea’s Kim Jong Il visits China as the guest of Hu Jintao, general secretary of the Central Committee of the Communist Party of China (CPC).

May 21-22, 2011: Leaders of Japan, China and South Korea hold a summit in Tokyo where they agree to cooperate on a number of regional issues, including nuclear safety and trade.

May 22, 2011: Trade ministers from the 21 members of the Asia Pacific Economic Cooperation (APEC) forum issue a joint statement after their meeting in Big Sky, Montana, expressing concerns about the status of world trade talks.

May 22-25, 2011: China's Defense Minister Liang Guanglie visits the Philippines. He and Philippine counterpart Voltaire Gazmin agree to avoid "unilateral actions" that could further increase tensions and acknowledge the need to ensure that the South China Sea remains stable.

May 24-28, 2011: US delegation led by Robert King, US special envoy for North Korea's human rights, visits Pyongyang to discuss food aid and to raise human rights issues.

May 26-28, 2011: Burmese President Thein Sein visits Beijing and meets Premier Wen Jiabao and President Hu Jintao. The two countries announce establishment of a strategic relationship.

May 27, 2011: Vietnam accuses Beijing of "violating" its marine sovereignty in disputed areas of the South China Sea after Chinese ships damaged a PetroVietnam exploration boat. Vietnam's Foreign Ministry calls on China to prevent any further incidents and provide compensation.

May 28, 2011: China's Foreign Ministry states that Vietnam's oil and gas operations in China's territorial waters "harms China's rights, interests, and jurisdiction in the South China Sea and violates the consensus reached by the two countries on the South China Sea issue."

June 1, 2011: North Korea's National Defense Commission (NDC) says that on May 9 the two Koreas held secret talks in Beijing. South Korea does not repudiate the story, but claims it was the North that took the initiative.

June 3-5, 2011: The Shangri-La Asia-Pacific Security Dialogue is held in Singapore.

June 6-11, 2011: The ASEAN Regional Forum (ARF) Senior Officials Meeting (SOM) and the Defense Officials Dialogue/8th ARF Security Policy Conference are held in Surabaya, Indonesia.

June 6, 2011: Assistant Secretary of State for East Asian and Pacific Affairs Kurt Campbell visits Beijing for talks on bilateral and regional issues with Chinese Vice Foreign Minister Cui Tiankai and Special Representative for Korean Peninsular Affairs Wu Dawei.

June 8-9, 2011: Wi Sung-lac, Seoul's top envoy on North Korean affairs, meets Wu Dawei, China's special representative for Korean Peninsula affairs to reviving the Six-Party Talks.

June 9, 2011: North Korea amplifies its account of May's secret talks, including allegations that the South tried to use a bribe. It threatens to publish transcripts of the proceedings.

June 13, 2011: Vietnam conducts live-fire naval drills in the South China Sea about 40 km off Quang Nam province in central Vietnam.

June 14, 2011: US Ambassador to the Philippines Harry Thomas states that the US is committed to helping the Philippines in any dispute over the South China Sea.

June 14-16, 2011: China stages military exercises in the South China Sea described as being aimed at "defending atolls and protecting sea lanes."

June 15, 2011: The 10th Shanghai Cooperation Organization (SCO) Summit is held in Astana, Kazakhstan.

June 16, 2011: Radical Indonesian cleric Abu Bakar Bashir, the spiritual founder of Al Qaeda-linked Jemaah Islamiyah, is convicted of terrorism and sentenced to 15 years in jail.

June 17, 2011: Fourth annual US-Vietnam Political, Security, and Defense Dialogue led by Assistant Secretary of State for Political-Military Affairs Andrew Shapiro and Standing Vice Foreign Minister Pham Binh Minh is held in Washington.

June 21, 2011: Secretary of State Hillary Clinton and Secretary of Defense Robert Gates host Japanese Foreign Minister Matsumoto Takeiki and Defense Minister Kitazawa Toshimi for a Security Consultative Committee (“two-plus-two”) meeting in Washington.

June 21-26, 2011: Wi Sung-lac visits the US to meet Stephen Bosworth, special representative for North Korea policy, Kurt Campbell, assistant secretary of state, and Clifford Hart, the new envoy for the Six-Party Talks.

June 23, 2011: Secretary of State Clinton meets Philippine Foreign Affairs Secretary Del Rosario and affirms US security commitments.

June 25, 2011: Assistant Secretary Campbell hosts Chinese Vice Foreign Minister Cui Tiankai in Honolulu for the inaugural US-China Consultations on the Asia-Pacific region.

June 27, 2011: The US Senate unanimously approves a resolution deploring the use of force by China in the South China Sea and calling for a peaceful, multilateral resolution to maritime territorial disputes in Southeast Asia.

June 28-July 8, 2011: The Philippines and the US conduct Cooperation Afloat Readiness and Training (CARAT) joint naval exercises in the Sulu Sea. Both sides emphasize the annual event is aimed at deepening defense ties and not linked to Chinese actions in the South China Sea.

July 3, 2011: Yingluck Shinawatra and her opposition Pheu Thai Party win the elections in Thailand. The following day, Yingluck announces that she will form a coalition government comprised of five parties.

July 9, 2011: The Japanese Maritime Self-Defense Force conducts joint drills with the US and Australian navies in the South China Sea off Brunei. In the past, these drills have been conducted in seas west of Kyushu or near Okinawa.

July 9-13, 2011: Adm. Mike Mullen, chairman of the US Joint Chiefs of Staff, visits China; meets counterpart Gen. Chen Bingde and visits several military installations.

July 12-14, 2011: Singapore Armed Forces (SAF) and the Indonesian National Defence Forces (TNI) co-host the inaugural ASEAN Militaries’ Humanitarian Assistance and Disaster Relief Table-Top Exercise (AHX) in Singapore and Indonesia.

July 14-16, 2011: South Korean Defense Minister Kim Kwan-jin visits China and meets Vice President Xi Jinping. Kim and Chinese counterpart Liang Guanglie agree to establish an annual strategic dialogue.

July 15-21, 2011: Three US Navy ships make a seven-day visit to Vietnam that includes naval training exercises. Officials stress that the visits are part of routine exchanges.

July 18, 2011: The International Court of Justice rules that Thailand and Cambodia should withdraw their forces from a disputed border area adjacent to the Preah Vihear temple.

July 19-21, 2011: The 44th ASEAN Ministerial Meeting (AMM) and Post-Ministerial Conferences (PMC) with ASEAN dialogue partners are held in Bali.

July 20, 2011: China and ASEAN agree to a set of guidelines that would be part of a revised Code of Conduct on the South China Sea disputes. Secretary of State Clinton praises the new guidelines as “an important first step.”

July 22, 2011: East Asia Summit Foreign Ministers Meeting is held in Bali.

July 22, 2011: The North and South Korean chief Six-Party Talks negotiators unexpectedly hold a two-hour bilateral meeting on the sidelines of the ARF in Bali. Wi Sung-lac and Ri Yong Ho agree to make joint efforts to resume the talks as soon as possible.

July 22, 2011: The Foreign Ministers and senior representatives of the Lower Mekong Basin countries – Cambodia, Laos, Thailand, and Viet Nam – and the Secretary of State Clinton met in Bali, Indonesia for the 4th Lower Mekong Initiative (LMI) Ministerial Meeting.

July 23, 2011: The 18th ASEAN Regional Forum is held in Bali.

July 23, 2011: The two Koreas’ foreign ministers, Pak Ui Chun and Kim Sung-hwan, meet briefly but cordially at the ARF.

July 25, 2011: Truong Tan Sang is elected state president by the Vietnamese National Assembly.

July 27, 2011: South Korea and China hold their first strategic military talks, covering defense exchanges and regional security issues including North Korea. Delegations are led by ROK Vice Defense Minister Lee Yong-gul and Chinese Deputy Chief of General Staff Ma Xiaotian.

July 27-29, 2011: ASEAN naval chiefs meet formally for the first time in Hanoi.

Jul. 28-29, 2011: North Korean Vice Foreign Minister Kim Kye Gwan meets Special Envoy for DPRK Policy Stephen Bosworth in New York. Special Envoy for Six-Party Talks Clifford Hart and DPRK Human Rights Envoy Robert King also attend the meetings.

Aug. 2, 2011: Japan’s Ministry of Defense issues its *2011 Defense White Paper*.

Aug. 2, 2011: Security software vendor McAfee publishes a report about a hacking group that penetrated 72 companies and organizations in 14 countries since 2006 in an operation called *Operation Shady RAT* that stole national secrets, business plans and other sensitive information.

Aug. 7-9, 2011: South Korean Foreign Minister Kim Sung-hwan visits Russia to discuss North Korea's nuclear program among other issues with counterpart Sergey Lavrov.

Aug. 8, 2011: Foreign Minister Lavrov announces Russia will send 50,000 tons of grain to North Korea to help it cope with food shortages after devastating floods.

Aug. 9, 2011: Chinese government reports that it was hit by nearly 500,000 cyber-attacks last year, about half of which originated from foreign countries including the US and India.

Aug. 9-12, 2011: South Korean National Security Advisor Chun Yung-woo visits Washington to consult with US officials on the next steps regarding the resumption of the Six-Party Talks.

Aug. 10-14, 2011: China's aircraft carrier *Varyag* undergoes its first sea trials.

Aug. 16-26, 2011: ROK and the US conduct the annual joint military exercise *Ulchi Freedom Guardian* in South Korea.

Aug. 17-21, 2011: Vice President Joe Biden visits China and meets President Hu Jintao and Premier Wen Jiabao.

Aug. 20-25, 2011: North Korean leader Kim Jong Il visits the far eastern region of Russia and meets President Dmitry Medvedev on Aug. 24 in Ulan Ude.

Aug. 21, 2011: Police in Hanoi arrest dozens of people at an anti-China rally as they gathered for the 11th week of protests.

Aug. 21-25, 2011: Lee Myung-bak undertakes state visits to Mongolia, Uzbekistan, and Kazakhstan. He signs energy and related accords worth \$11 billion in total.

Aug. 22, 2011: Vice President Biden visits Mongolia and meets Prime Minister Sukhbaatar Batbold and President Tsakhia Elbegdorj.

Aug. 22-24, 2011: Vice President Biden visits Japan and meets Prime Minister Kan. They agree to move ahead with the realignment of US forces in Japan and Biden is quoted as saying "our alliance will continue to serve as the cornerstone of peace and security in East Asia."

Aug. 24, 2011: The Pentagon publishes its *Annual Report to Congress on the Military and Security Developments Involving the People's Republic of China*.

Aug. 25, 2011: ROK nuclear envoy Wi Sung-lac meets counterpart Wu Dawei in Beijing.

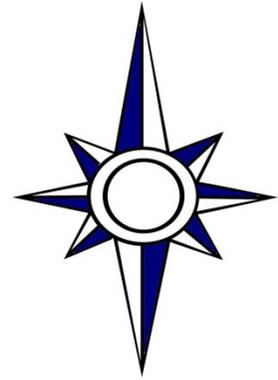
Aug. 25-27, 2011: Kim Jong Il visits Northeast China following his Russian tour and meets State Councilor Dai Binguo in Heilongjiang province on Aug. 26.

Aug. 29, 2011: PLA Deputy Chief of Staff Lt. Gen. Ma Xiaotian and Defense Minister Liang Guanglie meet Vietnamese Vice Defense Minister Nguyen Chi Vinh in Beijing. They agree to resolve the South China Sea disputes through continued consultation and dialogue.

Aug. 30, 2011: Noda Yoshihiko is confirmed in the Diet as Japan's sixth new premier in five years, replacing outgoing Kan Naoto who resigned on Aug. 26.

Aug. 30-Sept. 2, 2011: Philippine President Benigno Aquino III leads a delegation of 270 businessmen on a visit to China with stops in Beijing, Shanghai, and Xiamen.

Aug. 31, 2011: Former Deputy Prime Minister Tony Tan wins presidential election in Singapore.



**US-Japan Relations:
Kicking the Kan down the Road**

**Michael J. Green, CSIS/Georgetown University
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Kan Naoto resigned as prime minister on Aug. 26 after promising to step aside almost three months earlier amid dissension within his ruling Democratic Party of Japan (DPJ) and dwindling public support after a clumsy response to the tragedies of March 11. He was succeeded by Finance Minister Noda Yoshihiko, who prevailed in the DPJ presidential race despite little evidence of support in the polls, but strong backing within the party. The US and Japan convened the first Security Consultative Committee or “2+2” in four years to outline common strategic objectives and strengthen alliance cooperation in a regional and global setting. The two governments also consulted on the margins of international events to discuss cooperation on various issues. Vice President Joseph Biden visited Japan in late August to reiterate US support for the recovery effort and met victims of the disaster in Tohoku. Public opinion polls in Japan and the United States revealed a solid foundation of support for the US-Japan alliance.

Kan quits, eventually

The Diet passed a \$50 billion supplementary budget on May 2 including resources to support recovery from the March 11 disasters but that did little to quell public frustration with the Kan government’s response, which was widely criticized for a lack of coordination and transparency. In a seemingly calculated effort to boost his popularity by capitalizing on public concerns about safety since the nuclear accident at the Fukushima Daiichi plant, Kan made a series of announcements signaling a shift away from nuclear power. First he declared on May 6 that operations at the Hamaoka nuclear power plant southwest of Tokyo would be suspended due to the potential for a catastrophic natural disaster akin to that which struck the northeast coast of Japan on March 11. Several days later Kan confirmed that the government would revise an energy strategy unveiled in 2010 that called for 14 additional nuclear reactors to be built by 2030 to boost the share of nuclear power in electricity supply to 50 percent. On May 25, Kan addressed the Organization for Economic Cooperation and Development (OECD) in Paris and unveiled a plan for Japan to obtain 20 percent of its energy needs from renewable sources by the 2020s. And on July 13 Kan revealed his desire for Japan to end its reliance on nuclear power altogether. These initiatives seemed to resonate with the public in opinion surveys published over the summer, but failed to improve his standing overall as attempts to unseat Kan exacerbated the political gridlock during his tenure.

On May 26, in an interview with the *Wall Street Journal*, former DPJ president Ozawa Ichiro – who together with Kan and his predecessor Hatoyama Yukio founded the party in 1998 – called on Kan to resign for responding slowly to the March 11 disasters and failing to implement policies in response. Opposition parties led by the Liberal Democratic Party (LDP) then

submitted a no-confidence motion in the Diet on June 1 and both Hatoyama and Ozawa threatened to encourage their supporters in the DPJ to support it. (Kan was less attached to the social welfare spending initiatives outlined in the 2009 DPJ election manifesto and earned the ire of his party's co-founders with periodic references to tax increases as a means of restoring fiscal health). Kan survived a no-confidence vote on June 2 only after a vague promise to resign once progress had been made in containing the nuclear crisis at the Fukushima Daiichi plant and implementing reconstruction plans. (Hatoyama ended up voting against the motion but Ozawa abstained.) Yet that did not prove satisfactory to many politicians and a week later Deputy Chief Cabinet Secretary Sengoku Yoshito stated that Kan had no choice but to resign, fueling speculation regarding the timing of Kan's departure and potential candidates to succeed him. As the nation marked the three-month anniversary of the March 11 disasters, politicians appeared more focused on the drama in *Nagatacho* than on strategies to engineer a recovery, an unfortunate yet accurate depiction of the dynamics under Kan's rule. On June 20, the Diet did manage to pass a basic law outlining guidelines for reconstruction policy including the creation of a new reconstruction agency, and shortly thereafter legislators approved a DPJ proposal to extend the Diet session until the end of August to pass other recovery-related legislation.

Undeterred by forces within and outside his party determined to remove him from office, Kan announced on June 27 that his resignation was conditional upon three pieces of legislation passing the Diet: a second supplementary budget; legislation authorizing the issuance of bonds to finance the recovery; and a renewable energy bill. But his approval rating averaged just upward of 20 percent at the time and two subsequent developments further weakened his standing with the public. The first involved Matsumoto Ryu, whom Kan appointed minister for reconstruction soon after the basic law passed but resigned after one week on the job for several gaffes uttered during meetings with local officials in the Tohoku region. (Matsumoto reportedly confessed to being ignorant of local geography; suggested that only locales that presented plans would receive government assistance; and berated the governor of Miyagi prefecture for keeping him waiting for a meeting.) The second and more serious fiasco stemmed from a lack of policy coordination within the government regarding the resumption of operations at nuclear power plants. In early July, officials in Genkai in Saga prefecture announced a decision to allow the local nuclear power plant to restart after Trade Minister Kaieda Banri assured them the plant was safe. But days later, the Kan government announced that it was considering stress tests for all nuclear power plants as a safety measure, embarrassing Kaieda and prompting some analysts to question whether the government had a coherent energy strategy. Both episodes damaged Kan's reputation and helped cement his lame duck status in the eyes of the public. By mid-July, his approval rating was 15 percent and 70 percent of the public wanted him to resign by the end of August, according to a survey by *Asahi Shimbun*.

The first of Kan's three conditions for his resignation, a second supplementary budget totaling \$25 billion, passed the Diet on July 25 and DPJ Secretary General Okada Katsuya led several rounds of negotiations with the opposition LDP and Komeito (Clean Government Party) that eventually resulted in an agreement to review the 2009 DPJ election manifesto to pave the way for the recovery bond legislation and several compromises that sealed the renewable energy bill. Both passed on Aug. 26 and Kan resigned, setting the stage for a DPJ presidential race featuring former Foreign Minister Maehara Seiji, Finance Minister Noda Yoshihiko, Trade Minister Kaieda Banri, former Transportation Minister Mabuchi Sumio, and Agriculture Minister Kano

Michihiko. The election, scheduled for Aug. 29 and limited to DPJ Diet members, was a battle between power bases in the DPJ with Maehara, the most popular figure in the polls, expected to face off against Kaieda, who was endorsed by Ozawa Ichiro. None of the candidates cleared the 50 percent threshold to win in the first round but Kaieda was the top vote getter, followed surprisingly by Noda, who did not really register in polls due allegedly to his low profile and support for tax increases and was expected to lose after Maehara entered the race (they court similar bases within the party). But Noda prevailed in a runoff by a comfortable margin, perhaps an indication that Ozawa's influence in the party had waned since he was indicted earlier in the year because of an alleged funding scandal.

Noda vowed to unify the DPJ and at this writing moved to form a Cabinet reflective of the various power centers within the ruling party. He also expressed a willingness to work with the opposition but faces an uphill battle as the LDP will likely continue a pattern of obstruction to force a general election. Priorities would likely include containing the nuclear crisis at Fukushima, implementing reconstruction efforts and charting a path for economic growth. The Aug. 24 downgrade of Japan's sovereign debt rating by Moody's Investors Service brought into stark relief concerns about Japan's public debt, which Noda had addressed repeatedly as finance minister under Kan and would likely bring to the fore again as prime minister. The appreciation of the yen prompted Noda to oversee an intervention in currency markets on Aug. 4 to protect Japanese exports. Much like his US counterpart, Noda might find the balance between growth and fiscal discipline one of his greatest policy challenges.

Bilateral engagement

Japan and the United States sustained a pattern of consistent dialogue beginning with a meeting between President Barack Obama and Prime Minister Kan during the G8 summit in Deauville, France, on May 26. Obama pledged continued US support for Japan's recovery from the March 11 disasters and they discussed bilateral security issues and cooperation on Afghanistan, Pakistan and the Middle East. Kan also briefed Obama on the postponement of Japan's decision, in light of 3-11, regarding entry into negotiations over the Trans-Pacific Partnership trade liberalization initiative, which was originally due in June. Defense Secretary Robert Gates and Defense Minister Kitazawa Toshimi reaffirmed a commitment to the existing relocation plan for Marine Corps Air Station Futenma on Okinawa during a meeting on the margins of the Shangri-La Dialogue in Singapore on June 3. This set the stage for comprehensive consultations in Washington on the strategic trajectory of the alliance.

Gates and Kitazawa, together with Secretary of State Hillary Clinton and Foreign Minister Matsumoto Takeaki, convened a bilateral Security Consultative Committee ("2+2") meeting on June 21, the first in four years and the first since the DPJ assumed power in 2009. The committee released a joint statement updating common strategic objectives from 2005 and 2007 and outlining ways to enhance bilateral defense cooperation. Three additional documents were also released focused on bilateral cooperation in response to 3-11, an agreement reached at the end of last year on host nation support, and progress on the realignment of US forces in Japan. This meeting was significant in that the two governments were not able to pen a joint vision statement for the alliance last year to commemorate the 50th anniversary of the bilateral security

treaty but could now build on successful cooperation in the aftermath of 3-11 to develop a framework for alliance cooperation into the future.

The joint statement on common strategic objectives detailed the need for the alliance to address various regional and global challenges and meet them by modernizing forces, enhancing alliance interoperability, and promoting cooperation in developing new technologies. China was encouraged to play a constructive role in regional stability and prosperity, adhere to international norms of behavior, and improve transparency with respect to its military modernization. Among the numerous objectives documented, trilateral security and defense cooperation with South Korea and Australia, as well as trilateral dialogue with India, and outreach to the Association of Southeast Asian Nations (ASEAN) featured prominently, as did cooperation on nonproliferation, the safety and security of the maritime domain, and the protection of and access to space and cyberspace. (The document referenced bilateral strategic dialogues on space security, cyber-security issues, and extended deterrence.) The joint statement also noted progress in ballistic missile defense cooperation and that Japan would allow the transfer of the *SM-3 Block IIA* to third parties requested by the US in cases where the transfer supports the national security of Japan and/or contributes to international peace and stability, and when the third party has sufficient policies to prevent the further transfer of the *SM-3 Block IIA* (an exception to Japan's three principles banning the export of arms).

The statement on realignment reiterated the commitment of the two governments to implement the relocation plan for Futenma as described in a joint statement of May 28, 2010. It was acknowledged that the target date of 2014 for completion of the project would not be met, but that both sides would strive to conclude the effort at the earliest possible date. This contrasted sharply with the views of some members of Congress who had begun to question both the feasibility and cost of the plan. On May 11, Senators James Webb (D-VA), Carl Levin (D-MI), and John McCain (R-AZ) issued a joint statement calling for the reexamination of the overall US military basing plans in East Asia, including the relocation of MCAS Futenma. They encouraged the exploration of alternatives including the integration of functions at Futenma with Kadena Air Base. At the end of June, the US Senate Appropriations Committee then excluded funding covering the transfer of US Marines from Okinawa to Guam from a spending bill for fiscal year 2012, citing concerns about Japan's ability to implement the Futenma relocation plan to which the Guam transfer is linked. Prime Minister Kan and Defense Minister Kitazawa both met with Okinawa Gov. Nakaima Hirokazu to stress the merits to the relocation plan and repeat the desire of the central government to implement it. But the politics of Futenma remain complicated in Okinawa and now appear increasingly so in Washington, which suggests that Futenma relocation could remain on the bilateral agenda for some time.

Secretary of State Clinton and Foreign Minister Matsumoto subsequently met on the margins of the ASEAN Regional Forum (ARF) in Bali, Indonesia, on July 25 to discuss Japan's recovery from the March 11 disasters, bilateral security cooperation, and plans for the Asia-Pacific Economic Cooperation (APEC) forum to be hosted by the United States in Hawaii this November. Clinton and Matsumoto then joined South Korean Foreign Minister Kim Sung-hwan for a trilateral ministerial in which the three, building on a previous meeting in Washington last December, agreed to consult closely on policy toward North Korea, including efforts to prevent proliferation and respond to Pyongyang's uranium enrichment program. They also aimed to

coordinate efforts to support the ARF and the East Asia Summit, scheduled for October, and to cooperate on global issues such as nonproliferation, human rights, and development cooperation. They also agreed to explore the establishment of a trilateral secretariat to facilitate this strategically vital forum in support of regional security and prosperity.

Concluding another season of high-level bilateral diplomacy, Vice President Joseph Biden visited Japan in August at the conclusion of a trip that also took him to China and Mongolia. Biden met Prime Minister Kan in Tokyo on Aug. 23 to discuss rebuilding efforts after 3-11 and then traveled to Sendai in Miyagi Prefecture to survey damage from the tsunami, deliver an address at Sendai Airport (cleared for relief operations just days after the tsunami with the assistance of the US military) to reiterate US support for the recovery and the importance of the bilateral alliance, and meet with survivors living in temporary housing facilities. Biden also addressed US troops at Yokota Air Base on Aug. 24 to thank them for their support of disaster relief efforts under the rubric of *Operation Tomodachi* (Japanese for friend). His trip was well received and played positively in the US and Japanese press.

Public opinion

The success of *Operation Tomodachi* and the convening of the 2+2 enhanced the potential to further strengthen alliance cooperation. And, recent public opinion surveys indicate both countries continue to recognize the importance of the relationship. A survey by the Pew Research Center's Global Attitudes Project released on June 1 showed 85 percent of the Japanese public has a favorable opinion of the US. The Ministry of Foreign Affairs released the results of a poll on the image of Japan in the US on June 9 showing that 84 percent of the US public and 90 percent of opinion leaders consider Japan a dependable ally.

The stretch run

Economic policy and divided government will consume both leaders at home over the coming months. Prime Minister Noda will likely face a heated debate over fiscal policy while trying to pass the third and largest supplementary budget in support of reconstruction in a divided Diet. President Obama will attempt to advance legislation aimed at job creation in the face of Republican resistance in the House of Representatives. The two will have multiple opportunities to discuss their similar circumstances and develop a rapport, first in September during the United Nations General Assembly in New York City. Both will also likely participate in the East Asia Summit in Indonesia in October, followed by the APEC forum in Hawaii in November.

Chronology of US-Japan Relations May – August 2011

May 1, 2011: Japan's Ministry of Defense announces that the US military has mostly concluded earthquake relief efforts under the rubric of *Operation Tomodachi* but will continue to airlift personnel and supplies as needed.

May 2, 2011: The Japanese Diet passes a supplementary budget for fiscal year 2011 totaling ¥4 trillion (\$50 billion).

May 6, 2011: Prime Minister (PM) Kan Naoto orders the suspension of operations at the Hamaoka nuclear power plant southwest of Tokyo.

May 7, 2011: Defense Minister Kitazawa Toshimi visits Okinawa to discuss the relocation of US Marine Corps Air Station Futenma with Gov. Nakaima Hirokazu.

May 10, 2011: PM Kan states Japan will abandon a plan announced last year to build 14 nuclear reactors by 2030 and boost the share of nuclear power in electricity supply to 50 percent.

May 11, 2011: US Senators Carl Levin (D-MI), John McCain (R-AZ), and Jim Webb (D-VA) release a statement calling for the reexamination of US military basing plans in East Asia, including the relocation of MCAS Futenma on Okinawa.

May 13, 2011: Okinawa Gov. Nakaima states that a proposal to integrate functions of MCAS Futenma at Kadena Air Base is a “starting point” to resolve the relocation issue, but cites noise pollution reduction measures as a prerequisite for such discussions.

May 16, 2011: A poll by *Mainichi Shimbun* shows 66 percent of the public approves of PM Kan’s decision to shut down the Hamaoka nuclear power plant, but his approval rating is 27 percent. Half of respondents want Kan to oversee the initial phase of reconstruction from the March 11 disasters and one-quarter state he should resign as soon as possible.

May 17, 2011: Japan announces it is postponing a decision over whether to enter negotiations over a multilateral trade liberalization initiative known as the Trans-Pacific Partnership.

May 22, 2011: Assistant Secretary of State for East Asian and Pacific Affairs Kurt Campbell meets officials from the Ministries of Defense and Foreign Affairs in Tokyo to discuss US support for Japan’s recovery efforts, bilateral security issues, and preparations for international events including the ASEAN Regional Forum and the APEC Leaders Meeting.

May 25, 2011: Prime Minister Kan addresses the Organization for Economic Cooperation and Development (OECD) in Paris and announces a plan for Japan to obtain 20 percent of its energy needs from renewable sources by the 2020s.

May 25, 2011: US Government Accountability Office (GAO) issues a report on costs associated with realigning US force posture in Asia and asks the Department of Defense to provide more detailed cost information and analysis of alternative proposals to better assess affordability.

May 26, 2011: President Obama meets Prime Minister Kan on the margins of the G8 Summit in Deauville, France, and reiterates US support for Japan’s recovery from the 3.11 triple disasters.

May 30, 2011: Prime Minister Kan posts a 28 percent approval rating in a *Nikkei Shimbun* poll. Seventy four percent of respondents disapproved of the government’s response to the nuclear

crisis but 49 percent said Kan should step down after the crisis is stabilized. The LDP approval rating exceeds that of the DPJ by a margin of 35 to 26 percent.

May 31, 2011: Moody's places Japan's sovereign debt rating on review for a possible downgrade, citing concerns that government plans to reduce debt may prove insufficient given the costs of the March 11 disasters.

June 1, 2011: A survey by the Pew Research Center's Global Attitudes Project shows 85 percent of the Japanese public has a favorable opinion of the United States.

June 1, 2011: In a preliminary report on the Fukushima nuclear crisis, the International Atomic Energy Agency (IAEA) states Japan underestimated the risks of a tsunami at the Fukushima Daiichi power plant and did not install adequate backup systems.

June 2, 2011: Prime Minister Kan survives a no-confidence vote after promising to resign once progress is made in containing the nuclear crisis in Fukushima and recovering from the March 11 earthquake and tsunami. The ruling DPJ expels two party members who supported the motion.

June 3, 2011: Defense Minister Kitazawa and Defense Secretary Robert Gates meet on the sidelines of the Shangri-La Dialogue in Singapore and issue a joint statement reiterating support for the existing plan to relocate MCAS Futenma on Okinawa.

June 8, 2011: The International Monetary Fund says Japan's economy will shrink 0.7 percent in 2011 due to the March 11 disasters but also projects 2.9 percent growth for 2012.

June 9, 2011: Ministry of Foreign Affairs releases results of a poll on the image of Japan in the US: 84 percent of the US public and 90 percent of opinion leaders consider Japan a dependable ally.

June 11, 2011: Deputy Chief Cabinet Secretary Sengoku Yoshito states during an appearance on a television program that Prime Minister Kan has no other choice but to step down.

June 11, 2011: Demonstrations against nuclear power take place throughout Japan to mark the three-month anniversary of the accident at the Fukushima Daiichi nuclear power plant.

June 13, 2011: Defense Minister Kitazawa visits Okinawa and informs Gov. Nakaima that the central government has, in accordance with a bilateral agreement with Washington, decided to proceed with a V-shaped runway at a proposed replacement facility for MCAS Futenma in the Henoko district of the city of Nago.

June 14, 2011: Bank of Japan introduces plan to extend up to ¥500 billion (approximately \$6.2 billion) to financial institutions at an interest rate of 0.1 percent to boost lending to small businesses.

June 21, 2011: Security Consultative Committee (SCC) or "2+2" convenes in Washington DC and issues a joint statement reaffirming common strategic objectives for the alliance.

June 24, 2011: Diet enacts a basic law on post-March 11 reconstruction.

June 25, 2011: Kan government's Reconstruction Design Council submits a report recommending temporary tax increases and the issuance of government-backed recovery bonds to finance the recovery from the March 11 earthquake and tsunami.

June 27, 2011: PM Kan reshuffles Cabinet and appoints Matsumoto Ryu as reconstruction minister and Hosono Goshi as minister in charge of the nuclear crisis at the Fukushima Daichi power plant.

June 27, 2011: PM Kan declares as conditions for his resignation the passage of a second supplementary budget to support reconstruction, a bill authorizing the issuance of recovery bonds, and a renewable energy bill.

June 27, 2011: PM Kan meets Okinawa Gov. Nakaima in Tokyo and states that calling for the relocation of MCAS Futenma outside Okinawa could further delay negotiations over relocation.

June 27, 2011: A *Nikkei Shimbun* poll finds 69 percent of the public opposes the restart of nuclear reactors currently shut down for maintenance, and 47 percent support reducing the number of nuclear power plants in Japan.

June 30, 2011: US Senate Appropriations Committee excludes funding covering the relocation of US Marines from Okinawa to Guam from a spending bill for fiscal year 2012, citing concerns about the Japanese government's ability to implement the relocation plan.

July 4, 2011: According to a *Yomiuri Shimbun* poll, 72 percent of the public thinks Kan should resign as prime minister by the end of August. His approval rating was 24 percent with a disapproval rating of 63 percent. The approval rating for the DPJ and LDP was 19 percent.

July 5, 2011: Reconstruction Minister Matsumoto Ryu resigns due to gaffes in meetings with local government officials during a visit to the Tohoku region.

July 9, 2011: The US, Japan, and Australia hold a joint naval exercise in the South China Sea.

July 12, 2011: Bank of Japan revises its growth forecast for fiscal year 2011 to 0.4 percent from 0.6 percent, but retains an outlook of 2.9 percent growth for fiscal year 2012.

July 12, 2011: A survey by *Asahi Shimbun* reveals a 15 percent approval rating for the Kan Cabinet. Seventy percent of respondents said PM Kan should resign by the end of August.

July 13, 2011: PM Kan outlines an energy policy vision and suggests Japan should end its reliance on nuclear power.

July 22, 2011: DPJ Secretary General Okada Katsuya admits that the DPJ cannot deliver on pledges made in the party's 2009 election manifesto.

July 23, 2011: Secretary of State Clinton and Foreign Minister Matsumoto meet on the margins of the ARF in Bali and address Japan's recovery from the March 11 disasters, bilateral security cooperation, and the APEC forum to be hosted by the US in November 2011.

July 23, 2011: Secretary Clinton, Foreign Minister Matsumoto, and South Korean Foreign Minister Kim Sung-hwan meet in Bali, Indonesia.

July 25, 2011: The Diet passes a second supplementary budget for fiscal year 2011 totaling ¥2 trillion (\$25 billion).

July 25, 2011: *Kyodo News* poll finds 70 percent of the public agrees or somewhat agrees with PM Kan's suggestion that Japan shift away from nuclear energy but Kan's approval rating is 17 percent.

July 27, 2011: Japan's Self Defense Force (SDF) officially opens its own base in Djibouti in support of anti-piracy operations in the Gulf of Aden.

July 29, 2011: Kan government announces basic guidelines for post-March 11 reconstruction.

Aug. 2, 2011: Kan Cabinet approves the annual defense white paper, which makes specific reference to Chinese maritime activities in the East and South China Seas.

Aug. 4, 2011: Japan intervenes in currency markets and spends an unreleased amount to stem the value of the yen. The Bank of Japan announces an expansion of its asset purchasing program from ¥40 trillion to ¥50 trillion.

Aug. 4, 2011: Prime Minister Kan dismisses three Ministry of Economy, Trade and Industry (METI) officials in charge of nuclear energy policy.

Aug. 8, 2011: Kan Cabinet posts an 18 percent approval rating and a disapproval rating of 72 percent in a *Yomiuri Shimbun* poll; 67 percent of respondents support Kan's call for reduced dependence on nuclear energy. The LDP approval rating exceeds that of the DPJ by a margin of 20 to 17 percent.

Aug. 9, 2011: DPJ Secretary General Okada announces an agreement with the opposition LDP and Komeito (Clean Government Party) to review pledges in the 2009 DPJ election manifesto such as eliminating highway tolls, offering free tuition for high school students, and assistance to farmers, in order to pass legislation authorizing the issuance of special government bonds to fund the recovery from the March 11 disasters.

Aug. 15, 2011: Cabinet Office reports real GDP in Japan shrank at an annualized rate of 1.3 percent in the second quarter of 2011, the third straight quarterly decline but less than the 3.6 percent drop in the first quarter of the year.

Aug. 21, 2011: Kan Cabinet's approval rating is 15 percent with a disapproval rating of 70 percent in a poll by *Kyodo News*. Former Foreign Minister Maehara Seiji tops the list of potential successors to Kan with 24 percent support, followed by Chief Cabinet Secretary Edano Yukio with 11 percent and DPJ Secretary General Okada Katsuya with 10.9 percent.

Aug. 23, 2011: Vice President Joseph Biden meets PM Kan in Tokyo and visits the city of Sendai to offer support to survivors of the March 11 disasters.

Aug. 24, 2011: Moody's Investors Service downgrades Japan's sovereign debt rating to Aa3, citing high government debt, weak growth and political uncertainty.

Aug. 24, 2011: Japan announces measures to stem the rise of the yen including the creation of a \$100 billion credit facility to encourage overseas investment.

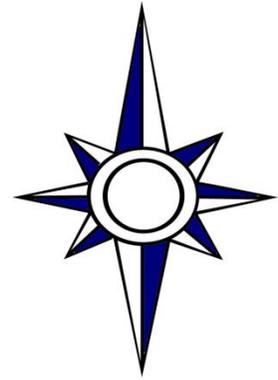
Aug. 26, 2011: The Diet passes legislation authorizing the issuance of bonds to fund the recovery from the March 11 disasters and also clears a renewable energy bill.

Aug. 26, 2011: PM Kan announces his resignation.

Aug. 29, 2011: Noda Yoshihiko is elected DPJ president, defeating Kaieda Banri in a runoff.

August 30, 2011: The Diet elects Noda as prime minister.

Aug. 30, 2011: President Obama issues a statement congratulating Noda on his election as prime minister.



US-China Relations:
Friction and Cooperation Co-exist Uneasily

Bonnie Glaser, CSIS/Pacific Forum CSIS
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In pursuit of agreements reached between Presidents Hu and Obama in January, the US and China worked to strengthen their relationship, while managing friction on a number of issues. Renewed tensions in the South China Sea put maritime security at the top of the agenda in many bilateral and multilateral interactions, including the inaugural US-China Consultations on Asia-Pacific Affairs, at the ASEAN Regional Forum meeting in Bali, and in a bilateral meeting between Secretary Clinton and State Councilor Dai Bingguo in Shenzhen. In early May, the third annual Strategic and Economic Dialogue (S&ED) convened in Washington, DC. Despite protests from Beijing, President Obama met the Dalai Lama. In May and July, PLA Chief of the General Staff Gen. Chen Bingde and Chairman of the Joint Chiefs of Staff Adm. Mike Mullen exchanged visits. In August, Joe Biden made his first visit to China as vice president.

South China Sea is high on the agenda

The South China Sea featured prominently in US-Chinese interactions in this four-month period. Tensions flared in May and June in a spate of incidents that involved Chinese intimidation and harassment of other claimants. Chinese forces shot at Filipino fisherman, deployed navy patrol boats to chase off an oil exploration vessel, and unloaded building materials and erected posts on an uninhabited reef 230 km from the Philippines' southwestern Palawan province. Chinese fishing boats and patrol vessels harassed Vietnamese oil exploration ships operating in Vietnam's exclusive economic zone, in one case severing survey cables of a PetroVietnam ship. In another incident, Hanoi charged that Chinese sailors boarded a Vietnamese fishing boat and beat its captain before releasing him and stealing the crew's catch.

In the wake of the incidents, the US and Vietnam issued a joint statement following annual bilateral talks in Washington that called for the maintenance of peace, stability, safety, and freedom of navigation in the South China Sea and rejected the use of force. Philippine Foreign Secretary Albert del Rosario traveled to the US for consultations and was promised help in acquiring affordable material and equipment that would enable the Philippine military to defend itself. In a joint press conference with del Rosario, Secretary Clinton noted that the 1951 US-Philippine Mutual Defense Treaty "continues to serve as a pillar of our relationship and a source of stability in the region." US Director of National Intelligence James Clapper met del Rosario and promised increased sharing of intelligence with the Philippines, heightened surveillance of disputed waters, and the deployment of an early warning radar system off the Philippine littoral to detect intrusions. In June and July, the US held routine naval drills separately with the Philippines and Vietnam. The US Senate passed a resolution deploring China for its "use of

force” in late June, prompting China’s Foreign Ministry spokesman to call for nations “without a direct stake” in the South China Sea disputes to refrain from interfering.

On the eve of the inaugural US-China Consultations on Asia-Pacific Affairs, Chinese Vice Foreign Minister Cui Tiankai said that some countries were “playing with fire” by getting close to the US and reiterated that the South China Sea disputes should be settled only by claimant states. “While some American friends may want the United States to help in this matter . . . more often than not such gestures will only make things more complicated,” Cui asserted.

At the Asia-Pacific Consultations held on June 25 in Honolulu, Cui and Assistant Secretary of State for East Asian and Pacific Affairs Kurt Campbell began by explaining their respective government’s policies toward the Asia-Pacific region and then devoted a substantial portion of the afternoon to discussions about the South China Sea. In a prepared statement to the press, Campbell described the talks as “open, frank and constructive” and noted that they had been conducted with the goal of obtaining a better understanding of each other’s intentions, policies, and actions toward the Asia-Pacific region. In addition to the South China Sea, the agenda included North Korea, Burma, and upcoming meetings of the ASEAN Regional Forum, APEC, Pacific Island Forum, and East Asia Summit. Campbell emphasized to Cui that the Obama administration does not view the South China Sea as an arena of US-China competition. He told reporters “We want tensions to subside,” and that he had underscored the strategic principles that guide the US approach to the South China Sea. “We have a strong interest in the maintenance of peace and stability. And we are seeking a dialogue among all the key players.”

During the mid-July visit by Adm. Mullen to China, the South China Sea proved to be the most contentious issue when Mullen and counterpart Gen. Chen Bingde met with reporters. Chen warned that “irrelevant countries” should refrain from intervening in the territorial issue and the joint exploitation of resources. Mullen countered that the US had a fundamental interest in freedom of navigation and would continue to maintain a presence in the South China Sea. In response, Chen insisted that freedom of navigation had never been a problem in the region and suggested that this issue has been raised as a pretext to criticize China. Chen also objected to the joint exercises the US held with Vietnam and the Philippines, hinting that they signal a US intention to interfere in South China Sea disputes and calling their timing “inappropriate.” When Mullen replied that the exercises were small in scale and scheduled long before recent tensions, Chen retorted that it would have been easy to reschedule them.

The agreement between ASEAN and China on implementing guidelines for the 2002 Declaration on the Conduct of Parties in the South China Sea just prior to the convening of the 27-member ASEAN Regional Forum (ARF) in Bali, Indonesia set a positive tone for the meeting. Nevertheless, the US and China sparred over the South China Sea again, although they avoided a sharp confrontation such as took place at the 2010 ARF meeting in Hanoi. In a statement clearly targeting China, Secretary of State Clinton opposed the “threat or use of force” by any claimant “to advance its claims or interfere with legitimate economic activity.” She also expressed concern “that recent incidents in the South China Sea threaten the peace and stability on which the remarkable progress of the Asia-Pacific region has been built.” “These incidents endanger the safety of life at sea, escalate tensions, undermine freedom of navigation, and pose risks to lawful, unimpeded commerce and economic development,” Clinton asserted. Reiterating

statements made at the 2010 ARF gathering, she told the assembled foreign ministers that the US calls on “all parties to clarify their claims in the South China Sea in terms consistent with customary international law,” adding that claims to maritime space “should be derived solely from legitimate claims to land features.”

Chinese Foreign Minister Yang Jiechi reportedly countered that Beijing’s territorial claim is “based on historical facts” and specifically mentioned the nine-dotted line maritime boundary that was submitted to the United Nations in May 2009. Yang denied that China poses a danger to freedom of navigation in the South China Sea. In a statement that was considerably more conciliatory than last year, Yang said that China is committed to peacefully resolving its disputes with relevant countries concerning sovereignty over the islands and reefs and maritime delimitation in the South China Sea, but insisted that consultations and negotiations be discussed on the basis of both international law and respecting historical facts.

In a background briefing with the press, a senior State Department official said that the US was “taking pains to underscore that we do not want to make the South China Sea an arena of US-Sino conflict or misunderstanding. That is not our intent.” The official praised what he termed “a determined effort on the part of the Chinese government to be responsive and proactive to the concerns that developed over the course of the last couple of months.”

Clinton and Yang held a bilateral meeting on the margins of the ARF in which they discussed the South China Sea as well as North Korea. In an effort to demonstrate to the region that the US and China can work together in pursuit of peace, stability, and prosperity in the region, they announced several areas of practical cooperation, including: 1) a project to promote agricultural development and food security in Timor-Leste; 2) enhanced cooperation on urban search and rescue; and 3) expanded cooperation with regional partners to strengthen regional capacity building efforts in disaster response and relief.

After Bali, Secretary Clinton stopped in Hong Kong, where she met Hong Kong Chief Executive Donald Tsang and delivered a speech to the American Chamber of Commerce that emphasized the importance of the US to Asia’s economy and security. Then she traveled to Shenzhen for a four-hour meeting with Chinese State Councilor Dai Bingguo. In those talks, Clinton reviewed developments in the bilateral relationship over the past year and underscored the significance of the interactions and exchanges planned in the coming six to eight months. According to a background briefing provided by a US official after the discussions, “the overall theme was that we needed to work harder to develop habits of cooperation in areas of common pursuit.” US agenda items included maritime security and the South China Sea; North Korea and the need to avert further provocations; Iran and the P-5+1 process; and the need to enhance bilateral dialogue on issues associated with Pakistan. Dai Bingguo raised concerns about US arms sales to Taiwan and expressed displeasure about President Obama’s meeting with the Dalai Lama. China’s internal politics as well as the debate in Washington over raising the government debt limit were also among the discussion topics.

Third Strategic and Economic Dialogue

On May 9-10, the third annual Strategic and Economic (S&ED) convened in Washington, DC. Secretary Clinton and State Councilor Dai Bingguo co-chaired the strategic track, while

Secretary of the Treasury Tim Geithner co-chaired the economic track with his counterpart Vice Premier Wang Qishan. Sixteen agency heads joined the US delegation for the dialogue, including Federal Reserve Chairman Ben Bernanke, Commerce Secretary Gary Locke, Labor Secretary Hilda Solis, and Securities and Exchange Commission Chairman Mary Schapiro. The Chinese delegation included representation from 20 agencies, eight of which were at the agency head level, including Finance Minister Xie Xuren, Central Bank Governor Zhou Xiaochuan, Minister of Science and Technology Wan Gang, and Commerce Minister Chen Deming.

In the run-up to the meeting, at May 5 press briefing, Assistant Secretary of State Campbell and the Department of the Treasury's Senior Coordinator and Executive Secretary for China and the S&ED, David Loevinger, highlighted a number of areas the US hoped to address during the talks. On the economic side, these included discussing the undervaluation of China's currency, enhancing IPR protection, delinking government procurement from innovation policies, and making it "easier" for foreigners to make portfolio investments in China. Other areas addressed were measures enabling Chinese investments abroad, and providing greater opportunities for foreign financial services firms. In the strategic track, Campbell emphasized the importance of getting officials together to talk through the major issues face-to-face. He called the S&ED the "most important venue...for managing this very complex relationship," and said that the US intent was to have "candid and honest" discussions on a long list of problem areas. These included how to deal with North Korea, Iran, Sudan, energy security, development, food assistance, and human rights.

Strategic track

Major accomplishments in the strategic track included 48 new and ongoing mechanisms for coordination and collaboration. Showcased were the expanding opportunities for bilateral high-level exchanges, such as Secretary Clinton and State Councilor Liu Yandong's High-Level Consultation on People-to-People Exchanges. Breakout sessions were held on several issues including law enforcement cooperation, climate change, energy, UN peacekeeping, and Sudan.

Dates and timelines were also announced for ongoing dialogues. These included plans for the second round of US-China discussions on law of the sea and polar issues (May 24-25); the visit of US Coast Guard Pacific Area Commander Vice Adm. Manson Brown to China (May 29-June 4); the next round of the Legal Experts Dialogue in Washington (June 8-9); the US Coast Guard's attendance at the World Maritime Rescue Congress in China (August 24-28); the ninth session of the Joint Working Group of US-China Agricultural Science and Technology Cooperation in New Mexico and the 14th meeting of US-China Joint Commission on Science and Technology Cooperation in Beijing (October 2011); the eighth US-China Counterterrorism Consultation; the fourth US-China Bilateral Forum on Combating Illegal Logging and Associate Trade (later this year); the next round of the Human Rights Dialogue (2012); and the Energy Policy Dialogue, Oil and Gas Industry Forum, Renewable Energy Industry Forum and Advanced Bio-fuels Forum (to be held on "mutually agreeable dates"). The two sides also established secretariats for the US-China Joint Liaison Group on Law Enforcement Cooperation (JLG) and announced plans to hold the ninth session of the JLG and working group meetings. In addition, China and the US stated that they would hold a new round of sub-dialogues on policy planning, Africa, Latin America, South Asia, and Central Asia prior to the fourth S&ED next year.

The two countries also decided to create the US-China 2011-2015 Framework Plan for Ocean and Fishery Cooperation to advance cooperation between the US National Oceanic and Atmospheric Administration (NOAA) and China's State Oceanic Administration (SOA), and would continue to develop a US-China large-scale multidisciplinary joint program for the Indian and Southern Oceans "in the near future." In addition, China and the US renewed the MOU on Health and Medical Sciences Cooperation, signed the Action Plan to Implement the MOU on Cooperation on Supply Chain Security and Trade Facilitation, established six new EcoPartnerships, and signed an MOU on Cooperation in Law Enforcement Matters.

US officials raised human rights issues at various junctures during the two days of discussions. Vice President Joseph Biden noted in his opening remarks that the US and China had "vigorous disagreement" over the issue. According to a White House press release, during his May 9 meeting with Vice Premier Wang and State Councilor Dai, President Obama "raised US concerns about the current human rights situation in China, and underscored his support for the universal rights of freedom of expression and worship, and of access to information and political participation." While some Chinese media outlets emphasized the discord over human rights, official Chinese commentary was muted, suggesting that disagreement over the issue was overshadowed by a generally positive appraisal of the talks, and a desire to sustain the positive atmosphere that had been created in January during Hu Jintao's visit.

Among the accomplishments of the strategic track, the two that garnered the most attention are two newly established mechanisms for dialogue: the US-China Consultation on the Asia-Pacific and the US-China Strategic Security Dialogue (SSD). The two sides agreed to hold the first round of the US-China Consultation on the Asia-Pacific early in 2011 (and held the first round in Honolulu, Hawaii in late June). Meanwhile, the first round of the SSD – a joint civilian-military dialogue – was held during the S&ED.

Strategic Security Dialogue (SSD)

The SSD is the brainchild of US Deputy Secretary of State James Steinberg, who has long pushed for a high-level civilian-military dialogue on security issues with the Chinese. Steinberg chaired the meeting with Chinese Vice Foreign Minister Zhang Zhijun. Other US participants included Under Secretary of Defense for Policy Michèle Flournoy, Vice Chairman of the Joint Chiefs of Staff Gen. James Cartwright, Assistant Secretary of State Campbell, and US Pacific Command Commander Adm. Robert Willard. PLA Deputy Chief of the General Staff Lt. Gen. Ma Xiaotian joined Vice Foreign Minister Zhang on the Chinese side, marking the first time that a three-star general participated in the S&ED.

In his briefing in advance of the opening of the S&ED, Assistant Secretary Campbell noted that the US goal in launching the SSD was to "bring together critical diplomats and military officials" and "create greater understanding around issues that have the potential for miscalculation and inadvertence" in the bilateral relationship. Having both military and civilian representation, he argued, offered an opportunity to improve "trust and predictability in the overall relationship." *Xinhua* reported Vice Foreign Minister Zhang describing the SSD as aimed at "enhancing mutual

trust, exploring cooperation, reducing differences, and avoiding misreading and misjudging the other sides' strategic intentions," goals similar to those of the overarching Dialogue.

Cyber and maritime security were selected as the two topics for discussion at this first SSD, but details of the discussions were kept out of both the Chinese and US press, likely due to their sensitivity. Apparently, Lt. Gen. Ma Xiaotian briefed US participants on Chinese concerns about close-in surveillance by US air and naval forces in the region, a longstanding complaint from China. Discussions on cyber-security issues reportedly focused on potential areas of cooperation rather than contention.

Several Chinese experts expressed the view that including active military officers in the S&ED and holding an SSD within the overall framework "represents major progress" for bilateral relations, especially considering the on-again-off-again pattern the bilateral military-to-military relationship has suffered. In a May 11 interview with *Xinhua*, Yuan Peng, Director of American Studies at the China Institutes of Contemporary International Relations, asserted that having military and civilian officials attending the SSD would "help reduce strategic misjudgments" and "increase strategic mutual trust."

Economic track

As the dialogue commenced, Chinese Commerce Minister Chen Deming stated that both sides would use the S&ED to review and further implement the consensus reached by the presidential summit in January and would "strive for more mutually beneficial and win-win results." Judging by the 64 outcomes on the joint outcomes document, the economic track produced achievements, at least on paper.

Progress was made on a number of issues of high priority to the US. These included commitments to improve "high-level, long-term" IPR protection and enforcement; to strengthen inspection mechanisms to ensure software being used by government offices is legitimate; to begin publishing proposed trade and economic regulations on the State Council Legislative Affairs Office website this year and allow a window of at least 30 days for public comment; to de-link government procurement and indigenous innovation policies at both the national and local levels, a reiteration of the commitment made by President Hu Jintao during the summit with President Obama; to allow US and foreign banks to sell mutual funds in China and obtain licenses to act as custodians for those funds as well as Margin Depository Banks in Qualified Foreign Institutional Investor (QFII) futures transactions; to "advance toward" permitting US and foreign insurance companies to sell auto insurance in China; to further open China's service sector to US and foreign involvement; and to raise the share of the service sector in China's overall economy by 4 percent over the next 5 years.

While China seems to have assumed the lion's share of unilateral commitments, the US made a number of pledges of its own. These included a promise to treat China "fairly" as the US continues to reform its export control system; to relax restrictions on high-tech exports to China; to give serious consideration to China's "market oriented industry" claims in antidumping proceedings; and to practice non-discrimination toward foreign investors.

The most significant outcome of the economic track was the US-China Comprehensive Framework for Promoting Strong, Sustainable, and Balanced Growth and Economic Cooperation. An initial consensus behind the Framework had first been reached on Jan. 20 between Presidents Hu and Obama, and was then elaborated on by Secretary of the Treasury Geithner and Vice Premier Wang Qishan at the S&ED.

US-China Comprehensive Framework

Within the Framework, the two countries agreed to promote greater economic cooperation “from a strategic, long-term, and overarching perspective,” to cooperate “to build a comprehensive and mutually beneficial economic partnership;” to add to both side’s economic “prosperity and welfare;” and to “achieve strong, sustainable, and balanced” global economic growth. The Framework listed several principles under which the agreement was constructed, including recognition that each country’s continued economic growth is “indispensable” to the other’s; that both countries’ policies have an impact on the global economy and therefore will cooperate to strengthen international trade and financial institutions; that both countries will advance bilateral consultation on their economic policies; and that the Framework’s implementation will be carried out in existing dialogue mechanisms. Under these shared principles, the two countries agreed to deepen and strengthen cooperation on the macroeconomic level, in the financial sector, and in regional and international economic institutions such as the G20 and APEC.

Xinhua reported that the Framework was “hailed by many officials as a milestone” for economic relations and said that it would “serve as a guideline” for future US-China trade and economic cooperation. Zhang Xiaoqiang, deputy head of the National Development and Reform Commission, maintained that the framework could help the two countries “open up new areas of cooperation” and “develop new growth models.” Chinese experts echoed the positive response. Zhang Yansheng, director of the Foreign Oriented Economic Research Office under the State Development and Reform Commission, said that the Framework would help illustrate the two countries’ growing awareness that each “is indispensable to the other side’s development and prosperity.”

Response to the 2011 S&ED

Following the conclusion of the talks, both sides hailed their accomplishments. At the S&ED joint closing remarks, Treasury Secretary Geithner stated that the two sides had held a “very comprehensive discussion” and Vice Premier Wang Qishan described the talks as a “great success.” State Councilor Dai Bingguo asserted that “China is ready to work with the US side to further grow and make good use of this S&ED dialogue and mechanism so that it can better serve China-US relations.” Secretary of State Clinton described the talks as a “productive and comprehensive dialogue” and noted that the two sides had “made a lot of progress” on several key issues.

Outside opinions were mixed, however. Some Chinese experts argued that the United States’ persistent emphasis on human rights both in the run-up to and during the Dialogue drew media attention away from accomplishments that had been made. Most experts, however, positively appraised the talks. Tao Wenzhao, a researcher with the Institute of American Studies at the

Chinese Academy of Social Sciences (CASS), said in an interview with Hong Kong's *Wen Wei Po* that while there continued to be differences between the US and China, there was "no doubt" that relations were "moving forward" based on the outcomes of this year's meeting. Regarding the role of the S&ED in the bilateral relationship, Yuan Peng, from the China Institutes of Contemporary International Relations, told *Xinhua* that the dialogue has become increasingly "mature," and described the third S&ED as "generally speaking, more constructive." Ni Feng, deputy director of American Studies at CASS, credited the dialogue with laying out "a roadmap" for improving bilateral relations in the future.

US experts were less sanguine than their Chinese counterparts. While the useful role played by the S&ED was widely acknowledged and the pledges by the Chinese side were welcomed, most analysts remained skeptical that commitments would be implemented. Many pointed out that China had made most of these promises at the US-China Joint Commission on Commerce and Trade (JCCT) meeting last December, during President Hu's visit in January, or even – as Ira Kasoff, former deputy assistant secretary for East Asia at the US Department of Commerce, noted – as far back as the June 2008 Strategic Economic Dialogue, when China first pledged to put trade and economic regulations online for review. In the economic realm, at least, this round of the S&ED was judged by many US experts to be treading water, awaiting follow through on previously made commitments. Given rising inflation, the housing bubble, the high number of bad loans, and unbalanced growth, most experts expect China to be slow in implementing agreements.

President Obama meets the Dalai Lama

Ignoring warnings from China, President Obama met the Dalai Lama on Saturday, July 16, the last day of an 11-day visit by His Holiness to Washington, DC. In accordance with previous practice, the meeting did not take place in the Oval Office and photographers from major news organizations were not permitted to cover the event. The White House released a still photo and a statement after the meeting in which it reiterated the US position that Tibet is a part of China and the US does not support Tibetan independence. The statement also praised the Nobel Prize laureate for his commitment to non-violence, called for resumption of dialogue between the Dalai Lama's representatives and the Chinese government, and expressed the US position that "the unique religious, cultural, and linguistic traditions of Tibet and the Tibetan people through the world" should be preserved.

In the wee hours of the morning, Vice Foreign Minister Cui Tiankai urgently summoned Robert Wang, chargé d'affaires of the US Embassy in Beijing, to lodge a protest. China's Foreign Ministry spokesman charged the US with "seriously interfering" in China's internal affairs and said the meeting "damaged" bilateral relations and "violated solemn commitments" that the Obama administration has "made repeatedly." The language used, although sharp, was not as harsh as the condemnation issued the last time Obama met with the Dalai Lama in February 2010. On that occasion, Beijing accused the US of "wantonly" arranging the president's meeting with the Dalai Lama and said that the action had "seriously damaged" bilateral ties. Also absent from this year's MFA statement was the charge made last year that the meeting "ran counter" to the three US-China joint communiqués and to US positions that Tibet is a part of China and that the US does not support Tibetan independence. The claim that Obama's meeting with the Dalai

Lama “undermined China’s core interest” was new in this year’s statement, although consistent with Hu Jintao’s position enunciated in a speech in Washington last January that “Taiwan and Tibet-related issues concern China’s sovereignty and territorial integrity,” and “represent China’s core interests.”

Articles in the Chinese media criticized the meeting, but generally played down its significance and implications, noting, for example, that Tibet is among several issues on which the US and China differ. Some expert commentary expressed tougher opinions. For example, an article in the Beijing-controlled Hong Kong newspaper *Ta Kung Pao* argued that the Dalai Lama was a “pawn” who was used by President Obama to distract attention from America’s domestic problems, pose obstacles to China’s development, and preserve US hegemony.

The only known retributive action taken by Beijing was the cancellation of a planned visit by Robert Einhorn, the State Department’s special adviser for nonproliferation and arms control. That decision was conveyed through diplomatic channels; it was not announced publicly. Overall, China signaled that despite its dissatisfaction with the president’s decision to meet with the Dalai Lama, China-US ties would remain on a positive track.

Exchange of visits boost military ties

The US and China conducted two high-level military exchanges this quarter with the purpose of developing a healthy, stable, and reliable military-to-military relationship in support of the vision shared by President Hu and President Obama for a positive, cooperative, and comprehensive bilateral relationship.

On May 15, People’s Liberation Army (PLA) Chief of the General Staff Gen. Chen Bingde began a weeklong visit to the US, the first visit by a Chinese officer of his rank in seven years. Chen’s host, Chairman of the Joint Chiefs of Staff Adm. Mike Mullen, held a reception for the Chinese delegation at his home and formally received Chen with full military honors in a ceremony at Fort Myer. In addition to Chen’s in-depth discussions with Mullen, he met Secretary of Defense Robert Gates, Secretary of State Clinton, National Security Advisor Tom Donilon, and a select group of congressmen. Chen delivered a speech at the National Defense University in which he emphasized that China’s economic rise and military modernization pose no threat to the US, and attended a joint performance of both countries’ military bands at the John F. Kennedy Center for the Performing Arts. Following his itinerary in Washington, Chen toured a number of military bases, including Naval Station Norfolk, where he observed *F/A-18E/F Super Hornets* conducting field carrier landing practice. He also visited Fort Stewart, Georgia, Nellis Air Force Base in Nevada, and the Army’s Fort Irwin National Training Center in California. It was the first time that Fort Stewart and Nellis AFB had been opened to senior Chinese officers.

Chen and Mullen held what Chen described as a “frank, in-depth and fruitful discussion.” Both stressed that at this early stage in the relationship, each side needed to listen to the other in order to appreciate the security environment from the other’s perspective. Mullen stated that neither country could afford to wait until a crisis before starting to understand one another. Both also cautioned against the expectation that fundamental differences could be reconciled quickly. A

six-point consensus on military relations was issued that included agreements to establish a direct telephone line between the PLA chief of general staff and the chairman of the US joint chiefs; to conduct a joint anti-piracy exercise in the Gulf of Aden and humanitarian and disaster relief joint training exercises; and to hold exchanges of military medicine and joint medical rescue drills involving Chinese and US hospital ships.

Mutual suspicions and sources of friction were largely played down publicly, but the impasse over Taiwan figured prominently in the joint press conference. Chen criticized the Taiwan Relations Act (TRA), calling it “hegemonic” and accused the US of seeking to use Taiwan to contain China’s development. In what may have been a deliberate distortion of what he had been told in meetings with US officials, Chen said Secretary Clinton had reiterated US policy that “there is only one China in the world, and Taiwan is part of China,” and some members of Congress had indicated that “it is time” for the United States to “review” the TRA. In a press release the following day, the Department of State noted that in her meeting with Gen. Chen, Clinton had re-stated that the US one China policy is based on the three US-China joint communiqués and the TRA, and “has not changed.”

Concerning the prospective sale of *F-16C/D* fighters, for which momentum has been growing in Congress, Chen questioned Taiwan’s need for the planes “since it is part of China.” He emphasized that future US arms sales to Taiwan would affect both “state-to-state and military-to-military relations between China and the US, though he added “As to how bad the impact will be, it would depend on the nature of the weapons sold to Taiwan.” Mullen told reporters that the US would continue to adhere to the TRA so long as it remained law, and insisted that he had not yet made an evaluation of Taiwan’s air defense needs. Chen said he was surprised by the US military’s sophistication and that China did not have the capability, much less the intent, to challenge the US. Responding to a question about whether the *J-20* test flight was meant as a provocation, Chen asked why the US was not scrutinized more, given its advanced military hardware. He expressed hope that the US media would cover the PLA more objectively.

Chinese media coverage of Chen’s visit was generally upbeat, portraying the high-level dialogue as a positive development. Several Chinese analysts judged the composition of the Chinese delegation – including generals from three major military regions as well as senior officers from the PLA Air Force and Navy – as an indicator of the PLA’s sincerity to improve bilateral military ties. The inclusion of Second Artillery Corps Political Commissar Zhang Haiyang was interpreted as a major gesture, following years of lobbying by the Pentagon to expand contacts with China’s Strategic Missile Force. Experts cautioned, however, that the persistence of the three obstacles – US arms sales to Taiwan, US reconnaissance missions close to China’s coast, and US legislation imposing restrictions on US-Chinese military relations – would impair trust and hamper cooperation. In the US, the visit was widely seen as a small, but positive step on a long road to achieving a more sustained, reliable and continuous military relationship with China. Some viewed the visit with skepticism. House Foreign Affairs Committee Chairwoman Ileana Ros-Lehtinen warned, for example, that “every scrap of information this expert delegation collects will eventually be used against us.”

Adm. Mullen paid a reciprocal visit to China from July 10-13, the first by a US chairman of the joint chiefs in four years. He was accompanied by one of the largest military delegations to

ever visit China, and was greeted with a red carpet welcoming ceremony. Chen and Mullen apparently had an especially frank discussion, touching upon such sensitive issues as the South China Sea, cyber-security, PLA force modernization, and the attitudes of US politicians towards China. Mullen urged China to use its influence with North Korea to halt its provocations. They met in Chen's office, reportedly the first time a foreigner had been accorded the privilege. Mullen subsequently met Vice President Xi Jinping, Central Military Commission Vice Chairman Guo Boxiong, Defense Minister Liang Guanglie and State Councilor Dai Bingguo. He also delivered a speech at Beijing's People's University in which he highlighted three "tones" that could provide the basis for a stable military relationship between the US and China: 1) Each side should adopt "a posture of mutual respect" toward one another; 2) both should "think locally and globally," as regional issues often carry global implications; and 3) both sides should "adopt the tone of looking to the future, not to the past."

The visit included unprecedented access to military installations and hardware as Adm. Mullen made trips to the Second Artillery Corps headquarters and to army, air force, and naval bases in Shandong and Zhejiang. Previous US civilian officials had visited the Second Artillery Corps headquarters, but had not seen any equipment, whereas Mullen was shown a *DF-11* short-range ballistic missile on a mobile launcher. He witnessed an anti-terror drill conducted by the 1st Amphibious Mechanized Division, one of the PLA's most advanced and well-equipped units. He also sat in the cockpit of an *SU-27* fighter and viewed a *Type 39A Yuan*-class submarine. Mullen and Chen agreed to continue regular communication through a new telephone link. Adding to the six-point consensus that was agreed upon during Chen's visit to Washington, agreements were concluded on reciprocal visits by commanders from one of the PLA's military regions and the US Pacific Command. They also agreed to hold working group and annual maritime military security meetings, and they reiterated intentions to conduct joint humanitarian rescue and disaster relief drills, joint anti-piracy exercises in the Gulf of Aden, hospital ship exchanges, and joint medical drills in 2011-12.

At the joint press availability, Gen. Chen surprisingly acknowledged for the first time that the PLA is developing the *Dong Feng 21-D (DF-21D)* anti-ship ballistic missile, saying that it was still in the research and development phase. He declined to discuss how many aircraft carriers China is planning to develop and insisted that Chinese weapons systems lag two decades behind those of the US, while maintaining that all of China's hardware, including the *DF-21D*, was strictly for defensive purposes and to preserve territorial integrity. He chided the US for putting a heavy burden on US taxpayers and suggested that the US should reduce spending on the military. Criticizing reconnaissance activities by US aircraft and ships near China's borders, Chen revealed that US unmanned aerial vehicles have operated as close as 16 nautical miles from Chinese shores and said that the frequent close reconnaissance missions are harmful to the friendly and cooperative relations between the two militaries.

Chinese media highlighted the unprecedented access Mullen enjoyed to advanced military hardware and state leaders during his visit. Many articles noted Mullen's statement in his speech at People's University that "China is no longer just a rising power; it has in fact arrived as a world power" and challenged its veracity. Two officers from China's National Defense University writing in *China Youth Daily* maintained that Mullen's visit demonstrated that "Sino-US military exchanges had moved to an institutionalized and normalized track" and expected his

visit “would play a positive role in promoting Asia-Pacific regional security and stability.” Others were less optimistic about the visit and the future of US-Chinese military ties. Chinese military expert Xu Guangyu said in an interview with Hong Kong-based *Phoenix TV* that despite China’s transparency, citing Mullen’s access to the *DF-11* as an example, the US will remain reluctant to show major weapons systems to Chinese counterparts. Media commentary also remained suspicious about US intentions around China’s periphery and conveyed the general expectation that the three obstacles to better US-Chinese military relation would remain unresolved for the foreseeable future. Commenting on Mullen’s assertion that the US military will maintain an enduring presence in the South China Sea, Xu Guangyu stated that “Washington is exploiting complicated geopolitical situations in the region to contain China’s rise and to deplete Chinese military strength.”

DOD report on Chinese military released

The *2011 DOD Report to Congress on the Military and Security Developments Involving the People’s Republic of China*, due last March, was released in late August. In a briefing for the press, Deputy Assistant Secretary of Defense for East Asia Michael Schiffer noted that the “pace and scope of China’s sustained military investments have allowed China to pursue capabilities that we believe are potentially destabilizing to regional military balances, increase the risk of misunderstanding and miscalculation, and may contribute to regional tensions and anxieties.” These trends underscore the need for a sustained and reliable military-to-military dialogue between the US and China, Schiffer argued. This year’s report contains new sections on China’s evolving maritime strategy and its growing military engagement with other countries. Ongoing programs such as the *J-20* stealth jet fighter, aircraft carriers, and anti-ship ballistic missiles are assessed as well as growing capabilities for cyber warfare. The report estimates China’s total military spending for 2010 was more than \$160 billion.

China’s Ministry of National Defense condemned the report, saying that it was not in conformity with the “important consensus” reached by Presidents Obama and Hu Jintao in January to improve the bilateral relationship or with “the momentum of positive development” in bilateral military relations. The MND spokesman indicated that China was “strongly dissatisfied” and “resolutely opposed” – tougher wording than it used last year when the spokesman stated only that China was “resolutely opposed” to the report. The spokesman also noted that China had made “solemn representations” to the US government. The Ministry of Foreign Affairs also criticized the report, although in somewhat less harsh language, maintaining that it was “not beneficial” to enhancing the “strategic mutual trust” between the US and China.

Vice President Biden’s visit to China

Standard & Poor’s downgrade of the US sovereign credit rating from AAA to AA+ in the aftermath of the early-August debt ceiling fiasco in Washington, heightened anxiety in China. Chinese media chastised US financial irresponsibility and unsustainable spending habits, pointing to US military expenditures and overstretched military presence as key contributors. *Xinhua* called for the US to “reflect on its domineering thinking and deeds,” and to “change its policies of interference abroad.” One writer, Ding Gang, in an Aug. 8 commentary in *China Daily*, argued that China now has increased leverage over the US and should “use its ‘financial

weapon' to teach the United States a lesson" whenever it acts against China's interests, such as selling weapons to Taiwan. Premier Wen Jiabao warned publicly that uncertainties could hamper global economic recovery and called on "relevant countries" to introduce "responsible policies" to address their debt problems.

Despite the harsh criticism, the *renminbi* continued to strengthen against the dollar in early August, rising 0.7 percent between Aug. 8 and 11. On Aug. 8 alone it climbed 0.23 percent, reaching 6.4305 *yuan* to the dollar, which was reportedly the largest single-day jump since November 2010. On Aug. 18, it strengthened further, reaching 6.3997 *yuan* to the dollar, and by the end of the month, the rate was hovering around 6.38. Some US analysts warned against viewing the steps as a strategic shift in policy, stating that Beijing may be temporarily boosting its currency to curb inflation to stave off social unrest, but others wondered if China would heed popular sentiment and begin reducing the accumulation of US dollars in its foreign exchange reserve. The US Treasury Department released statistics in mid-August that showed China had increased its holding of US Treasury securities in June by \$5.7 billion to \$1.17 trillion.

As Chinese analysts debated whether the current trend of waning US power would endure and result in a multipolar world, Vice President Joseph Biden arrived in China in mid-August for a six-day visit. Meeting Vice President Xi Jinping, Biden expressed his desire for a close personal relationship marked by "openness and candor" and said that China and the US have ever more extensive common interests and shoulder ever more important common responsibilities." Xi told Biden that "cooperation is the only correct choice" for the US and China. Biden also met with Hu Jintao, who asserted that "a good China-US relationship is in the fundamental interests of both the Chinese and American people and is also a necessity for the world to achieve peace and development." Hu called for advancing bilateral cooperation on international and regional affairs, including reviving the global economy.

Perhaps in an effort to calm world markets, Wen Jiabao voiced confidence in the US economy, saying that China thinks it "will be able to overcome current difficulties." Biden told Wen that China need not worry about its investments in US Treasury bonds and said the US would not default on its debt. On the second day of the visit, Xi and Biden held a roundtable discussion with Chinese and US businessmen, where, according to media reports, Xi pressed for the US to take "concrete action at an early date" to relax restrictions on high-tech exports to China.

The schedule of Biden's visit included several opportunities for informal exchanges with China's presumed next leader. After their formal meeting, the two vice presidents dined at a local restaurant in Beijing. Xi also accompanied Biden on his visit to Chengdu where they toured of the Dujiangyan Water Conservancy Junction and visited a school that was reconstructed after the 2008 Wenchuan earthquake. Biden also delivered a speech at Sichuan University that was aired live by *CCTV's* English-language channel.

Attention to Biden's visit was diverted briefly by a tussle between the Georgetown Hoyas and the Bayi Rockets during an exhibition basketball match that was planned to foster goodwill. Observers noted that the refereeing was biased in favor of the Chinese team, the Chinese players were rough and aggressive, and the Chinese crowd demonstrated poor sportsmanship, throwing chairs and full water bottles at the Hoya's players and coaches as they headed to the locker room.

Looking Ahead

Sino-US relations will likely be tested in the remaining months of 2011 by a US arms sale to Taiwan. If, as expected, the announcement includes a “retrofit” of Taiwan’s existing fleet of *F-16A/B* fighters, but not 66 new *F-16C/D* planes that have also been requested by Taipei, Beijing is expected to denounce the sale and cancel a handful of planned military exchanges, while sustaining positive momentum in the overall bilateral relationship. Presidents Obama and Hu Jintao will have opportunities for interaction in September at UN General Assembly, and again in November at the APEC meeting in Honolulu and at the East Asia Summit in Bali. A long-anticipated visit to the US by Vice President Xi Jinping is likely to take place at the end of the year or early in 2012.

Chronology of US-China Relations¹ May – August 2011

May 3, 2011: US Treasury Secretary Timothy Geithner delivers a speech at the US-China Business Council, ahead of the third round of China-US Strategic and Economic Dialogue.

May 4, 2011: In a speech at the Asia Society, US Commerce Secretary Gary Locke warns that China is backtracking on promises to make its economy friendlier to foreign companies, pointing to recent proposals to review and restrict investments in its economy.

May 9-10, 2011: US and Chinese officials meet for the third annual Strategic and Economic Dialogue (S&ED) in Washington, DC. The two sides hold the first strategic security dialogue.

May 11, 2011: US-China Economic and Security Review Commission holds a hearing on “The Implications of China’s Military and Civil Space Programs,” with testimony from top scholars.

May 15, 2011: The nuclear-attack submarine *USS Hampton (SSN 767)* arrives in Hong Kong for a port visit, the first visit to Hong Kong by a US submarine in more than three years.

May 15-22, 2011: Gen. Chen Bingde visits the US, the first visit by a Chinese Chief of the PLA General Staff in seven years.

May 22-25, 2011: The aircraft carrier *USS Carl Vinson* makes a port call in Hong Kong shortly after disposing of the body of Osama Bin Laden.

May 24, 2011: The State Department announces sanctions on four Chinese firms or individuals over trade links with Iran, Syria, and North Korea in technology that may be used in weapons of mass destruction or missiles.

¹ Chronology and research assistance by CSIS intern Jackson Nicholls

May 24-25, 2011: The second round of US-China discussions on law of the sea and polar issues is held in Washington, DC.

May 26, 2011: Forty-five senators send a letter to President Obama urging the sale of 66 *F16C/D* fighter aircraft to Taiwan.

May 27, 2011: US House of Representatives votes to bar Chinese defense firms from receiving Pentagon contracts. The amendment excludes companies owned by or affiliated to the Chinese government from US defense contracts; it is passed as part of a larger defense budget bill.

May 29, 2011: US Coast Guard Pacific Area Commander Vice Adm. Manson Brown visits China.

June 2, 2011: Google Inc. says Chinese hackers targeted the email accounts of senior US officials and hundreds of other prominent people in a phishing scam.

June 2, 2011: Chinese Vice President Xi Jinping meets Vice President Joe Biden in Rome on the sidelines of a celebration marking the 150th anniversary of Italy's unification.

June 3, 2011: Defense Secretary Robert Gates meets Chinese counterpart Defense Minister Liang Guanglie in Singapore on the sidelines of the Shangri-La Dialogue.

June 4, 2011: US Deputy Secretary of State James Steinberg meets with Chinese Defense Minister Liang Guanglie on the sidelines of the Shangri-La Dialogue in Singapore.

June 6, 2011: Assistant Secretary of State for East Asian and Pacific Affairs Kurt Campbell visits Beijing for talks on bilateral and regional issues with Chinese Vice Foreign Minister Cui Tiankai and Special Representative for Korean Peninsular Affairs Wu Dawei.

June 10-11, 2011: On a visit to Africa, Secretary of State Clinton urges scrutiny of China's large investments and business interests in Africa and warns that China's influence in Africa could foster a "new colonialism" on the continent.

June 15, 2011: The US-China Economic and Security Review Commission holds a hearing on China's Five-Year Plan, Indigenous Innovation and Technology Transfers, and Outsourcing.

June 15, 2011: China refuses to allow three US investigators from the Senate Armed Services Committee to enter mainland China from Hong Kong to investigate reports of Chinese-made counterfeit electronic parts being used in US weapons systems.

June 16, 2011: Chinese Foreign Ministry spokesman Hong Lei urges US lawmakers not to damage relations between the two countries by seeking "excuses to start trade protection," ahead of reported moves to reintroduce legislation aimed at forcing an appreciation in the *yuan*.

June 22, 2011: Vice Foreign Minister Cui Tiankai urges the US to let South China Sea dispute claimants resolve the issue themselves, saying US involvement may worsen the situation.

June 25, 2011: US officials led by Kurt Campbell meet Chinese counterparts led by Cui Tiankai in Hawaii for the first US-China Asia Pacific consultations to discuss issues in the Asia-Pacific region.

June 27, 2011: The US Senate unanimously approves a resolution deploring the use of force by China in the South China Sea and calling for a peaceful, multilateral resolution to maritime territorial disputes in Southeast Asia.

June 28-July 8, 2011: The US and the Philippines conduct joint naval exercises in the South China Sea near Palawan focusing on interdiction, information sharing, combined operations, patrol operations and gunnery, and anti-piracy and anti-smuggling.

June 28, 2011: Xi Jinping meets former Secretary of State Henry Kissinger in Beijing during a commemoration of the 40th anniversary of Kissinger's first "secret" visit to China.

June 30, 2011: Chinese Ministry of Finance announces the repeal of a government procurement policy that favors Chinese producers of computers and other technology that the US complains violates free trade.

July 5, 2011: The World Trade Organization rules that China's restrictions on exports of nine industrial raw materials violate international trade rules in response to a complaint brought by the US, the European Union, and Mexico.

July 5-16, 2011: The Dalai Lama visits Washington to confer a Buddhist teaching ritual and meet US officials, including President Obama, Under Secretary for Democracy and Global Affairs Maria Otero, and members of Senate Foreign Relations Committee.

July 9, 2011: The US, Japanese, and Australian navies hold a joint maritime drill in the South China Sea off the coast of Brunei.

July 9, 2011: Ships from both China and the US attend a fleet review during the conclusion of the Brunei International Defense Exposition 2011 (BRIDEX).

July 9-13, 2011: US Chairman of the Joint Chiefs of Staff Adm. Mike Mullen visits China, the first visit of its kind in four years.

July 13, 2011: ConocoPhillips suspends production at two platforms in northeast China's Bohai Bay after China's State Oceanic Administration orders the halt due to slow progress in containing a five-week oil leak.

July 15-21, 2011: The US and Vietnam conduct joint military drills in the South China Sea.

July 15, 2011: A gathering of Chinese provincial leaders and over 30 US governors attend the first ever China-US Governors Forum to discuss trade, investment, energy, environment, education and youth cooperation. Presidents Hu and Obama send congratulatory messages.

July 16, 2011: *China Central Television 7 (CCTV-7)* runs a segment that appears to show dated computer screenshots of a PLA institute conducting a rudimentary cyber-attack against a US-based Falun Gong website.

July 18, 2011: US House of Representatives Foreign Affairs Committee Chairman Ileana Ros-Lehtinen introduces a bill urging the EU and its member states to keep an arms embargo against China in response to moves by some European nations to lift the embargo.

July 19, 2011: In a letter to State Councilor Dai Bingguo, Sen. John McCain and Senate Foreign Relations Committee Chairman John Kerry say naval clashes between China and its neighbors in the South China Sea have raised tensions in the region and could jeopardize US interests.

July 22, 2011: Secretary of State Hillary Clinton meets Chinese Foreign Minister Yang Jiechi in Bali ahead of the ASEAN Regional Forum (ARF).

July 23-29, 2011: Department of Commerce General Counsel Cameron Kerry and a group of officials from the Department of State, Department of Justice, and the Securities and Exchange Commission visit Beijing to discuss anti-corruption and commercial rule of law issues.

July 25, 2011: Secretary of State Clinton visits Hong Kong where she meets Chief Executive Donald Tsang and members of the Hong Kong Legislative Council, and delivers a speech at the American Chamber of Commerce.

July 25, 2011: Secretary Clinton visits Shenzhen where she meets State Councilor Dai Bingguo to discuss bilateral issues such as US debt negotiations, North Korea, and the recent ARF.

July 26, 2011: The sixth meeting of the China-US Anticorruption Working Group of the Joint Liaison Group (JLG ACWG) is held in Beijing.

July 27, 2011: US Federal Trade Commission Chairman Joe Leibowitz visits Beijing and signs a memorandum of understanding on cooperation in anti-trust and anti-monopoly investigations.

July 27-30, 2011: Wang Yi, chairman of China's Taiwan Affairs Office visits Washington and meets US officials to discuss cross-strait relations, and US and Chinese policies toward Taiwan, including US arms sales. Secretary of State Clinton joins part of the meeting with Deputy Secretary Bill Burns.

July 28-30, 2011: PLA Deputy Chief of General Staff Zhang Qinsheng and Lt. Gen. Francis Wiercinski, commander of US Army Pacific attend the seventh Pacific Armies Chiefs Conference and the thirty fifth Pacific Armies Management Seminar in Singapore.

Aug. 1, 2011: Gary Locke is sworn in as the new ambassador to China, the first US ambassador of Chinese descent.

Aug. 1, 2011: A total of 181 members of the US House of Representatives sign a letter urging President Obama to approve the sale of *F-16 C/D* jet fighters to Taiwan.

Aug. 10-14, 2011: China's aircraft carrier *Varyag* undergoes its first sea trials.

Aug. 12, 2011: The *USS Ronald Reagan* Carrier Strike Group docks in Hong Kong for a four-day visit.

Aug. 17, 2011: The Chinese Ministry of Defense refutes reports that Pakistan allowed Chinese intelligence officials to photograph and take samples of the US *Blackhawk* helicopter that crashed during the raid on Osama bin Laden.

Aug. 17-21, 2011: Vice President Joe Biden visits China where he meets Vice President Xi Jinping and President Hu Jintao.

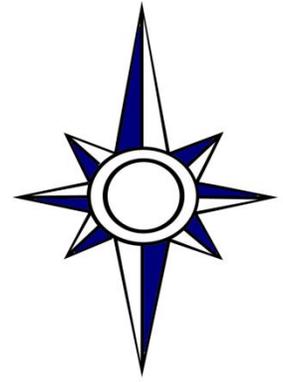
Aug. 18, 2011: Officials halt a basketball match in Beijing between Shanghai's Bayi Rockets and Georgetown University after a brawl erupts.

Aug. 24, 2011: The Pentagon releases the *Annual Report to Congress Military and Security Developments Involving the People's Republic of China 2011*, which concludes that China's modernization is "paying visible dividends."

Aug. 24-28, 2011: US Coast Guard attends the World Maritime Rescue Congress in Shanghai.

Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



US-Korea Relations: A Return to Dialogue

Victor Cha, Georgetown University/CSIS
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The summer months saw a potentially new cycle of US-DPRK dialogue. Secretary of State Hillary Clinton's invitation to DPRK Vice-Minister Kim Kye Gwan to visit New York for two days of official talks raised the specter that the North may be ready for re-engagement. Meanwhile, South Korea named a new unification minister, which some perceive to be the harbinger of a shift in its North Korea policy. But reliable sources say that President Lee Myung-bak will not cave so easily on his principles. Elsewhere, the Korea-US free trade agreement remains in limbo as it remains caught in partisan strife within the legislatures of both countries and the US received another lesson in Korea's preferred terminology for Asian geography.

Returning to dialogue?

Both the US and South Korea took unusual steps over the summer, hinting of a quiet but gradual shift in their North Korea policy and a possible return to denuclearization negotiations. The Obama administration made the first move with Secretary of State Hillary Clinton's announcement in late July right after the ASEAN Regional Forum (ARF) in Bali that DPRK Vice Foreign Minister Kim Kye Gwan would be invited to New York to meet US officials. The US played down the importance of the bilateral meeting by characterizing it as an "exploratory" session to assess North Korea's sincerity on denuclearization. Yet, the presence of the entire US negotiating team – Stephen Bosworth, Syd Seiler, and Edgard Kagan – showed that this was more than a casual session. The Obama administration's decision to hold these talks after two years of maintaining a policy of "strategic patience" with respect to North Korea showed that there was some uneasiness in Washington with the absence of any diplomacy and a little less patience than before with Seoul's staged approach to the resumption of Six-Party Talks that prioritized the improvement of inter-Korean relations before any bilateral contact with the US or multilateral talks would resume.

It has been almost three years since a full round of Six-Party Talks. Since then, the North has repeatedly violated the letter and spirit of the agreements that had been negotiated. In April 2009, it conducted a ballistic missile test; the following month it exploded a second nuclear device. In March 2010, DPRK submarines torpedoed an ROK Navy vessel and in November 2010 the North fired artillery onto South Korean territory, killing several civilians. That same month, Pyongyang brazenly revealed that the regime was pursuing a second nuclear program based on uranium-enrichment, which they had denied for eight years after the Bush administration first confronted them about it in 2002.

The Obama administration has rightly maintained that North-South dialogue to address Seoul's concerns about DPRK aggression is a prerequisite to re-engagement. At the same time, Washington appears to be putting quiet pressure on the Lee government to stop obsessing about the apology for the *Cheonan* sinking that killed 46 sailors (hardly a trivial matter), and move on with dialogue. At the ARF, Secretary Clinton clearly stated that the US is not interested in resuming the Six-Party Talks until North Korea demonstrates "a seriousness of purpose." But this outwardly tough position belies the fact that Pyongyang would prefer to have official bilateral dialogue with the US rather than resume the Six-Party Talks any day, which is what they got in New York in July.

Why is Obama risking any political capital on such a re-engagement when he has so many other political bills to pay? No one believes that North Korea is serious about denuclearization, and Pyongyang has done nothing during Obama's tenure to demonstrate otherwise. At the same time, however, no one wants another DPRK provocation. A study we conducted at CSIS shows that since March 1984 the average amount of time it takes the US to re-engage North Korea after a provocation is 5.4 months. We are well beyond that timeframe now. This suggests that sooner or later, there will be another aggressive act by the North, which will result in certain military retaliation by South Korea. After the two military attacks by the North in 2010, the ROK president and public are fully prepared to "clean North Korea's clock," as one ROK official confided, in order to re-establish deterrence. No one in Washington wants an escalation or ignition of hostilities on the peninsula as they enter an election year.

Second, Secretary Clinton has arguably been the best performing member of the Obama Cabinet, with an admirable record in Asia. The last thing she needs on her record is a crisis on the peninsula, which the history books would record as part of her policy of sanctions and non-dialogue that led to war. Third, the current consensus view in this administration appears to be that the North Korean problem is best managed through diplomacy. Again, our CSIS study shows that over the past 35 years, the DPRK does not fire off missiles or torpedo ships when its diplomats are sitting at the table with Americans (with one exception in 1998).

So there are clear tactical reasons for the US to re-engage. But does anyone have a strategy? Pundits will call for a bigger and better agreement this time, but after 25 years and two agreements in 1994 and 2005, we are less confident that such an agreement is attainable. The administration must avoid buying the same nuclear "horse" from the DPRK for a third time. Secretary Clinton said that she would not reward the North for "talking for talk's sake," and North Korea apparently knows this as Vice Foreign Minister Kim during his meetings in New York proposed resumption of the Six-Party Talks "without preconditions." In this regard, one reward that should be not given is to rescind economic sanctions instituted as part of UN Security Council Resolution 1874 after the May 2009 nuclear test. The administration should also build on its efforts to start a human rights dialogue with the regime. In May, human rights envoy Robert King made an unprecedented trip to Pyongyang. Kim Kye Gwan should not have been allowed to leave New York without sitting down with King to advance the agenda on this very important issue. After all, any positive steps by Pyongyang to address international criticism of human rights abuses would make any future negotiations by the regime on its nuclear programs more credible. With regard to denuclearization, the ball is really in Kim Jong Il's court. If he wants anyone to believe he is serious this time, he needs to put real nuclear dismantlement

on the table, including the removal of fresh fuel rods that feed the plutonium reactor, a shutdown and inspection of their uranium program, and the removal of fissile material from the country.

New faces in South Korea

Meanwhile, ROK President Lee's appointment of a new unification minister at the end of August reflected growing pressure from within and outside South Korea for change in his administration's approach toward North Korea. His decision to nominate Yu Woo-ik, his former chief-of-staff and then ambassador to China, sends an implicit message that there could be a notable policy shift going forward. That is, although the Lee administration still maintains a consistent hardline stance, it could also become more flexible vis-à-vis North Korea as minister-designate Yu publicly expressed. According to press reports, this means that the Lee administration, will attempt to create new dynamics in inter-Korean relations through things like family reunions or a preliminary meeting on the proposed pipeline infrastructure project, which will help restart the stalled North-South dialogue, which could help restart the six-party process. Whether Yu will become a game changer remains to be seen, but his entry to the stage scattered the rumor in South Korea that Seoul is preparing a new chapter in its relations with Pyongyang.

Yu is known as an action-oriented individual, akin to President Lee in his "bulldozer"-like mindset of getting things done once a policy direction has been chosen. Thus, if Lee makes the decision to re-engage the DPRK in a full-throated way, one can be certain that Yu would lead this charge and step over any interagency roadblocks to get there. Yu is almost certain to increase the strength of the Unification Ministry within the ROK government. But the real question is not whether Yu will change ROK policy, but whether President Lee will. Those very close to Lee swear that the press is overstating the meaning of the change from the hardline Hyun In-taek to Yu. They argue that Lee has a very simple principle that he lives by when it comes to North Korea – reciprocate everything, but give nothing unconditionally. Despite US pressure or possible DPRK provocations, Lee will not budge from this principle during his remaining time in office. While some see this as stubbornness, others see it as trying to affect a paradigm shift in the way the DPRK views the ROK. If these sources are correct, then Washington will have to decide whether it will abandon a lame duck Lee, who is one of the closest US allies in Asia these days, for dialogue with the DPRK.

One thing is for certain. Now that Pyongyang smells a hint of US interest in dialogue, it has very little interest in meeting bilaterally with Seoul. Foreign Ministry officials in the ROK are working hard to schedule a second bilateral dialogue with the DPRK following up on the meeting in Bali this past summer on the sidelines of the ARF meetings. But no one is answering the phone in Pyongyang. The DPRK has not followed up with any actions since the July 2011 meetings in New York either, despite what many describe as "a good meeting." Out of such meetings usually comes "homework" for each side when they return home, and word is that the DPRK has done none of theirs.

Chicken or egg?

There was no breakthrough in either the US or South Korea on ratification of the long-pending Korea-US free trade agreement (KORUS FTA) as it remains caught in partisan strife within the legislatures of both countries. In the US Congress, voting on the three pending FTAs with South

Korea, Colombia, and Panama was delayed again, as a political tug-of-war continued between the White House and the Democrat-dominated Senate on one side and the Republican-controlled House on the other – this time clashing over Trade Adjustment Assistance (TAA). TAA is a US trade relief program created in 1962 to provide financial assistance and benefits to workers and companies hurt by trade liberalization that expired this past February. In seeking to restore it, the Obama administration has withheld the three pending trade bills and refused to submit them to Congress for approval until Republicans pass TAA first as a precondition. However, many Republicans strongly oppose the TAA extension because 1) it is generally considered as one of the Democrats’ tools to win labor union votes and 2) in the national debate to reduce the US budget deficit, the cost of the TAA extension was politically too expensive. Republican members of Congress insist that the FTAs be passed before Congress deliberates on TAA, urging the White House to immediately submit the bills first.

The *Washington Post* put this as the “chicken-or-egg” question. What seems to matter most in Congress is how to handle the FTAs and TAA renewal, not the contents of individual FTAs, specifically the KORUS FTA after its revision last December. The sequencing issue clearly drove a wedge between the White House and the Republican leadership and derailed both sides from their respective timeline regarding the passage of the trade deals. In effect, this resulted in the US trade agenda getting held up and squeezed out by other pressing domestic issues. The “path forward” agreement reached between Senate Majority Leader Harry Reid and Senate Minority Leader Mitch McConnell in early August appeared to help bring these drifting trade deals back on the track. The Senate leadership agreed to vote on the three pending trade deals and TAA renewal in tandem, although placing passage of the TAA legislation before that of the FTAs, when the Senate reconvenes in early September.

In South Korea, the KORUS FTA also made little progress toward its ratification as the introduction of the ratification bill to the National Assembly’s Foreign Affairs, Trade and Unification Committee was postponed several times. This delay was partly due to sluggish movement and the uncertain prospect of passage of the deal in the US Congress, but also because of the standing disagreements within the National Assembly on the substance of the agreement. Calling the KORUS FTA an unbalanced deal unfavorable to Korean workers and industries, the main opposition Democratic Party claimed that it will block submission of the bill to the committee while urging the Lee administration to renegotiate “10 plus two” items, including a 10-year grace period on beef tariffs and a provision granting an extraterritorial extension to products made in the Kaesong Industrial Complex. However, as the ruling Grand National Party is adamantly against such renegotiation demands, the ruling and opposition parties have not been able to settle their difference on this matter. As a result, an intense partisan clash is expected to continue in the coming months over the KORUS FTA ratification.

Many trade experts believe the US Congress will be able to vote on the FTAs in October, and that this will certainly affect the ratification process in Seoul. It is expected that the National Assembly will try to vote around the same time. While many things remain to be seen as they unfold in the coming months, one thing becomes very clear: ratification of the KORUS FTA in both countries will be much more difficult the closer it gets to the elections that will be held in both countries next year. In recent conversations with ROK senior officials and politicians on the sidelines of the Korea Global Forum in Seoul, we heard repeatedly how the domestic political

situation is quickly and unpredictably changing in South Korea. With a mayoral by-election unexpectedly scheduled this October as a result of the recent resignation of Seoul Mayor Oh Se-hoon, as well as the legislative general election and a presidential election in April and December 2012, South Koreans are faced with elections approximately every six months between now and December 2012. Many South Koreans expressed concern that the KORUS FTA ratification could lose momentum if it is completed this year. The political landscape in Washington is not any better. In the meantime, one can be pretty certain that we will see no South Korean politicians coming to Washington any time soon. Several of the potential presidential candidates had considered such a trip to polish their foreign policy credentials and gain some international exposure, but each one decided to postpone it because of the delays on the KORUS FTA.

The US is also facing a presidential election in 2012, and in the wake of the recent downgrade of US credit ratings, the looming economic recession, and the high unemployment rate, the free trade agreements could be forgotten or lose priority in Congress. President Obama needs the FTAs in his hand when he goes to the East Asia Summit and APEC Leaders Meeting in November to help assure Asian countries of US economic engagement in the region. This is probably why there is still hope for the KORUS FTA.

Agent Orange and East Sea/Sea of Japan naming dispute

This summer there were two new developments that created small amounts of friction in US-ROK relations. In early May, several US veterans raised allegations that in the late 1970s the US military had buried large quantities of the toxic defoliant Agent Orange in several areas of Camp Carroll in Chilgok, North Gyeongsang province. The revelations prompted an immediate launch of a joint investigation team headed by US Forces Korea to verify the claims. After conducting a review of its military records, US Forces Korea admitted that some of the allegations appeared to be true as it had found evidence indicating illegal burial of dioxin. Yet, contamination caused by the amount of dioxin believed to have been buried was deemed not hazardous to public health, said Lt. Gen. John Johnson, commander of the Eighth Army. Nevertheless, controversy remains as South Korean media reports state that the joint investigation has not been conducted at the sites where the veterans had indicated it was buried. Given that environmental pollution at US military bases has been a thorny issue between the US and South Korea, the repercussions of the findings can be significant. To contain any fallout for the US-ROK alliance relationship, a complete and transparent investigation is being called for in both countries. The final results of the investigation are expected to be announced in September.

In August, South Korea filed a formal protest with the US government over the latter's decision to accept "Sea of Japan" as the name of the waters between South Korea and Japan. This US "opinion" initially offered by a government agency to the International Hydrographic Organization (IHO) is based on the US policy to follow the US Board on Geographic Names (BGN), which currently lists the concerned body of waters as the Sea of Japan. However, South Korea has been calling the waters the East Sea for nearly 2,000 years and the government has insisted that the body of waters be called both the East Sea and the Sea of Japan simultaneously. Given South Korea's high sensitivity to territorial disputes with Japan, the US government's decision immediately stirred up a public outcry in the South. To appease South Koreans' anger, the US later advised IHO to note the East Sea as an "alternate name" for the Sea of Japan in the appendix of its official publication. History forever lives in East Asia.

Chronology of US-South Korea Relations[†]

May-August 2011

May 4, 2011: Senate Finance Committee Chairman Max Baucus says he reached a deal with the Obama administration addressing his concerns with South Korea's remaining beef import restrictions, clearing another roadblock on the Korea-US free trade agreement (KORUS FTA).

May 6, 2011: US House Speaker John Boehner says he wants the pending free-trade deals with Korea, Colombia and Panama to pass Congress before August.

May 6, 2011: *Yonhap News* reports that US Trade Representative (USTR) Ron Kirk wants Congress to approve the KORUS FTA "this spring."

May 16-18, 2011: US Special Representative for North Korea Policy Stephen Bosworth, Special Envoy for Six-Party Talks Sung Kim, and Sydney Seiler, the new Korea policy chief at the National Security Council, visit Seoul and meet Foreign Minister Kim Sung-Hwan, Special Representative for Korean Peninsula Peace and Security Affairs Wi Sung-Lac, and Presidential Security Adviser Chun Young-Woo.

May 20, 2011: ROK government and the Grand National Party agree to try to pass South Korea's free trade agreement with the US through a parliamentary committee beginning in June.

May 23- 27, 2011: South Korean and US air forces launch a joint exercise, *Max Thunder*.

May 25, 2011: Special Envoy for North Korean Human Rights Issues Robert King and USAID Deputy Assistant Administrator Jon Brause visit Pyongyang and meet First Vice Foreign Minister Kim Kye Gwan, Vice Foreign Minister Ri Yong Ho, and Director General for North American Affairs Ri Gun to assess food shortages in North Korea and discuss the status of a US citizen who is being held in a North Korean jail.

May 26, 2011: The US Navy halts a North Korea ship suspected of carrying arms to Myanmar, but the vessel denies permission to board. The ship turns around and heads back on May 29.

May 28, 2011: North Korea frees Jun Young Su, a US citizen held since November 2010.

May 30, 2011: South Korea's Defense Ministry begins a large-scale investigation of former US military bases due to claims by retired US soldiers who say that they helped dump large amounts of the toxic chemical Agent Orange inside a US army camp in 1978.

June 3, 2011: Eighth US Army Commander Lt. Gen. John Johnson tells Environment Minister Yoo Young-sook that drums of chemicals were removed from Korea in 1982-1983.

[†] Compiled by Barbra Kim and David Hong

June 9, 2011: US Secretary of Defense-designate Leon Panetta says he will work closely with Congress in pressing ahead with the realignment of troops stationed in South Korea.

June 10, 2011: Assistant Secretary of State Kurt Campbell meets Wi Sung-lac in Seoul and says the US supports South Korea's position that inter-Korean talks must occur before talks between Washington and Pyongyang.

June 20, 2011: Gen. Walter Sharp, outgoing commander of US Forces in Korea, says the US will not deploy tactical nuclear weapons to South Korea.

June 22, 2011: US Secretary of State Hilary Clinton says, following a meeting of the Japan-US Security Consultative Committee, that the US is "committed to deterring further provocative behaviors by North Korea, supporting a North-South dialogue, and promoting the complete and peaceful denuclearization of the Korean Peninsula."

June 22, 2011: Wi Sung-lac meets with Special Envoy Stephen Bosworth and Assistant Secretary Campbell in Washington to discuss security issues and resumption of Six-Party Talks.

June 22, 2011: Clifford Hart is named US Special Envoy to the Six-Party Talks.

June 22, 2011: State Department spokeswoman Victoria Nuland says the US is still looking for a new page in inter-Korean relations to come before all else in issues related to the two Koreas.

June, 23, 2011: South Korea's Six-Party Talks Envoy Wi Sung-lac meets Deputy Secretary of State James Steinberg.

June 23, 2011: *Joongang Ilbo* reports that Seoul has told Washington that it does not mind it sending food aid to North Korea, but only after North Korea agrees to talk with the South.

June 24, 2011: Secretary of State Clinton and ROK Minister of Foreign Affairs and Trade Kim Sung-hwan meet and sign an agreement in Washington to better coordinate international development aid. They also agree to not ease pressure on North Korea's government unless it changes its ways before resumption of stalled nuclear talks.

June 24, 2011: Special Envoy for Six-Party Talks Sung Kim is officially nominated as US ambassador to the Republic of Korea.

June 27, 2011: *Joongang Ilbo* reports that the US pressured South Korea during several meetings between officials to actively engage with North Korea to resume inter-Korean dialogue.

June 29, 2011: In South Korea, 15,000 protestors rally against the KORUS FTA and rising college tuition costs, taking over Kwanghwamun Street for the first time since 2009.

July 1, 2011: US Forces Korea says only small amounts of cancer-causing dioxin were detected last year near one of its bases in the country, citing its draft report on the inspection.

July 2, 2011: European Union Humanitarian Aid Commissioner Kristalina Georgieva says the EU will send 10 million euro (\$14.5 million) in food aid to North Korea to save the lives of at least 650,000 people.

July 4, 2011: Unification Ministry spokeswoman Lee Jong-joo says South Korea will not send any government food aid to North Korea.

July 5, 2011: State Department spokeswoman Victoria Nuland says that the US “understands” and talked to the EU regarding its decision to provide North Korea with food aid but stresses that it will make its own decision on aid.

July 7, 2011: House Ways and Means Committee and the Senate Finance Committee hold simultaneous “mock mark-up” sessions on preliminary draft implementing bills for the three pending free trade agreements including KORUS.

July 8, 2011: Lee Myung-bak administration and the new leadership of the ruling GNP party agree to ratify the KORUS FTA during the August legislative session.

July 13, 2011: Secretary of State Clinton calls for an end to partisan strife over free trade agreements with South Korea, Colombia, and Panama in a speech at the US Global Leadership Coalition Conference in Washington.

July 14, 2011: US Army Gen. James Thurman is inaugurated as the new commander of US Forces Korea, vowing to strengthen the alliance between Seoul and Washington.

July 14-15, 2011: Park Ro-byug, South Korea’s envoy for the civil nuclear accord talks, meets Robert Einhorn, the US State Department’s special adviser for nonproliferation and arms control, for a third round of Korea-US talks on revising a bilateral nuclear cooperation pact.

July 20, 2011: The main opposition Democratic Party announces a list of 10 + 2 points to renegotiate, blocking the National Assembly’s ratification of the KORUS FTA.

July 22, 2011: South Korean chief nuclear negotiator Wi Sung-lac and his newly-appointed North Korean counterpart Ri Yong Ho meet in a two-hour meeting on the sidelines of the ASEAN Regional Forum in Bali.

July 23, 2011: North Korean Minister of Foreign Affairs Pak Ui Chun meets South Korean counterpart Kim Sung-hwan at the ASEAN Regional Forum.

July 23, 2011: Secretary Clinton says at the ARF that the US will not support a resumption of Six-Party Talks unless the DPRK proves it is serious about the effort, adding that a private meeting between the North and South is not enough and the DPRK should cease its provocative actions, improve relations with the South, and begin dismantling its nuclear program.

July 23, 2011: Foreign Minister Kim Sung-hwan, Secretary Clinton, and Japanese Foreign Minister Matsumoto Takeaki meet at the ARF to coordinate strategy toward North Korea.

July 24, 2011: Secretary Clinton says the US has invited Kim Kye Gwan, North Korean vice foreign minister, to New York for exploratory talks.

July 28-29, 2011: Vice Foreign Minister Kim Kye Gwan meets Special Envoy for DPRK Policy Stephen Bosworth in New York. Newly named Special Envoy for Six-Party Talks Clifford Hart and DPRK Human Rights Envoy Robert King also attend the meetings.

Aug. 4, 2011: Senate Majority Leader Harry Reid and his Republican counterpart Mitch McConnell issue a joint statement supporting passage of the trade agreements with Korea, Colombia and Panama after the August recess with the condition of assured passage of the TAA being separated from the FTA.

Aug. 5, 2011: GNP members welcome Washington's joint statement supporting passage of the KORUS FTA; lawmakers Nam Kyung-pil and Hwang Woo-yea state that the National Assembly should ratify the bill around the same time.

Aug. 9, 2011: The US Department of Defense proposes a meeting with the DPRK to discuss recovering the remains of US soldiers from North Korea.

Aug. 9, 2011: US State Department confirms the policy of calling the waters between Korea and Japan the Sea of Japan; South Korea protests the decision.

Aug. 10, 2011: ROK National Security Adviser Chun Yung-woo meets US National Security Advisor Thomas Donilon and holds "very productive discussions on a wide range of bilateral, regional and global issues," including a request to reconsider use of "Sea of Japan." Chun also meets Deputy Secretary of State Bill Burns, with a brief attendance by Secretary Clinton.

Aug. 10, 2011: Three North Korean artillery shells fall in waters near Yeonpyeong Island. South Korean military returns fire.

Aug. 11, 2011: State Department spokeswoman Victoria Nuland urges the DPRK to "exercise restraint" and says the US wants to see North Korea take steps along the lines they discussed in New York for the resumption of the Six-Party Talks.

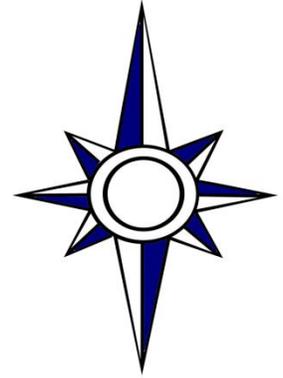
Aug. 16-26, 2011: ROK and the US conduct the annual joint military exercise *Ulchi Freedom Guardian* in South Korea.

Aug. 20, 2011: US announces it will provide emergency aid valued at \$900,000 to North Korea.

Aug. 30, 2011: President Lee Myung-bak replaces Unification Minister Hyun In-taek with Yu Woo-ik, a former chief-of-staff to Lee and former ambassador to China.

Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



Sheldon Simon
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US-Southeast Asia Relations:

Deep in South China Sea Diplomacy

Diplomacy related to the South China Sea disputes dominated US actions at the May ASEAN Summit, the June Shangri-La Dialogue, and the July ARF meeting. Washington endorsed ASEAN consultations before the Association's meetings with China on the territorial disputes as well as an independent ASEAN role in the South China Sea negotiations separate from the bilateral negotiations preferred by the PRC. Related to US support for ASEAN is Washington's assistance to the Philippines in gradually building its archipelagic security capability by funding Coast Watch South radars and promising more military hardware to the ill-equipped and underfunded Philippine armed forces. Manila also maintained its efforts to obtain a specific defense commitment from the US in the event of a military conflict with China over South China Sea islands. The Cambodia-Thai border dispute continues to flare periodically. ASEAN mediation efforts have established a timetable for military disengagement but, as yet, no implementation. Washington has endorsed the ASEAN efforts. In Indonesia, radical Jemaah Islamiyah, al Qaeda-affiliated cleric Abu Bakar Bashir was sentenced to 15 years in jail for aiding the formation of a new terrorist affiliate in Aceh. As in his previous trials, Bashir blamed his arrest and sentence on US and Jewish machinations. Although the Obama administration has appointed a new envoy, Derek Mitchell, as special ambassador to coordinate international approaches to Burma, this enhanced engagement runs parallel to increased US economic sanctions, suggesting little has changed with the new "civilianized" government.

South China Sea diplomacy

Diplomacy in the South China Sea disputes has dominated US actions in Southeast Asia over the past two years. Beginning with the ASEAN Regional Forum (ARF) meeting in July 2010, the Obama administration decided to play a major role in promoting resolution of the Spratly Islands imbroglio, while laying down a marker that South China Sea stability for maritime commerce constituted a significant US interest. Six parties are involved in a complex set of historically based territorial disputes in the sea: Brunei, China, Malaysia, Philippines, Taiwan, and Vietnam. China's claims are the most extensive, covering all the Spratly and Paracel Islands and most of the South China Sea. ASEAN's first ever declaration on the South China Sea was issued long ago in 1992. Ten years passed before ASEAN and China agreed in 2002 on a Declaration of Conduct, a set of principles that were supposed to stabilize the status quo, though it was non-binding and lacked any enforcement mechanism. ASEAN's 2011 leader, Indonesian President Bambang Yudhoyono, stated at the Association's 44th Ministerial Meeting this July that the ARF should "finalize the long overdue guidelines because we need to get moving to the next phase, which is identifying elements of the Code of Conduct."

The US backed ASEAN initiatives with respect to the Code of Conduct, when at the July 2010 ARF, Secretary of State Hillary Clinton stated, “The United States, like every other nation, has a national interest in freedom of navigation, open access to Asia’s maritime commons, and respect for international law in the South China Sea. We share these interests not only with ASEAN members and ASEAN Regional Forum participants but with other maritime nations and the broader international community.” In effect, Clinton articulated what she believed was the consensus among most of the world’s maritime powers. She also proposed that ASEAN serve as a multilateral venue for South China Sea negotiations – a prospect supported by the four ASEAN claimants (Malaysia, Philippines, Vietnam, and Brunei), but vigorously opposed by China.

The Obama administration has emphasized the importance of Asian politico-security organizations led by ASEAN: the ARF, the East Asia Summit (EAS), and the ASEAN Defense Ministers Meeting Plus (ADMM+). US secretaries of state and defense have attended the ministerial meetings and the president is scheduled to attend the upcoming EAS in November 2011. Washington sees ASEAN as an institution essentially supportive of international law, the peaceful settlement of disputes, and implicitly of the territorial status quo under which maritime commerce and resource exploitation can be peacefully conducted. While the US insists that it does not take sides on territorial disputes and has no stake in them, it also holds that the disputes be reconciled according to customary international law, meaning the 1982 United Nations Convention on the Law of the Sea (UNCLOS) through which there are rules for fixing maritime boundaries via Exclusive Economic Zones (EEZ). Application of these principles would invalidate China’s claims to most of the South China Sea in favor of the littoral states.

Despite current US economic problems and the prospect of a significant decline in its defense budget over the next decade, military officials insist that Washington will maintain a “continuous presence” in Asia and will sustain its exercises with and assistance to ASEAN states’ defense forces, according to US Pacific Command (PACOM) Commander Adm. Robert Willard as reported in the July 18, 2011 issue of *Defense News*. The Obama administration’s relatively relaxed “steady-as-she-goes” assessment of South China Sea tension probably reflects its belief that Southeast Asia is a pro-US region and that US reassurance depends on Washington upgrading its diplomatic activity alongside an already robust security presence. Increasingly, PACOM features its unparalleled humanitarian relief capabilities as a form of military diplomacy. More generally, the Defense Department is also assisting ASEAN states in developing coastal monitoring and patrol capabilities. If one adds capacity building to internationalizing the South China Sea disputes, these constitute an easy and low cost way for the US to inject itself into Southeast Asian regional politics.

Over the past four months, US diplomacy designed to implement the foregoing Southeast Asian strategy was displayed at the ASEAN Summit in May, the Shangri-La Dialogue in June, and the ARF in July. US Ambassador to the Philippines Harry Thomas endorsed the South China Sea statement issued at the ASEAN Summit on May 18, which averred that ASEAN consultations are perfectly appropriate before any meeting with China on territorial disputes, that “all claimants should sit down at the negotiating table.” In effect, this was a confirmation of an independent ASEAN role in the South China Sea negotiations separate from the bilateral negotiations with each claimant preferred by China. The ASEAN approach was also endorsed

by Secretary of Defense Robert Gates at the Shangri-La Dialogue on June 4. Subsequently, in late June, US Assistant Secretary of State Kurt Campbell at the inaugural US-China Asia-Pacific Consultations in Hawaii repeated US support for “strengthening the role of regional institutions on the challenges facing the region.”

Although the July ARF meeting in Bali did not see a replay of the previous year’s China-US acrimony over an ASEAN role in resolving the South China Sea disputes, Secretary Clinton reiterated the need for an ASEAN role as well as a US “strategic stake in how issues there are managed.” While China and the 10 ASEAN members announced an agreement at the Forum on a set of guidelines to advance the 2002 Declaration on the Conduct of Parties in the South China Sea, Assistant Secretary Campbell called them “an important first step...[but] clearly it’s just that: a first step.” The guidelines cover the easiest issues for cooperation: maritime environment, infectious diseases such as SARS, transnational crime, and navigation safety – collectively known as nontraditional security. They fail to address the most critical issues – energy exploration and military tensions.

In the aftermath of the guidelines agreement, Secretary Clinton called on the South China Sea rivals to back their claims with legal evidence – a challenge to China’s declaration of sovereignty over vast stretches of the South China Sea. More specifically, she urged that they “clarify their claims ... in terms consistent with customary international law ... derived solely from legitimate claims to land features.” As stated above, this means that the claims should be delineated according to the 1982 UNCLOS by which EEZs could be extended only 200 nautical miles from the land borders of littoral countries. (Ironically, Washington itself has not yet ratified the UNCLOS, though US authorities have stated they will abide by its provisions.) Secretary Clinton went on to praise Indonesia’s leadership role in ASEAN, looking forward to its help in settling the conflicts.

In fact, the guidelines do not create a proper code of conduct for navies involved in the South China Sea disputes. There are no provisions for how contending navy ships should behave toward one another; nor are communications channels established in the event of such contact. In the past year, the US has engaged in joint naval exercises with all the Southeast Asian claimants – Vietnam, Malaysia, the Philippines, and Brunei. Some of these exercises include protocols for appropriate naval relationships.

Washington’s emphasis on multilateral diplomacy for the South China Sea underlines the point that ASEAN as a whole as well as other states have significant interests in the region that go beyond the territorial disputes between the five states and China. Secretary Clinton has established the US as a *de facto* party in the facilitation of a peaceful settlement. After all, Washington has a security treaty with one of the claimants, the Philippines, which could potentially draw the US into the conflict. Hence, it is understandable that the US has a preference for a negotiated future that takes into account the interests of maritime trading states, China, and the ASEAN countries. These concerns will continue to dominate Washington’s Southeast Asia diplomatic agenda as well as ASEAN’s politico-security relationships with both China and the US.

Philippines appeals for US support on South China Sea

Of the four ASEAN states with claims to some of the South China Sea islets, the Philippines has the weakest enforcement capability. Its armed forces are underfunded, ill-equipped, and, with the exception of its special forces, poorly trained. The air force flies virtually no combat aircraft worth that designation, and the navy's ships are Vietnam War vintage and barely seaworthy. While the current Aquino government and its predecessor devised plans to modernize the armed forces, emphasizing the navy and air force, so far little has changed. Manila's alternative is to strengthen defense ties with the US, encourage Washington to reiterate its commitment to freedom of the seas, support Secretary Clinton's call for a multilateral negotiated settlement to the disputed maritime claims, and insist that the US honor its mutual security treaty with the Philippines.

Washington has assisted the Philippines in establishing the Coast Watch South program, helping fund 17 coastal watch stations in southern Philippine waters. The US is also discussing the construction of an additional 30 coastal watch stations to prevent smuggling, drug trafficking, and terrorist movements between Mindanao and Borneo. The US Coast Guard has refurbished a 40-year old *Hamilton*-class cutter for the Philippines. It is the biggest ship ever acquired by the Philippine Navy and is currently deployed off Palawan near the Spratly Islands. Additional retired *Hamilton*-class cutters could also be sold to the Philippines.

In early June, the Philippine Embassy in Washington announced that it was shopping for excess US defense equipment under the Foreign Military Sales (FMS) program. Ambassador Jose Cuisa, Jr. asked his country's Department of National Defense and Armed Forces to provide him with a wish list of military equipment they need to shore up the country's defenses. In late June, the Philippines new Foreign Secretary Albert Del Rosario, speaking at the Center for Strategic and International Studies in Washington, tabled a new approach to acquiring US military items by leasing rather than buying them. At a subsequent joint news conference, Secretary Clinton stated that the US is "determined and committed to supporting the defense of the Philippines [and] what are the additional assets that the Philippines needs and how we can best provide them." Philippine President Benigno Aquino III has allocated \$254 million to upgrade the navy, and the visiting foreign secretary noted that "an operational lease [of] fairly new equipment "would permit his country to stretch the purchasing power of that sum. (However, the United States has not leased military equipment to other countries since the end of World War II.) Manila's wish list includes frigates, modern combat aircraft, and two submarines. While the US regularly provides military assistance to the Philippines, local critics complain that the equipment is frequently "third hand" after being extensively used in Thailand and South Korea. Washington has also agreed to boost Philippine intelligence capabilities in the South China Sea by sharing US intelligence. In late July, it also sent a *P3 Orion* surveillance aircraft to help the Philippine military search for two kidnapped Americans in Mindanao.

In addition to acquiring more military hardware to defend its South China Sea claims, Manila is also seeking an unequivocal US commitment to defend the Philippines in the event of a military confrontation with China. Philippine legislators and media commentators emphasize that US statements about Washington's obligations under the 1951 Mutual Defense Treaty between the Philippines and US have been ambiguous. Manila's argument is based on a letter exchanged

between Foreign Affairs Secretaries Cyrus Vance and Carlos Romulo in 1979, in which the Philippines claims that an armed attack on Philippine forces anywhere in the Pacific, including the South China Sea, will trigger a US response. The US commitment, according to this interpretation, is not confined to the Philippines metropolitan territory. In recent months, the US position on the question of its obligation seems to stop short of an automatic involvement with US forces. In late May, Ambassador Thomas stated on board the visiting US aircraft carrier *USS Carl Vinson* that “we are dedicated to being your partner whenever you are in harm’s way.” Nevertheless, on June 12, embassy spokesperson Rebecca Thompson responded to a Malacanang statement that the US would honor the Mutual Defense Treaty if Manila’s spat with China escalated to war by saying that “The US does not take sides in regional territorial disputes.” After media pushback that Washington was renegeing on its commitment, Thompson attempted to smooth the troubled diplomatic waters by saying “When I said, ‘The US does not take sides in regional territorial disputes,’ I was talking about the current dispute over boundaries – an issue separate from what the US would do in the hypothetical event of conflict.” President Aquino put a positive spin on the discussion by claiming, “Perhaps the presence of our treaty partner, the United States of America, ensures that all of us will have freedom of navigation (and) will conform to international law.”

Washington’s interpretation of the scope of the Mutual Defense Treaty seems to be that the Spratlys are located in a part of the Pacific Ocean. Therefore, Manila could invoke the treaty if its forces were attacked in the area it claims. This would lead each signatory to consult and determine what action, if any, it might take. The implication is not that the US would be required to use force. Rather, because the US is a treaty partner with the Philippines, China cannot assert that events in the South China Sea, including the contested islands, are not any of Washington’s business.

Progress on the Thai-Cambodian border dispute?

The Preah Vihear temple complex dispute persists despite ASEAN efforts to mediate through Indonesia’s good offices – the Association’s current chair. While the temple complex itself was awarded to Cambodia by the International Court of Justice (ICJ) in 1962, the adjacent land, which provides access to the temple, remains in dispute and is occupied by Thailand. Enmeshed in nationalist politics in both countries, skirmishes in 2011 have killed 30 people and sent tens of thousands of villagers fleeing. Thai and Cambodian foreign ministers agreed on May 10 to permit Indonesian observers to be sent to the border as part of a “package solution” that would include meetings of the Border Committees of both sides to coincide with the deployment of the Indonesian soldiers. The sticking point was that the Border Committees were also to determine the disposition of Thai and Cambodian troops before the Indonesian personnel arrived.

Prior to the Thai election this July, which was won by exiled former Prime Minister Thaksin Shinawatra’s sister, Yingluck, Prime Minister Abhisit Vejjajiva dug in his heels, insisting that no international observers could be deployed in the disputed area until Cambodia withdrew its forces and removed all buildings under its control from the 4.6 km location. At that point, exasperated, Cambodia asked the ICJ for a clarification of its 1962 ruling on the temple and its surrounding territory. On July 18, the Court issued a preliminary judgment proposing that both sides withdraw their forces, creating a “provisional demilitarized zone.” Recognizing an

ASEAN role in settling the confrontation, the ICJ ruled that ASEAN officers be stationed in the area to observe the ceasefire. Both sides have said they accepted the ICJ ruling, but Thailand still insisted that its withdrawal would only occur under the framework of the joint Thai-Cambodian Border Committee. Secretary of State Clinton on July 22 endorsed ASEAN as the best forum for the pair to resolve their differences and criticized outgoing Prime Minister Abhisit's "childish language" in delaying troop withdrawals. Although Prime Minister Yingluck has openly stated she wants to reconcile with Cambodia, she could face a nationalist backlash on Preah Vihear because Thailand is prohibited by the ICJ ruling from blocking any access to the temple. Nor has agreement been reached on the specifics of Indonesian troop deployments. All of this is so difficult because the ICJ must still decide a subsequent case dealing with the temple that concerns the ownership of the area around the complex. That could take another two years.

The killing of bin Laden and other terrorist concerns

In May, the US Department of Homeland Security placed Thailand and the Philippines on a new terrorism risk list because they allegedly "promote, produce, or protect terrorist organizations or their members." The report also noted that both countries cooperated with US counterterrorism policy, but – according to a Homeland Security spokesperson in early July – "may have been included on the list because of the backgrounds of arrestees, not because of the country's government itself." Also related to terrorism were Southeast Asian reactions to the May 1, US Special Forces killing of al Qaeda leader Osama bin Laden. Malaysian Prime Minister Najib Razak on May 2 stated that bin Laden's death did not mean that al Qaeda would be destroyed and that it would remain "an inspiration of such militants." It should be noted that in 2010, Jemaah Islamiyah (JI) tried to recruit students from Malaysian universities and a cell of foreigners were discovered and its members deported. Indonesian President Yudhoyono's office neither applauded nor condemned the killing and reaffirmed the country's fight against terrorism. The country's top Islamic body, the Indonesia Ulema Council, condemned the US burial of bin Laden's body at sea. Philippine President Aquino hailed the al Qaeda leader's death as "a signal defeat for the forces of extremism and terrorism."

In Indonesia, the four-month trial of radical cleric and JI founder Abu Bakar Bashir ended in mid-June with his conviction on terrorism charges based on his role in mobilizing and financing a militant group's armed training camp in Aceh. The group was discovered and suppressed by the police last year. Bashir denied any involvement – as he had in past judicial proceedings going all the way back to the 2002 Bali bombings. As in his previous judicial appearances, he claimed that Indonesian authorities fabricated the charges against him at the behest of the US and the Jews. Nevertheless, Bashir admitted raising money for the Jamash Anshorut Tauhid (JAT), but only for spiritual purposes. The US and Australia have long pressed Indonesia to bring Bashir and groups he supports to justice. His 15-year sentence is far shorter than the life sentence prosecutors had sought, though given his advanced age that may be a distinction without a difference. The radical cleric characterized it as a "ruling ... by the friends of the devil, and it is *haram* [forbidden in Islam] for me to accept it." On June 17, Sydney Jones, an expert on Indonesia for the International Crisis Group, warned that "officials need to ensure that [Bashir] does not lead a regular praying session from inside. He's got to be treated like a high-risk individual rather than a celebrity ... to keep him from contact with other inmates who could

be affected by his preaching.” She went on to note that prison mosques in Indonesia have been a significant source of radicalization, resulting in recidivism of those inmates exposed to it.

Finally, Indonesia’s most notorious terrorist fugitive, Umar Patek, a JI explosives expert wanted by the US, Australia, and the Philippines, was captured in Pakistan in January and held by its intelligence agency (ISI) until being repatriated to Indonesia in August. Patek is accused of being one of the masterminds behind the 2002 Bali bombings, although Indonesian officials were reluctant to extradite him because Jakarta’s anti-terrorism law came into effect after Bali and because his radical supporters could precipitate unrest and exploit any trial as a propaganda vehicle. The CIA provided intelligence that led to Patek’s arrest in Abbotabad, near bin Laden’s hideout. But, Pakistan authorities say that US officials did not seek to interrogate him, while Indonesian authorities have done so. On the other hand, the National Anti-Terror Agency of Indonesia was reported to have requested that Pakistan hand Patek over to the US, as was the case earlier with another JI Bali bombing perpetrator, Hambali, who was arrested in Thailand in 2003 with the help of US intelligence and later flown to Guantanamo Bay. However, Islamabad’s anger at Washington in the wake of the bin Laden killing may have led the ISI to reject Jakarta’s request that he be sent to the US and instead insist that the Indonesians take him. By mid-August, Indonesian officials were hopeful that Patek would provide valuable information on JI and other Southeast Asian terror networks he had contacted.

Washington distrust toward Burma continues

US efforts to assess the degree of political openness in the post-November 2010 Burmese regime have revealed only minimal flickers of change from its military predecessor. Its newspapers remain under government control and the Parliament meeting in the remote new capital Naypyidaw has permitted the small number of opposition legislators to ask difficult questions. But for the most part, the government has ignored them. Political prisoners remain locked up. Washington sent a high-level State Department official in May to consult Burma’s leaders and then, in early August, appointed a new special envoy to Burma – Derek Mitchell, formerly deputy assistant secretary of defense for Asian and Pacific security affairs. Mitchell’s brief is to develop a cohesive international approach to US policy. In effect, Washington is employing a carrot-and-stick policy with renewed engagement on one hand and even harsher economic sanctions on the other, including a near-total trade ban. Benchmarks for the removal of sanctions center on the release of over 2,000 political prisoners, reconciliation with the political opposition and ethnic minorities, increased respect for human rights norms, and adherence to UN nonproliferation agreements. None of these seems remotely on the horizon. These stipulations were repeated most recently by Secretary of State Clinton at the ARF in July.

Clinton also told ASEAN that Washington did not favor Burma’s chairmanship of the Association in 2014 unless significant reforms were carried out. Ambassador Mitchell echoed these concerns at his Senate confirmation hearing. While Mitchell said he plans to coordinate actions toward Burma with international partners, including ASEAN, China, India, and Europe, the continued hard line by the US suggests that collaboration may be difficult to achieve. India and ASEAN have adopted a more positive set of proposals for Burma’s new government in all likelihood to reduce Naypyidaw’s tilt toward China. The US emphasis on democracy and human rights, while commendable, seems to run counter to Washington’s geostrategic

interests. Meanwhile, the recent breakdown in ceasefire agreements with Burma's ethnic minorities appears to be leading the country closer to civil war.

The only significant loosening of political control by the new government is found in its meetings with opposition leader Aung San Suu Kyi and her continued freedom to move throughout the country to greet her supporters. In late June, Aung San endorsed a US proposal to ask the United Nations to establish an international commission on human rights abuses in Burma. She hoped that such a commission would not be a tribunal on past behavior but rather a way to make sure that abuses do not recur. So far, Naypyidaw has done nothing to interfere with her criticisms of the regime.

Vietnam: human rights concerns alongside military cooperation

Hanoi's heavy-handed treatment of civil rights and democracy activists continues to strain US-Vietnam relations. At the end of May, in one of the biggest political trials in recent years, a Vietnamese court sentenced seven land rights campaigners and democracy activists to between two and eight years in jail for "attempting to overthrow the peoples administration." The activists had been helping residents of southern Ben Tre province file letters of complaint over loss of their land to local authorities, who then sold the land to developers. This is a common practice in local jurisdictions and a major source of corruption and grass roots unrest. Three of the accused were reported to be members of *Viet Ten*, a US-based opposition group that calls itself non-violent and pro-democracy but has been labeled a "terrorist group" by the Vietnamese government. The week before the verdict was announced, five US House of Representative members wrote to Vietnam's Prime Minister Nguyen Tan Dung that the trial constitutes "a stain on your government's increasingly troublesome religious freedom record." A separate letter by Loretta Sanchez, the Democratic co-chair of the Congressional Caucus on Vietnam, called the trial "a grave miscarriage of justice," accusing Hanoi of employing violence against the detainees at the time of their arrest and denying defense lawyers access to their clients. Amnesty International has noted that over the past two years Vietnam has sentenced dozens of peaceful political critics to long prison terms.

Despite the ongoing political tensions between Washington and Hanoi over civil rights, the two armed forces continue to build a stronger relationship. On Aug. 1, they signed their first formal military agreement since the end of the Vietnam War in the mid-1970s. The document deals with military medicine and provides for exchanges and research collaboration. Two weeks earlier, the Vietnamese and US navies engaged in joint noncombatant evacuation exercises off Vietnam's central coast, northeast of the Chinese-occupied Paracel Islands. The PRC's top military officer Gen. Chen Bingde called the timing of the US-Vietnam exercise "inappropriate" – in a statement during talks with his US counterpart, Adm. Mike Mullen.

Whither ASEAN as a politico-security organization

In 2015 ASEAN is scheduled to become a full-fledged Community consisting of three components – political-security, economics, and societal-human rights. The first of these has received the most international attention when conflicts among ASEAN members are not peacefully resolved and when an ASEAN member state commits violence against its own

people. Notable examples of these problems include Burma's attacks on its citizens, spats over disputed islands in the South China Sea, and the ongoing border conflict between Cambodia and Thailand. ASEAN's efforts to address the last, while well-meaning, have been notably unsuccessful and possibly counterproductive – such as when Indonesia supported Cambodia's efforts to drag Thailand before the UN Security Council, appearing to take Hun Sen's side in the dispute. Additionally, the question of whether Burma will take over the chairmanship of the Association in 2014 remains unresolved. Human Rights Watch stated that such an eventuality would make ASEAN the “laughing stock of nongovernmental forums.” The US was the first non-ASEAN country to send a dedicated ambassador to the ASEAN secretariat. Moreover, the Obama administration has placed considerable emphasis on ASEAN's key role in Asian politico-security organizations. Yet, ASEAN's integration continues to be problematic, and its ability to speak with a single authoritative voice on politico-security matters remains uncertain and at best premature. US reliance on a strong ASEAN lead for multilateral Asian security issues might well be reconsidered.

Chronology of US - Southeast Asian Relations May - August 2011

May 3, 2011: US-based Human Rights Watch issues a report condemning the Thai government for not prosecuting those responsible for killings during the 2010 anti-government demonstrations in Bangkok.

May 7-8, 2011: ASEAN heads meet in Jakarta and discuss mediation of the Thai-Cambodian military conflict on the Preah Vihear temple grounds. No solution is reached.

May 11-20, 2011: The 2011 *Cooperation Afloat and Readiness Training (CARAT)* Thai-US exercises focus on maritime interdiction, combined operations at sea, anti-piracy and anti-smuggling. As in the past, interoperability of the participating navies is stressed.

May 14, 2011: Philippine President Benigno Aquino III visits the aircraft carrier *USS Carl Vinson*. Philippine officials say no message was implied in the visit; it was just “routine.”

May 18, 2011: Deputy Assistant Secretary of State Joseph Yun meets Burma's Foreign Minister Wunna Maung Lwin.

May 18-21, 2011: ASEAN Defense Ministers meet in Indonesia.

May 19, 2011: Deputy Assistant Secretary Yun meets Nobel Prize winner and Burma opposition leader Aung San Suu Kyi in Rangoon. He also meets several leaders of the new government.

May 23, 2011: Assistant Secretary of State for East Asian and the Pacific Affairs Kurt Campbell visits Kuala Lumpur to discuss global terrorism, trade policy, and the role of US armed forces in the Pacific.

May 25-June 1, 2011: The US and Indonesian navies hold their 17th *CARAT* exercise with three US warships participating and a total of 1,600 Navy and Marine personnel.

May 28, 2011: Deputy Assistant Secretary Yun, visiting Burma, states the US is seeking “common ground” with the new government. Nevertheless, the Obama administration has extended economic sanctions.

May 30, 2011: Members of the US Congress criticize Vietnam for convicting seven land rights activists and sentencing them to between two and eight years in jail for “subversion.”

June 1, 2011: US Pacific Command Commander Adm. Robert Willard in an address to Malaysia’s Institute for Security and Strategic Studies Asia-Pacific Roundtable praises cooperation between the two countries’ navies and urges peaceful negotiation to resolve South China Sea conflicts.

June 2, 2011: Sen. John McCain meets Burma opposition leader Aung San Suu Kyi in Rangoon and pledges support for democracy restoration.

June 3-5, 2011: The 10th annual Shangri-La Asia-Pacific Security Dialogue is held in Singapore.

June 8, 2011: Assistant Secretary of State Kurt Campbell arrives in Surabaya, Indonesia, to prepare for the East Asia Summit, which President Obama will attend in November.

June 10, 2011: US Marines complete a training program for Thai police and military on the use of nonlethal force for crowd control one year after the Thai military killed 91 in an anti-coup insurrection in Bangkok.

June 13, 2011: Sen. James Webb introduces Senate resolution condemning China’s use of force in the South China Sea and calling for peaceful, multilateral negotiations of maritime disputes.

June 14, 2011: US Ambassador to the Philippines Harry Thomas states that the US is committed to helping the Philippines in any dispute over the South China Sea.

June 15-25, 2011: The US Navy leads a naval counter-terrorist (*SEACAT*) exercise in the Sulu Sea with ships from the Philippines, Indonesia, Malaysia, Thailand, Singapore, and Brunei.

June 16, 2011: Radical Indonesian cleric Abu Bakar Bashir, the spiritual founder of Al Qaeda-linked Jemaah Islamiyah, is convicted of terrorism and sentenced to 15 years in jail.

June 16-17, 2011: US and Vietnam hold their fourth Political, Security, and Defense Dialogue in Washington. Under Secretary of State William Burns and Assistant Secretary Campbell meet Vice Foreign Minister Pham Binh Minh to discuss the strategic dimensions of the relationship.

June 23, 2011: Secretary of State Clinton meets Philippine Foreign Affairs Secretary Del Rosario and affirms US security commitments.

June 24, 2011: Director of National Intelligence James Clapper meets Secretary del Rosario and promises to share intelligence on the regional maritime situation.

June 25, 2011: The State Department announces the US is consulting with other countries to establish a UN commission of inquiry to investigate human rights violations in Burma.

June 27, 2011: The four remaining top leaders of the Khmer Rouge go before the UN-backed genocide tribunal in Phnom Penh for offenses committed between 1975 and 1979.

June 27, 2011: The US Senate passes a resolution sponsored by Sen. Webb deploring China's use of force against Philippine and Vietnamese ships.

June 27-28,, 2011: Singapore complains that the US State Department's annual Trafficking in Persons Report was riddled with "inaccuracies" about the city-state's actual record. Malaysia similarly complains.

June 28-July 8, 2011: US and Philippine navies hold their annual *CARAT* exercise in the waters east of Palawan.

July 3, 2011: Thailand's Pheu Thai Party led by Yingluck Shinawatra wins an absolute parliamentary majority in Thailand's national election over the governing Democratic Party.

July 4, 2011: Burma's Deputy Chief of Mission to the US requests political asylum, citing the flawed elections in his country, conflicts with ethnic minority groups, and continued threats against Aung San Suu Kyi.

July 8, 2011: A US Federal Court of Appeals rules that Indonesian villagers in Aceh have the right to sue Exxon-Mobil in US courts for alleged human rights abuses dating back to 2001.

July 15, 2011: Three US Navy ships begin a seven-day exercise with the Vietnamese Navy. Rear Adm. Tom Carney states the long-planned exercise demonstrates America's ongoing presence in the Western Pacific and South China Sea.

July 18, 2011: The International Court of Justice rules that Thailand and Cambodia should withdraw their forces from a disputed border area adjacent to the Preah Vihear temple.

July 19, 2011: Sen. Webb calls on the State Department to clarify US treaty commitments to aid the Philippines in the event China uses force in the South China Sea.

July 20, 2011: China and ASEAN agree to a set of guidelines that would be part of a revised Code of Conduct on the South China Sea disputes. Secretary of State Clinton praises the new guidelines as "an important first step."

July 22, 2011: Secretary Clinton at the ASEAN Regional Forum (ARF) gathering in Bali urges ASEAN to convince Burma to become more "seriously involved with the international community" including domestic political reforms and "nonproliferation agreements."

July 23, 2011: The ARF convenes with Secretary Clinton attending. She urges South China Sea disputants to back their claims with legal evidence – a challenge to China’s declaration of sovereignty over vast stretches of the region.

July 26, 2011: Secretary Clinton in Hong Kong calls on Asian states to move from “a hodgepodge of inconsistent and partial bilateral [trade] agreements” to “true regional integration.”

July 27-29, 2011: ASEAN naval chiefs meet formally for the first time in Hanoi.

Aug. 1, 2011: The US and Vietnam open their first formal military relationship with a collaborative agreement in military medicine.

Aug. 2, 2011: Derek Mitchell, recently deputy assistant secretary of defense, is appointed to be special envoy to Burma to help develop a cohesive international policy toward the country.

Aug. 6, 2011: The *USS George Washington* calls in Loem Chabang, Thailand. Sailors on board engage in civic action as well as tourism.

Aug. 11, 2011: Umar Patek, one of Southeast Asia’s most wanted terrorists, is extradited from Pakistan to Indonesia.

Aug. 13, 2011: The aircraft carrier *USS George Washington* calls in Vietnam, receiving Vietnamese officials and US embassy personnel.

Aug. 14-29, 2011: Naval forces of the US and Singapore conduct their 17th *CARAT* exercise.

Aug. 24, 2011: In a letter to Secretary Clinton, 16 US senators urge Vietnam to free dissident priest Nguyen Van Ly, saying his arrest could jeopardize Washington’s growing ties with Hanoi.

Aug. 25, 2011: Thai-Cambodian Regional Border Committee meeting is held in Thailand’s northeastern Nakhon Ratchasima province to discuss several issues including troop withdrawal.

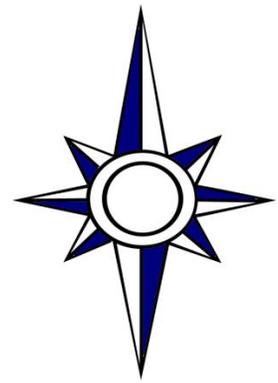
Aug. 27, 2011: Presidential election is held in Singapore; former Deputy Prime Minister Tony Tan wins.

Aug. 29, 2011: Two Vietnamese democracy activists are among more than 10,000 prisoners granted amnesty by Hanoi to mark the country’s National Day.

Aug. 31, 2011: Philippine Foreign Secretary Albert del Rosario says Kristie Kenney was “a dismal failure in helping the Filipinos defend our democracy” following the release of her leaked comments criticizing the country’s democracy icon Corazon Aquino.

Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



China-Southeast Asia Relations:

Managing Rising Tensions in the South China Sea

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The moderation and reassurance seen in the public posture of top-level Chinese civilian leaders in their attentive interaction with Southeast Asian countries in the first third of the year gave way to rising tensions and widely publicized disputes centered on differing claims in the South China Sea. Senior Chinese officials portrayed China as reactive and defensive in the face of increasing encroachment on the part of Vietnam and the Philippines in particular, and what they saw as self-serving meddling by the US. Despite often reassuring words, the pattern of Chinese behavior in disputed areas in recent months undermined regional and broader international sympathy for China's position. Vietnamese and Philippine oil exploration vessels met with intimidation by Chinese patrol vessels, and in the case of Vietnam, repeated damage to underwater survey gear. Some Vietnamese fishermen were beaten by Chinese authorities, and Philippine fishermen were shot at by Chinese patrol vessels. Based on available reporting, the various incidents followed a common practice of China using superior power and coercion to pressure and force perceived intruders to retreat.

Philippine and Vietnamese leaders were unusually outspoken in disputing Chinese actions and claims. Their efforts to mobilize support for a more unified effort in ASEAN to encourage China to moderate its actions and claims were duly criticized by Chinese official media. Also criticized were efforts to bring the disputes before the United Nations and to seek stronger support from the US and other concerned powers.

Some international media and experts forecast rising tensions leading to military conflict, but all sides strove to balance the public disputes and protests with active diplomacy to avoid conflict. Vietnamese and Philippine leaders, while condemning Chinese policies and practices, stayed in close contact with Chinese officials and engaged in positive negotiations and other interchanges. ASEAN and China reached a largely symbolic but nonetheless important agreement, establishing guidelines for implementing the 2002 ASEAN-China Declaration on Conduct of Parties in the South China Sea. The US and China carried out their first official dialogue dealing with Asia-Pacific issues including the South China Sea. Secretary of State Hillary Clinton followed her active participation at the ASEAN Regional Forum (ARF) in Indonesia during July with a special meeting with State Councilor Dai Bingguo in China. Chinese Defense Minister Liang Guanglie paid the first visit by a Chinese official of his rank to the annual Shangri-La Dialogue in Singapore in June, where he engaged in discussions on the South China Sea and consulted with US Defense Secretary Robert Gates. South China Sea issues also were a feature of commentary by US Chairman of the Joint Chiefs of Staff Adm. Michael Mullen and his Chinese counterpart, Gen. Chen Bingde, during Mullen's visit to China in July.

Incidents, disputes, and engagement

The Philippines and China. The Philippines protested in March when two Chinese patrol vessels shadowed and attempted to intimidate a Philippine oil exploration ship in the Reed Bank area of the South China Sea. In late May, Philippine authorities again voiced concerns about Chinese ships unloading building materials and other supplies and erecting posts on reefs and banks claimed by Manila. In June, a Chinese patrol vessel reportedly fired at Philippine fishing vessels.

According to Philippine media, President Benigno Aquino used the ASEAN Summit in Indonesia on May 8 to press leaders of other Southeast Asian claimants to the South China Sea – Vietnam, Malaysia and Brunei – to join Manila in a “united position” against China. Other Philippine moves seeking leverage against China included Foreign Secretary Alberto del Rosario’s June visit to the United States where he received pledges of intelligence, military, and diplomatic support. An 11-day US-Philippine naval exercise near the South China Sea began in late June. Aquino pledged in July to bring the South China Sea dispute before the UN International Tribunal on the Law of the Sea.

At the same time, an emphasis on positive engagement prevailed when Philippine Defense Secretary Voltaire Gazmin met in Manila with visiting Chinese Defense Minister Liang in late May. Philippine media reported that Gazmin did not bring up the harassment incident in March or the presence of Chinese troops in other disputed South China Sea areas. The two leaders focused instead on mutual assurance. Similarly, Foreign Secretary del Rosario, fresh from his visit to Washington seeking support in facing China, reportedly emphasized the positive in his interchange with Foreign Minister Yang Jiechi and Vice President Xi Jinping during a visit to China in July. A joint news release said the two sides agreed not to let disagreements on maritime disputes affect the broader cooperative relationship – especially important in light of preparations for President Aquino’s anticipated visit to China later in the year. On Aug. 13, Aquino met a Chinese envoy visiting the Philippines to prepare for the president’s trip. Aquino began his official visit to China on Aug. 31 amid leadership and media commentary from both sides emphasizing positive engagement, especially trade and investment, while noting the continued importance of managing relations over territorial disputes

Vietnam and China. A similar mix of widely publicized incidents, protests, and disputes along with active engagement characterized Vietnam’s interaction with China. In mid-May, Vietnam’s Foreign Ministry protested China’s now annual imposition of a fishing ban in the South China Sea from May until August. In late May, it protested damage caused by Chinese ships to the equipment of a Vietnamese ship carrying out exploration for oil in the South China Sea; the Chinese responded by voicing strong opposition to the Vietnamese operations. In early June, Vietnamese officials protested Chinese naval ships using weapons to threaten Vietnamese fishermen in the Spratly Islands and the ramming of the survey cables of a Vietnamese ship engaged in exploration for oil in the South China Sea.

Against this background, Vietnam’s Prime Minister Nguyen Tan Dung on June 9 strongly affirmed Vietnam’s determination to support its claims to the disputed Spratly and Paracel Islands. Also in June, demonstrators protested in front of the Chinese embassy on successive weekends, Vietnam carried out live-fire exercises in the South China Sea, the government signed

regulations dealing with military conscription, and the Foreign Ministry publicly welcomed US involvement in helping to resolve the South China Sea disputes. In July, US Navy ships and personnel were welcomed in Vietnam for a military exercise, officials told foreign media that Chinese soldiers had pursued and beaten Vietnamese fishermen, and Vietnam publicly disputed China's interpretation of Prime Minister Pham Van Dong's 1958 diplomatic note to China, which China reportedly has used to justify its claims to disputed territory in the South China Sea.

Vietnam's engagement with China included a joint Vietnam-China patrol in the Gulf of Tonkin over two days in June, ending with a Vietnamese ship's port call in China. A Vietnamese "special envoy," Vice Foreign Minister Ho Xuan Son, met Dai Bingguo in Beijing in late June and agreed "to prevent words and actions that would be detrimental to the friendship and mutual trust between the peoples of the two countries," according to a Chinese press release. By mid-July, Vietnamese authorities took action to suppress the weekend demonstrations against the Chinese embassy. Foreign Minister Yang and his Vietnamese counterpart reportedly had a cordial meeting on the sidelines of the ARF on July 21. Vietnam's vice defense minister went to China in late August to hold the second Vietnam-China defense-security strategic dialogue. The officials pledged to resolve South China Sea issues peacefully.

That the engagement did not silence the public protests and complaints was seen in August when Vietnam's Foreign Ministry publicly protested a Chinese scientific ship conducting surveys in the disputed Spratly and Paracel Islands. The weekend protests against China in Vietnamese cities also resumed in August. The deployment of the aircraft carrier *USS George Washington* to Vietnam in August reinforced a view seen in official Chinese media that Vietnam was seeking closer security ties with the US to "pursue the balance of power as China's impact is growing in the region."

The United States and China. The enhanced US engagement with China over regional issues offset but did not mask the continued strong differences between the positions of the two powers over South China Sea issues. At the Shangri-La Dialogue in early June, Secretary Gates bluntly warned of more clashes as he underscored strong US interests in the South China Sea and determination to strengthen US military presence throughout the Asia-Pacific region. On the eve of his dialogue with US officials over Asia-Pacific issues, Chinese Vice Foreign Minister Cui Tiankai echoed prevailing Chinese commentary in calling on the US, "not a claimant state," to eschew involvement, which he said makes resolving South China Sea disputes "more complicated." China's Foreign Ministry criticized a joint US-Japan statement of June 21 that contained a passage advising China on how to deal with the South China Sea disputes. On June 27, the US Senate unanimously approved a resolution voicing "grave concern" over China's repeated use of force in defense of claims in the South China Sea.

In July, Gen. Chen Bingde used his meetings with Adm. Mullen to strongly reaffirm China's territorial claims, complain about US air and naval surveillance along the China coast, and label as inappropriate the US military exercises with the Philippines and Vietnam. Chinese official media also registered some criticism about the US exercises with Southeast Asian claimants in the South China Sea; the media added criticism of a US-Japan-Australian exercise in the South China Sea during July. Mullen underscored US determination to continue such actions, as did Secretary of State Clinton at meetings during the ARF in Indonesia. According to Western

media, Senators John Kerry and John McCain sent a private letter to Dai Bingguo warning that China's recent clashes with its neighbors in the South China Sea jeopardize "vital national interests of the United States."

US officials averred privately in late July that more US exercises are expected as the United States carries out a significant repositioning of its forces throughout the Asia-Pacific to include Southeast Asia and Australia. The deployment of the aircraft carrier *USS George Washington* off the coast of Vietnam in August fit the projected pattern of active US military exercises widely seen in official Chinese media as directed at China and contrary to Chinese interests. Chinese concern over the expansion of US regional involvement showed when Chinese media linked Secretary Clinton's call on India to lead in Asia during her visit there prior to the ARF with American activism over the South China Sea. Chinese commentary routinely portrays the US using regional developments like the South China Sea disputes as part of efforts to shore up its strategic position throughout the Asia-Pacific region.

ASEAN and China. ASEAN leaders tended to emphasize constructive interaction with China though they sometimes showed impatience with the slow pace of ASEAN-China negotiations on implementing the ASEAN-China Declaration on Conduct of Parties in the South China Sea. Occupying the ASEAN chairman position for this year, Indonesian President Susilo Bambang Yudhoyono urged accelerated progress at the ASEAN Summit in May. ASEAN defense leaders signed in Jakarta on May 19 a declaration that affirmed commitment to work toward the adoption of a regional code of conduct in the South China Sea. The agreement came one day before the defense leaders met visiting Chinese Defense Minister Liang Guanglie to discuss territorial disputes in the South China Sea. At meetings associated with the ARF in July, the Indonesian president once again urged faster action on implementing the Declaration on the Code of Conduct, and ASEAN Secretary General Surin Pitsuwan also called for faster action. Once the agreement on the guidelines was reached just prior to the ARF, all sides welcomed the accord, though Chinese and international media duly noted that the document appeared weak and there was "still a long way to go" before agreement could be reached on a binding code of conduct in the South China Sea.

Unlike the Philippines and Vietnam, Malaysia has tended in recent months to avoid overt confrontation with China over South China Sea issues. Prime Minister Najib Razak in a speech on June 3 emphasized the positive, affirming that "If we treat China in a very constructive, positive way, I'm more than convinced that the Chinese will respond positively to us."

Non-claimant Singapore saw former Prime Minister Lee Kuan Yew warmly received in Beijing in May by Vice President Xi Jinping, who emphasized China-ASEAN cooperation. In June, Singapore also received one of China's modern maritime patrol ships, *Haixun 31*, which traveled to the city-state after passing through the contested Spratly and Paracel Islands in the South China Sea. Coincident with the ship's arrival, and seemingly balancing a gesture to China with an expression of concern, Singapore's Foreign Ministry issued a statement calling on China "to clarify its claims in the South China Sea with more precision as the current ambiguity as to their extent has caused serious concerns in the international maritime community." Meanwhile, Lee Kuan Yew followed his visit to China with a speech in Japan where he urged an audience of

Asia-Pacific political and business leaders to encourage US involvement in the region because “only the United States” is capable of balancing a fully grown China.

Taiwan sustained a low profile as it periodically made the same claims as China regarding disputed territory in the South China Sea and other waters along China’s coast, and simultaneously sought to stay on good terms with the various East Asian countries that dispute China’s claims, and with powers like the US that have navigation and security interests opposed by China. In a move interpreted as a gesture to the US, Taiwan’s Foreign Ministry on June 7 issued a press release emphasizing support for the US position on the principle of “freedom of navigation.” On June 15, the spokesman of China’s Taiwan Affairs Office seemed to hint at possible China-Taiwan collaboration in support of Chinese claims to disputed territories when he said that “the people on both sides of the Taiwan Strait” have a shared responsibility to safeguard sovereignty over disputed islands and territory. Taiwan’s vice minister of defense said in a public meeting on July 19 that Taiwan would fully defend its claims to the disputed Spratly Islands in the South China Sea and would not “cooperate with China to reach a compromise of any kind on the Spratlys.” Media reports citing Taiwan defense officials said Taiwan was upgrading the military capabilities of government personnel stationed in the Spratlys, including provision of missile boats and tanks. The opposition Democratic Progressive Party cited the international salience of disputes in the South China Sea in a statement on July 23 urging use of a multilateral framework to deal with the disputes and due regard for provisions of the UN Convention on the Law of the Sea (UNCLOS) and the 2002 Declaration on Conduct of Parties in the South China Sea.

Chinese capabilities and claims

Recent commentary in Chinese media and foreign expert assessments underline significant improvements in China’s growing ability to protect its claims in the South China Sea through expanding naval and other government forces. At the same time, the repeated claims by Chinese officials and media regarding Chinese territory covering most of the South China Sea have been challenged. Most notably, calls by other claimants, the US, and other concerned powers on the need to abide by provisions of the United Nations Convention on the Laws of the Seas (UNCLOS) appear to undercut and place on the defensive Chinese claims to the South China Sea based on “historic” precedent.

China’s greater focus on protecting its maritime interests was reflected in the 12th Five-Year Plan, released in March 2011, which for the first time incorporated maritime development guidelines into a single chapter. To protect these interests, the Chinese Navy engages in periodic exercises in the South China Sea and other coastal waters. Perhaps of equal importance is the buildup of China’s off-shore surveillance force. According to a review in *China Daily* on June 17, personnel in this work will rise from 9,000 in 2011 to 15,000 in 2020. In comparison to nine surveillance planes and 260 surveillance vessels in 2011, by 2015, there will be a force of 16 surveillance planes and 350 patrol vessels. The report highlighted the construction of 36 patrol ships and 54 speedboats in 2010. It also highlighted the voyage of *Haixun 31* to Singapore, noting that the 3,000-ton vessel was China’s largest civilian maritime ship and was equipped for helicopter use.

The reason for the buildup of the surveillance force was “an increasing number of intrusions by foreign vessels and planes into Chinese waters and airspace,” according to a Chinese official cited by *China Daily*. The official said that in 2010 there were 1,303 intrusions by foreign ships and 214 intrusions by foreign planes, compared with a combined total of 110 intrusions in 2007.

Widely seen to aid China’s ability to protect claims in the South China Sea and other waters is the construction of Chinese aircraft carriers. *China Daily* on July 12 said that Gen. Chen Bingde, in remarks occasioned by the visit of Adm. Mullen, provided the first public confirmation by a top military official that China is building an aircraft carrier. The newspaper’s report also cited Chinese experts for the view that there will be a “prolonged process” before the carrier can be even “remotely effective.” It added a report that Chen had disclosed earlier that China had begun construction of another aircraft carrier.

By the end of July, official Chinese media was full of reports about the new Chinese aircraft carrier as it took to sea for testing its abilities. The reports tended to emphasize the scientific, research, and training purposes of the carrier, though its utility in dealing with military and other disputes also was noted. One prominent commentator noted that China needs “not less than three” carriers in order to “defend our rights and our maritime interests effectively.” Official media also highlighted what they characterized as the “mixed” reactions abroad to the aircraft carrier. Vietnam’s Foreign Ministry spokesperson seemed to capture regional wariness about the development in responding to a question about China’s carrier by noting that “we hope that China, as a major power, will contribute positively and responsibly to maintain peace and stability in the region and the world.”

The periodic justifications of China’s claims to the South China Sea in recent Chinese officials’ comments and media have focused on China’s “historic title” to the South China Sea. Notably, Foreign Minister Yang Jiechi at the ARF on July 23 countered arguments by the Secretary of State Clinton and supported by others that all claimants in the South China Sea need to clarify their claims consistent with customary international law, and that the claims to maritime space need to be based solely on legitimate claims to land features. Consistent with prevailing Chinese commentary, Yang argued that China’s broad claim to most of the South China Sea is “based on historical facts.”

A carefully argued opinion editorial “Claim over islands legitimate” in *China Daily* on July 22 by a border expert at the Chinese Academy of Social Sciences endeavored to explain China’s broad South China Sea claim seen in a U-shaped nine-dotted line on Chinese maps that includes the major features in the South China Sea, including the disputed Spratly and Paracel Islands. The author said the claims are justified as “Chinese people first sailed in the waters off the islands more than 2,000 years ago, and discovered and named the islands, and exercised jurisdiction over them.” The editorial noted that the 1982 United Nations Convention on the Laws of the Sea (UNCLOS) does not specifically talk about historic title, but advised that Article 15 of the convention says: “The above provision does not apply, however, where it is necessary by reasons of historic title or other special circumstances to delimit the territorial seas of the two States in a way which is at variance therewith.” In an allusion to calls for abiding by provisions of UNCLOS in dealing with South China Sea disputes, the author concluded that concerned

powers “should understand that the convention is just one of the international laws of the sea, not the only one, and thus should stop questioning the legitimacy of China’s nine-dotted line.”

Australia’s strategy debate

The rising tensions in the nearby South China Sea have provided added salience to the ongoing public debate among security specialists, media commentators, and other observers in Australia on how closely Australia should align with the US and build up its own forces in the face of China’s growing military and other power in the region. In the lead-up to the annual US-Australian defense and foreign ministers’ meetings in September, former Australian government strategist Hugh White judged that China seems prepared to risk confrontation and incidents with the US in the South China Sea and other nearby waters and warned of the danger of such unmanaged great power rivalry. White has argued that the US should be encouraged by Australia and others to give priority to accommodating rather than countering the realities of Chinese power. Disagreeing with White are commentators associated with the recent Australian defense plan to build more submarines and other expensive military forces and to work more closely with the US in dealing with China’s military rise. In July, veteran Australian defense strategist Paul Dibb argued that China’s rise to anything close to a serious military competitor with the US is far off, and it is therefore premature to consider special efforts by Australia to either accommodate or balance against China’s military rise.

China-Myanmar relations

Chinese and Myanmar leaders continued to advance relations with high-level meetings that solidified China’s place as Myanmar’s leading foreign partner. Chinese Communist Party Politburo Standing Committee member Jia Qinglin’s journey to the Myanmar capital in April marked the first visit of a senior foreign leader to the country to congratulate the newly established Myanmar government. In May, Xu Caihou, vice chairman of China’s Central Military Commission, traveled to the capital with a three-point proposal to strengthen ties between the armed forces of the two countries. Myanmar President Thein Sein made his first trip abroad, traveling to Beijing in late May to meet President Hu Jintao. The agreements signed during the visit involved economic assistance from China designed to solidify closer ties between the two countries. According to Chinese media, two-way trade grew 53 percent in 2010, reaching a value of \$4.4 billion.

The two presidents also reportedly agreed “to maintain stability on the border.” Myanmar efforts to control and disarm some ethnic-based independent security forces along a section of the border with China caused tens of thousands of refugees to seek temporary safety in China in 2009. The result posed serious complications for China’s domestic stability, its relations with the Myanmar security forces and government administration, and its ability to carry out smoothly economic interchange and development projects with Myanmar. This year, tensions between Myanmar security forces and another ethnic-based independent security force along another section of the border with China have complicated a large Chinese dam project in Myanmar; they also have reinforced Chinese concerns about sustaining border stability, cross border trade, and developing constructive relations with the Myanmar administration.

Outlook

The high-level engagement between China, its neighbors, and the US, will move into higher gear later this year, notably with the regional leaders meetings at APEC and the East Asian Summit. Whether South China Sea disputes figure prominently in these deliberations will depend on how much emphasis the concerned parties devote to pressure and protests supporting their disputed claims versus how much emphasis they give to reassuring one another in the interest of improving relations and regional stability. Both the path of reassuring engagement and the path of pressure and protest have been actively employed in recent months. Given the number of contentious issues and range of governments involved in the South China Sea, prudence does not allow a clear forecast; interested observers will have to wait to see what the outcome of the meetings will be regarding China-Southeast Asian disputes.

Chronology of China-Southeast Asia Relations May – August 2011

May 2, 2011: According to China's State Oceanic Administration, Beijing and Jakarta jointly establish an oceanic observation station off the coast of West Sumatra, Indonesia. Scientists will monitor and manage the station to help protect the oceanic environment and fishery resources and address natural disaster challenges.

May 12, 2011: Xu Caihou, vice chair of China's Central Military Commission, visits Myanmar and meets counterpart Min Aung Hlaing. They hold talks to strengthen ties between the armed forces and exchange views on regional and international peace and security.

May 16, 2011: Chinese Defense Minister Liang Guanglie, visits Singapore, meeting Prime Minister Lee Hsien Loong and Defense Minister Ng Eng Hen. They agree to increase exchanges between the military and defense establishments to include military training, and cooperate more closely on nontraditional security issues within regional and multilateral frameworks.

May 20, 2011: Defense Minister Liang visits Indonesia and meets counterpart Purnomo Yusgiantoro to discuss bilateral cooperation to help promote regional peace and stability.

May 21, 2011: Defense Minister Liang arrives in Manila and meets Philippine counterpart Voltaire Gazmin to discuss bilateral military exchanges.

May 21, 2011: *The Jakarta Post* reports that the Chinese delegation participating in the ASEAN Defense Ministers Meeting said that China would offer to hold joint patrols with Southeast Asian countries and to escort vessels from the region crossing the Gulf of Aden. Also on the sidelines of the meeting, Chinese and Indonesian defense officials announce plans to establish a joint committee to serve as a legal basis to conduct coordinated patrols and direct channels of communication between the two navies in the South China Sea.

May 22-25, 2011: China's Defense Minister Liang Guanglie visits the Philippines. He and Philippine counterpart Voltaire Gazmin agree to avoid "unilateral actions" that could further increase tensions and acknowledge the need to ensure that the South China Sea remains stable.

May 24, 2011: Wan Jifei, president of the China Chamber of International Commerce, and Cambodian Minister of Commerce Cham Prasidh sign a memorandum of understanding that would strengthen and expand bilateral trade cooperation, with the aim of reaching \$2.5 billion in two-way trade in 2012.

May 27, 2011: President Hu Jintao meets Myanmar's newly-elected President Thein Sein in Beijing. They issue a joint declaration, agreeing to maintain high-level exchanges and visits, increase mutual trust, maintain regular dialogue on regional security issues, including border security, and elevate the overall bilateral business, trade, and economic activities.

May 27, 2011: Vietnam accuses Beijing of "violating" its marine sovereignty in disputed areas of the South China Sea after Chinese ships damaged a PetroVietnam exploration boat. Vietnam's Foreign Ministry calls on China to prevent any further incidents and provide compensation.

May 28, 2011: China's Foreign Ministry states that Vietnam's oil and gas operations in China's territorial waters "harms China's rights, interests, and jurisdiction in the South China Sea and violates the consensus reached by the two countries on the South China Sea issue."

May 29, 2011: Jiang Shusheng, vice chair of China's National People's Congress, visits Manila and meets Vice President Jejomar Binay. Jiang assures that bilateral relations will not be adversely affected by the ongoing dispute over the Spratly Islands.

June 5, 2011: Defense Minister Liang Guanglie arrives in Singapore to attend and speak at the Shangri-La Dialogue, becoming the first Chinese defense minister to take part in the dialogue.

June 6, 2011: Special forces from China's People's Liberation Army and Indonesia's National Armed Forces launch their first joint training, *Sharp Knife 2011*, in Bandung, Indonesia.

June 6-11, 2011: The ASEAN Regional Forum (ARF) Senior Officials Meeting (SOM) and the Defense Officials Dialogue/8th ARF Security Policy Conference are held in Surabaya, Indonesia.

June 13, 2011: Vietnam conducts live-fire naval drills in the South China Sea about 40 km off Quang Nam province in central Vietnam.

June 14-16, 2011: China stages military exercises in the South China Sea described as being aimed at "defending atolls and protecting sea lanes."

June 19, 2011: Chinese patrol ship *Haixun 31* arrives in Singapore for a port call. Authorities from both sides explain that the visit is part of a range of existing bilateral exchanges on technical cooperation on maritime safety and marine environmental protection.

June 19-20, 2011: China and Vietnam conduct joint naval patrols in the Gulf of Tonkin, which is part of the bilateral annual exchange agreement. According to the Chinese Defense Ministry website, they have conducted 10 similar joint naval patrols since 2005.

July 19-21, 2011: The 44th ASEAN Ministerial Meeting (AMM) and Post-Ministerial Conferences (PMC) with ASEAN dialogue partners are held in Bali.

July 20, 2011: China and ASEAN agree to a set of guidelines that would be part of a revised Code of Conduct on the South China Sea disputes. Secretary of State Clinton praises the new guidelines as “an important first step.”

June 21, 2011: Vice President Xi Jinping meets Tea Banh, Cambodia’s deputy prime minister and minister of national defense, in Beijing. They agree to deepen mutual trust and expand cooperation in the economic, cultural, educational, and security sectors.

June 27, 2011: State Councilor Dai Bingguo meets Ho Xuan Son, special envoy and vice foreign minister of Vietnam, in Beijing. They agree to hold talks to manage and resolve the disputes over the South China Sea and to implement effective measures to help carry out the 2002 Declaration on the Conduct of Parties in the South China Sea.

June 28, 2011: Bu Jianguo, Chinese ambassador to Laos, delivers a public lecture at the Lao National Institute for Politics and Administration in Vientiane. Bu announces that bilateral relations will further expand as the two sides continue to maintain high-level exchange visits, coordinate and communicate on issues of regional and international importance, and further party cadre training between the two sides.

July 21-23, 2011: Foreign Minister Yang Jiechi attends the ASEAN-China Foreign Ministerial meeting as well as the ARF in Indonesia. Yang expresses confidence that the interested parties in the South China Sea dispute will promote pragmatic maritime cooperation while resolving differences through continued dialogue and consultation.

July 25, 2011: Chief of the General Staff of the PLA Chen Bingde, meets Songkitti Jaggabatarata, Thailand’s chief of defense forces, in Beijing. They review military ties, noting that joint military exercises and drills, personnel training, and technology transfers have helped to deepen bilateral relations.

July 27, 2011: Chinese President Hu Jintao sends a congratulatory message to Truong Tan Sang, the new Vietnamese president elected by the Vietnamese National Assembly.

July 28, 2011: China and Singapore hold the Eighth Joint Council Meeting for Bilateral Cooperation in Singapore. The meeting is chaired by Chinese Vice Premier Wang Qishan and Singaporean Deputy Prime Minister Teo Chee Hean. They acknowledge that two-way trade volume has grown to nearly \$60 billion in 2010.

Aug. 5, 2011: Chinese Premier Wen Jiabao sends a congratulatory message to Yingluck Shinawatra, the newly elected prime minister of Thailand.

Aug. 12, 2011: Foreign Minister Yang Jiechi and ASEAN Secretary General Surin Pitsuwan exchange congratulatory messages recognizing the 20th anniversary of China-ASEAN dialogue.

Aug. 19, 2011: The Sixth Pan-Beibu Gulf Economic Cooperation Forum convenes in Nanning, China's Guangxi Zhuang Autonomous Region. According to Chinese trade statistics, China-ASEAN trade jumped by almost 36 percent last year compared to 2009 and will soon exceed \$290 billion. China's direct investment in ASEAN has also exceeded \$10 billion. Chinese officials note that closer regional economic integration will help weather the global financial crisis and economic downturn.

Aug. 19-21, 2011: Zhou Yongkang, ranking member of the Central Committee Political Bureau Standing Committee, visits Laos and Cambodia. In Laos, Zhou meets Laotian senior party leadership and signs 11 cooperation agreements, including the Economic and Technological Cooperation Agreement. In Cambodia, Zhou meets Cambodian King Norodom Sihamoni, and the two sides discuss prospects for consolidating the comprehensive strategic partnership between China and Cambodia.

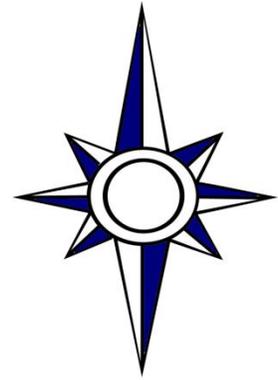
Aug. 21, 2011: Police in Hanoi arrest dozens of people at an anti-China rally as they gathered for the 11th week of protests.

Aug. 29, 2011: PLA Deputy Chief of Staff Lt. Gen. Ma Xiaotian and Defense Minister Liang Guanglie meet Vietnamese Vice Defense Minister Nguyen Chi Vinh in Beijing. They agree to resolve the South China Sea disputes through continued consultation and dialogue.

Aug. 31, 2011: President Hu Jintao meets Philippine President Benigno Aquino III in Beijing. Aquino is accompanied by over 250 business leaders from the Philippines and talks focus on boosting bilateral economic and trade cooperation.

Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



China-Taiwan Relations:

Progress Slow as Taiwan Campaign Begins

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There has been some progress in implementing the Economic Cooperation Framework Agreement (ECFA) and other existing pacts, but differences continue to prevent finalization of the long-pending investment protection agreement. Beijing has criticized opposition candidate Tsai Ing-wen's cross-strait policy platform saying it would lead to a breakdown in dialogue and cooperation. Sea trials of Beijing's first aircraft carrier were symbolic of the PLA capabilities that increasingly threaten Taiwan. Reports indicate that Taipei and Washington have agreed on the program to upgrade Taiwan's existing *F-16A/B* fighters with congressional notification expected in September.

Cross-strait developments

Implementation of existing agreements between Taipei's Straits Exchange Foundation (SEF) and Beijing's Association for Relations Across the Taiwan Strait (ARATS) has been the focus of attention recently rather than the negotiation of new agreements. In May, consultations under the aviation agreement produced a program for substantially expanding the number of cross-strait flights. In June, ARATS and SEF held the first formal review of their 15 agreements and undertook 10 steps to improve implementation. Subsequently, Taipei's Prosecutor General held consultations in Beijing that led to China's sending to Taiwan in July the 14 Republic of China (ROC) citizen suspects that Manila had deported to the Mainland months earlier. The health and medical cooperation agreement came into force in June; later in the month the long anticipated but limited program for individual People's Republic of China (PRC) tourists to visit Taiwan started. Following further visits by large provincial purchasing missions, PRC Vice Minister of Commerce Jiang Yaoping led a delegation of state-owned enterprise executives to Taiwan to explore investment opportunities. Taipei reached agreements with both Hong Kong and Macau to rename and upgrade Taipei's offices in those special administrative regions. Mainland Affairs Council (MAC) Chair Lai Hsin-yuan attended the opening ceremonies of those offices in July.

In May, SEF Chairman Chiang Ping-kun made an informal visit to China and met ARATS President Chen Yunlin to begin preparations for the next, seventh ARATS-SEF meeting. During the summer, there were indications that the meeting would be held in August and include the signing of a nuclear safety agreement and the investment protection agreement, which had been deferred at the sixth meeting. However, the preparatory meeting in Shanghai ended Aug. 7 without full agreement. Reportedly, the outstanding issues concern Taipei's requirement for an independent mechanism for arbitrating investment disputes and assurances of rapid access to Taiwanese businessmen detained in China. Chiang Ping-kun visited Beijing for further

consultations but announced on Aug. 22 that the seventh meeting, to be held in Tianjin, would have to be postponed until sometime in September.

DPP platform and election campaign

Democratic Progressive Party (DPP) Chair and presidential candidate Tsai Ing-wen has moved carefully and has had considerable success in holding together the disparate elements in her party. To this end, she has studiously avoided saying much about her cross-strait policies. Pro-DPP observers have said that she will probably not reveal specific policies until she has won the election because those specifics would disappoint either party fundamentalists or moderates, both of whose support she needs to win. Sensing Tsai's dilemma, the Kuomintang (KMT) has repeatedly pressed her to explain her policy.

Most problems and criticism Tsai has faced within the DPP involve its fundamentalist wing. In May, former MAC Chair Joseph Wu predicted that it would not be possible for a future DPP government to maintain the existing mechanisms for cross-strait dialogue. The DPP spokesman clarified that Wu was not speaking for the DPP or Tsai. From jail, former President Chen Shui-bian has called on Tsai to renounce the ECFA, predicting that failure to do so would result in her losing the election. Also, the Taiwan Brain Trust, bank-rolled by independence advocate Koo Kwang-min, has resurrected proposals for a new Taiwan constitution. Tsai was criticized for placing long-time independence advocate Trong Chai so far down the DPP's party candidate list for the Legislative Yuan that he would almost certainly not be elected. Tsai held her ground. Although Tsai has not announced her running mate, speculation is that she will choose an economic or social figure rather someone with fundamentalist ties. All these are indications of a moderate and pragmatic approach.

Tsai has made domestic economic and social issues the centerpiece of her electoral campaign. In late August, she unveiled the party's Program for the Next Decade, giving pride of place in its presentation to her economic, social, education, financial, and other domestic programs. When the cross-strait platform was revealed, it was conceptually embedded in a broader national security strategy. To the extent the program addresses cross-strait issues, Tsai stuck to generalities. The program states that the goal is to "construct a framework for peaceful and stable interaction between Taiwan and China" by "gradually building a multilevel and multifaceted cross-strait framework for peaceful and stable interaction." Civil society contacts are to be developed. It acknowledges growing PRC power and states that, given their differences, Taiwan's strategic approach should be to avoid provocations and to seek mutual benefit in a way that preserves peace while recognizing differences. The program acknowledged that Beijing adheres to its "one-China principle" but says that Beijing must recognize that Taiwanese are "committed to upholding the independence of their sovereignty." The Chinese original text adds that this commitment is as solid as steel, implying that the party will not compromise on this issue. Although the program does not mention the 1992 consensus, Tsai made it clear in her comments that she and the DPP do not accept there is such a consensus.

Since Tsai chose, as anticipated, to avoid specifics, the government opened its critique by having MAC Chairperson Lai pose 18 specific questions designed to highlight the program's deficiencies. Speaking the following day, President Ma Ying-jeou focused on Tsai's renewed

rejection of the 1992 consensus, saying that the consensus is the indispensable foundation for all that has been accomplished in cross-strait relations. While Tsai aims to avoid the issue, the KMT wants to make it a major part of the campaign.

PRC policy

Beijing has been following campaign developments closely. Official statements have focused on the PRC's commitment to "peaceful development," praising what has been accomplished during President Ma's tenure and emphasizing Beijing's desire to keep that process moving forward. Many have correctly read this as an implicit expression of hope that Ma will be re-elected. Paired with these positive statements have been reiterations of Beijing's position that this progress has been premised on two factors: opposition to Taiwan independence and acceptance of the "1992 consensus" on one China.

Having learned from experience, Beijing has avoided threatening statements and thus far has not criticized Tsai by name. In the spring, the Taiwan Affairs Office (TAO) spokesman said that adopting a "one country on each side Taiwan independence separatist position, no matter how cleverly packaged" would have consequences. TAO Minister Wang Yi addressed the issue in remarks made in Chicago in July, saying in restrained diplomatic language that if such a position were adopted, it would be hard to imagine how dialogue could be maintained, how the two sides could build mutual trust, or how they could continue cooperation.

In commenting on Tsai's Program for the Next Decade, the TAO spokesman said that the DPP has not changed its "one country on each side Taiwan independence" position and continues to reject the 1992 consensus. Such policies are unrealistic and unacceptable to China and, if implemented, dialogue could not be continued. On Aug. 25, Politburo Standing Committee Member Jia Qinglin said that the 1992 consensus was the premise for setting aside differences and seeking common ground in order to practically address cross-strait problems. If that premise is rejected, it would undermine the basis for dialogue, damage the atmosphere for cross-strait cooperation, and lead relations back into instability. As Jia is Hu Jintao's deputy on the party's Leading Small Group on Taiwan Affairs, the message could hardly be more authoritative.

Responding to the TAO spokesman's criticism, Tsai urged Beijing to re-examine the program saying it contained several indications of goodwill toward Beijing. This may be accurate, though the document's silence on many points creates ambiguity. The program is a more pragmatic statement of DPP policy than statements from the Chen Shui-bian era. As the program says little, it omits several past contentious issues, including a new constitution for Taiwan, changing the referendum law, and promoting Taiwan membership in international organizations. Whether these are the indications of goodwill Tsai had in mind is not clear.

US posture

As is usual, the US government has carefully avoided taking sides in an election involving a democratic partner. The State Department has not commented on the DPP program or on what should be the premises for cross-strait dialogue. That said, individuals from the administration – the State Department spokesperson, Assistant Secretary of State Kurt Campbell, Secretary of

State Hillary Clinton, and others – have repeatedly welcomed the progress in cross-strait relations under President Ma and expressed hope that progress will continue. In August, Vice President Joseph Biden visited Beijing and reiterated US non-support for Taiwan independence and the hope that cross-strait relations will continue to move forward. US interests will be well served if progress can continue, and that is more likely if the election gives Ma a new term.

Chu Shulong article

Chu Shulong, the deputy director of the Institute of International Strategic and Development Studies at Beijing's Tsinghua University, published a thoughtful article in June discussing how to build upon the progress that has been made in the past three years. To do so, cross-strait dialogue needs to move beyond the easy economic matters to address the more difficult political and security issues. Chu suggested that the goal of future political talks should be to stabilize cross-strait relations while avoiding discussion of either unification or independence. Therefore, the two sides should work toward a shared understanding of "one China," a step that would be particularly difficult for Taiwan since it has not reached a domestic consensus on that issue. In addition, the two sides should find a way to legally recognize each other's governments, a step that would be particularly difficult for Beijing. Chu asked whether each side could eventually recognize the other as a government within some shared understanding concerning "one China." Some have interpreted this as advocacy of a "one China, two governments" approach, though the article does not say this and Chu denies that was his intention.

A few days later the TAO spokesman commented that the article reflected only Chu's personal views. That said, it is a welcome attempt by an important Chinese scholar to address key issues between Beijing and Taipei.

Security issues

The US Department of Defense's 2011 *Annual Report to Congress on the Military and Security Developments Involving the People's Republic of China* concludes that, "Although cross-strait ties have improved steadily since 2008 and the prospect of a near-term crisis appears low, the PRC remains focused on developing the military capabilities to eventually settle the dispute on Beijing's terms." Evidence of improved capabilities has continued. In May, *Defense News* reported on the PLA's development of new air-to-air missiles. The Director of Taiwan's National Security Bureau reported that the PLA's Second Artillery Corps was building a new base in southern Guangdong province that reportedly would deploy the *DF-21C* "carrier killer" missile. In a series of official reports in July, Beijing unveiled China's first aircraft carrier. Although earlier reports from Taiwan indicated that the carrier might be named for a 17th century admiral who helped reunite Taiwan with the Qing Dynasty, no Chinese name for the carrier has yet been revealed. On the day that the carrier began its trials, Taipei displayed for the first time its *Hsiungfeng III* anti-ship missile, with graphics portraying it being used against a carrier.

These increased PLA capabilities provide the backdrop for Washington's consideration of arms sales to Taiwan. The Obama administration is caught between its Taiwan Relations Act responsibilities and political pressure from Congress on one side and opposition from Beijing on the other. Successive Chinese visitors, including PLA Chief of the General Staff Gen. Chen

Bingde in May and TAO Minister Wang in July, have warned about arms sales in general and the sale of *F-16C/D* aircraft in particular. Meanwhile, the administration has been working on a separate program to upgrade Taiwan's existing *F-16A/B* aircraft. Reports indicate that, following Washington's release of price and availability (P&A) information, a US delegation visited Taipei in mid-August and reached agreement on the details of a \$4.2 billion upgrade program. Chairman of the Joint Chiefs of Staff Adm. Mike Mullen revealed that the administration had made a commitment to Congress to reach a decision on the *F-16s* by Oct. 1. In an effort to mitigate Beijing's reaction to the sale, it is possible that the *F-16A/B* program may be termed a "retrofit" rather than "upgrade" and may be split into a couple of smaller congressional notifications to reduce its visibility. It appears the announcement will be made soon, well before President Obama's next meeting with President Hu and Vice President Xi's expected visit to the US. It appears the decision on the sale of *F-16C/Ds* will be postponed. Experts aware of the upgrade program have differing opinions on differences between the capabilities of the upgraded A/B and new C/D versions. Nevertheless the difference appears politically important to Beijing.

International issues

Progress in Taiwan's quest to create international space for itself was not significant in mid-2011. On May 4, President Ma again made his point that with greater international space Taiwan's people would be more willing to see cross-strait relations deepen. When KMT Honorary Chairman Wu Poh-Hsiung met General Secretary Hu Jintao a few days later, Wu reportedly raised the issue. Although there had been speculation that Beijing might make some gesture on this issue to help President Ma's re-election, nothing has happened.

In May, Taiwan's Health Minister Chu Wen-ta attended the annual World Health Assembly meeting in Geneva as an observer and addressed the meeting. Unfortunately, his attendance was preceded by a story, made public by a DPP legislator, that World Health Organization (WHO) internal documents referred to Taiwan as a province of the PRC, which included documents related to Taipei's participation in the WHO's international health regulations. This embarrassing story led to a public protest by President Ma and a letter from Minister Chu insisting that the WHO at least use the "Chinese Taipei" designation in its internal documents.

Economic issues

Cross-strait trade and investment have grown at double-digit rates this year, aided in part by the ECFA. Chinese Customs statistics indicate that imports from Taiwan during January-July 2011 totaled \$61.56 billion. While overall imports from Taiwan grew 10.53 percent from a year earlier, China's imports of products benefiting from the ECFA tariff reductions increased by 13.27 percent. Seeking to illustrate the benefits of the ECFA, Taiwan officials have trumpeted the 61.9 percent increase in machine tool exports to China and the 345 percent increase in exports of the 18 agricultural products included in the ECFA's early harvest list. Officials also reported that Taiwanese firms are repatriating funds to invest in Taiwan to take advantage of the ECFA tariff reductions.

Critics of the ECFA are less impressed and argue that one impact of the agreement has been to encourage the export of manufacturing and jobs to China. Taiwan Investment Bureau statistics

do indicate that investment approvals directed toward China have grown rapidly since January. This continues a trend that began, before the ECFA, when the global economy began to recover in 2009. By contrast, Chinese investment in Taiwan remains stubbornly low, amounting to only \$29 million in the first seven months of 2011.

On May 22, Taipei and Singapore announced that informal consultations had led to a decision to begin negotiations of an economic cooperation agreement. Taiwan's Ministry of Economic Affairs has said that progress is being made, but it remains uncertain whether the agreement will be concluded this year. Taipei is also conducting joint academic studies with India and the Philippines concerning possible FTA-like trade agreements.

Looking ahead

The January 2012 presidential election continues to be too close to call. Some independent polls indicate that President Ma may have a slight lead, but about 20 percent of respondents remained undecided. The undecided are mainly independent voters and their decisions will have a decisive and still uncertain impact. The Center for Prediction Markets run by National Chengchi University gave Ma a razor-thin lead in its August report. Beijing has done little to bolster Ma's position. There has been no significant development on expanding Taiwan's international space, addressing Taiwan's security concerns, or improving trade benefits under the ECFA. Whether Washington's expected announcement on *F-16A/B* upgrade will be seen in Taiwan as a plus for Ma or as a disappointment because it does not include the sale of *F-16C/Ds* is uncertain. As the election approaches, it will be difficult for either the Mainland or the US to take actions without seeming to interfere in the campaign.

The outcome of the presidential election will have important consequences for the future of cross-strait relations. Should Ma be re-elected, the prospects for further, though certainly modest, progress will be good. If Tsai wins, the gap between the DPP and Beijing positions on sovereignty, international status, and security issues will be very wide and their positions will be firmly held, giving little hope that those differences can be bridged or finessed. Direct dialogue would likely end for at some time, and cross-strait relations would enter a hiatus, if not retrogression and renewed tension.

Chronology of China-Taiwan Relations May – August 2011

May 3, 2011: Taiwan Tourism Bureau Director Janice Lai visits Beijing.

May 3, 2011: Former Mainland Affairs Council (MAC) chairman Joseph Wu discusses China policy issues at the Johns Hopkins School of Advanced International Studies (SAIS).

May 6, 2011: Democratic Progressive Party (DPP) says Joseph Wu doesn't speak for party.

May 7, 2011: Cross-Strait Economics, Trade and Culture Forum is held in Chengdu.

May 8, 2011: DPP's Kuan Bi-ling's reveals that World Health Organization (WHO) internal documents refer to Taiwan as a province of China.

May 10, 2011: General Secretary Hu Jintao receives Kuomintang's (KMT) honorary Chairman Wu Poh-hsiung in Beijing.

May 11, 2011: President Ma protests terminology used by WHO.

May 11, 2011: Taiwan Affairs Office (TAO) spokesman denies Chinese involvement in WHO terminology issue.

May 13, 2011: Straits Exchange Foundation (SEF) President Chiang and Association for Relations Across Taiwan Straits (ARATS) President Chen Yunlin meet.

May 14, 2011: Vice President Vincent Siew attends Paraguay's 200th anniversary of independence.

May 16, 2011: Taiwan Health Minister Chu Wen-ta attends World Health Assembly (WHA) as observer.

May 18, 2011: People's Liberation Army (PLA) Chief of General Staff Gen. Chen Bingde visits Washington.

May 21, 2011: Chen Bingde says reaction to arms sales would depend on what was sold.

May 22, 2011: Ministry of Economic Affairs (MOEA) says Singapore and Taipei trade talks have begun.

May 23, 2011: Sichuan Governor Jiang Jufeng leads large delegation to Taiwan.

May 26, 2011: TAO spokesman praises progress in cross-strait relations under Ma.

May 26, 2011: Forty-five senators send a letter to President Obama supporting the sale of *F-16s* to Taiwan.

June 3, 2011: Legislative Yuan (LY) passes legislation needed for Taiwan to be founding member of South Pacific Regional Fisheries Management Organization (SPRFMO).

June 4, 2011: Retired Gen. Hsu Li-ning leads delegation to seminar in Beijing.

June 8, 2011: SEF and ARATS conduct first formal review of cross-strait agreements.

June 8, 2011: Prosecutor General Huang Shih-ming begins visit to mainland.

June 9, 2011: President Ma instructs Ministry of National Defense (MND) on "code of Conduct" for retired officers.

June 12, 2011: Jia Qinglin addresses third cross-strait forum in Xiamen.

June 12, 2011: Taiwan Brain Trust seminar advocates a new constitution to save Taiwan.

June 13, 2011: ARATS Deputy Zheng Lizhong visits Ping-tung county in southern Taiwan.

June 15, 2011: President Ma orders use of traditional characters in all official documents.

June 16, 2011: US House holds a hearing on “Why Taiwan Matters.”

June 17, 2011: Taiwan Ministry of Education (MOE) promulgates requirements for Confucian classics in high schools.

June 19, 2011: President Ma chooses Premier Wu Den-yih as his running mate for the 2012 presidential elections.

June 26, 2011: Medical and Health Cooperation Agreement takes effect.

June 28, 2011: President Ma receives American Institute in Taiwan (AIT) Chairman Raymond Burghardt; asks for *F-16s*.

June 28, 2011: First individual People’s Republic of China (PRC) tourists visit Taiwan.

June 29, 2011: Deputy Assistant Secretary for East Asian and Pacific Affairs-designate Kin Moy visits Taiwan.

June 30, 2011: Taiwan National Security Council (NSC) Secretary General Hu Wei-jen visits Washington.

July 6, 2011: Fourteen Manila fraud suspects are repatriated to Taiwan by China.

July 7, 2011: Mainland Affairs Council (MAC) Chair Lai Hsin-yuan visits Washington.

July 11, 2011: Shandong Governor Jiang Daming leads a large delegation to Taiwan.

July 12, 2011: Hu Jintao meets the delegates to cross-strait youth meeting in Beijing.

July 18, 2011: PRC Vice Commerce Minister Jiang Yaoping leads delegation to Taiwan.

July 19, 2011: Taiwan MND rules out cooperation with China in South China Sea dispute.

July 19, 2011: MND release Taipei’s *2011 Defense White Paper*.

July 20, 2011: MAC Chair Lai Shin-yuan opens renamed Taipei representative office in Hong Kong.

July 21, 2011: Beijing MOD spokesman says exchanges of bands/music groups possible; MND responds Taipei has no plans for military exchanges.

July 25, 2011: US Chairman of Joint Chiefs of Staff Adm. Mike Mullen says F-16 decision will be made by Oct. 1.

July 27, 2011: TAO Minister Wang Yi visits Washington.

Aug. 1, 2011: Total of 181 US House of Representative members send a letter to President Barack Obama calling for the sale of F-16s to Taiwan.

Aug. 3, 2011: Tsai Ing-wen at first campaign rally focuses on social/economic issues.

Aug. 7, 2011: ARATS-SEF preparatory talks on seventh meeting conclude in Shanghai.

Aug. 9, 2011: DPP accuses *Xinhua* of hacking into its campaign e-mails.

Aug. 10, 2011: China's first aircraft carrier begins sea trials from Dalian; *Hsiungfeng III* is displayed at Taipei Aerospace and Defense Technology Exhibition.

Aug. 12, 2011: Hu Jintao receives Lien Chan in Beijing; expresses hope for investment protection agreement

Aug. 13, 2011: US defense delegation in Taipei for talks on *F-16A/B* upgrade program.

Aug. 21, 2011: Legislator Lin Yu-fang reveals info on Taipei's counter-strike missile.

Aug. 22, 2011: DPP Chair Tsai Ing-wen unveils Platform for Next Decade.

Aug. 24, 2011: TAO spokesman says DPP political platform is unrealistic and unacceptable.

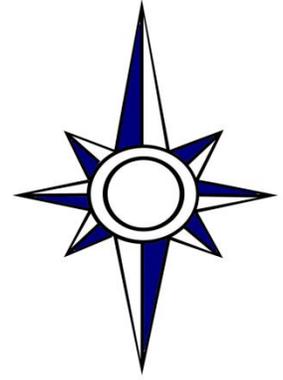
Aug. 28, 2011: President Ma presses Tsai to explain her "Taiwan consensus."

Aug. 29, 2011: Taiwan's Mega Bank is first to get Beijing approval for Yuan transactions.

Aug. 30, 2011: Beijing publishes 36-volume history of the Republic of China (ROC).

Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



South Korea-North Korea Relations: A Turning Point?

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Just for once, *Comparative Connections*' deadline chimed neatly with events on the Korean Peninsula. Late on the evening of Aug. 30, South Korean President Lee Myung-bak, as part of a mini-reshuffle affecting four Cabinet positions, finally replaced his long-term hard-line unification minister, former academic Hyun In-taek. With Lee's characteristic cronyism, the man nominated to replace Hyun was another of his close advisers – geography professor Yu Woo-ik, once Lee's chief of staff in the Blue House and latterly ROK ambassador to China.

Despite the usual *pro forma* insistence that this does not mean any change of policy – Hyun was retained, notionally, as a special adviser on unification – the Seoul press was unanimous that this appointment signals a shift in strategy or tactics toward the North for the final third of Lee's term of office. Elected Dec. 19, 2007 and in post since Feb. 25, 2008, Lee is restricted to a single five-year term. That stipulation in the Constitution of the Sixth Republic, promulgated with the restoration of democracy in 1987, was meant to prevent any would-be dictators from prolonging their stay in office *ad infinitum*, as military strongman Park Chung-hee (1961-79) did with his Yushin Constitution in 1972 (the Fourth Republic). But perhaps the democrats went too far. In some ways South Korea's presidency remains too strong. Thus it is the president who appoints the Cabinet, and except for the prime minister, the National Assembly's approval is not required. Yet these imperial powers last a mere five years – or in practice less, since the electoral cycle creates its own structural pressures.

In modern media-driven democracies, political campaigning has become quasi-permanent. Thus ROK presidents must struggle to avoid becoming a lame duck as their five years draw toward a close, and attention increasingly shifts to the race to succeed them. Many in Seoul favor a shift to a US-style system: presidential elections every four years instead of five, but permitting a second term so as to avoid the lame duck effect. An added advantage is that this would align presidential elections with parliamentary ones, which are on a separate four-year cycle. Such a change in theory has wide bipartisan support, and now would have been the ideal time to make the shift since next year the two elections almost coincide with parliamentary in April, followed by presidential in December. But bad blood between the two main parties – Lee's conservative ruling Grand National Party (GNP), and the liberal opposition Democrats (DP) – means that it is almost certainly too late now for this time around.

Electoral rebuff

This excursus is not a digression. For better or worse, electoral calculation was probably a major factor in Hyun's ouster and will drive whatever policy shifts may follow. The straws had been in

the wind for some time. In by-elections on April 27, the ruling party won only one of the four seats up for grabs. It was especially shocked when Sohn Hak-kyu, the moderate (indeed ex-GNP) and electable-looking newish head of the DP, snatched a seat in wealthy Bundang, just south of Seoul, which had never voted other than conservative before.

As is the way in South Korea (but emphatically not in the North), the GNP leadership fell on their swords to take responsibility for the defeat. Moreover, in electing their successors the party faithful delivered a further blow of their own to the embattled president. Repudiating his faction – or rather factions, for even Lee’s supporters were divided – on July 4, they voted for a maverick and outspoken backbencher, Hong Joon-pyo, as the party’s new chairman. Hong lost no time in distancing himself from some cherished policies (such as tax cuts) of a president whom he characterized as “good at everything ... but bad at politics.” Specifically, he called for a fresh approach to North Korea. By Aug. 29, amid rumors of an impending mini-reshuffle, Hong let it be known via a well-placed press leak that at a breakfast meeting with President Lee he had pushed “strongly” for a change of unification minister, since Hyun In-taek was so firmly identified as a hard-liner. Hyun was sacked the next day; read on.

The *Cheonan*’s legacy lingers

Also in play is the lingering legacy of last year’s twin Northern attacks on the South – sinking the corvette *Cheonan* in March and shelling Yeonpyeong Island in November. These events left Lee wounded on several fronts. Both assaults exposed failures in the ROK’s defenses. Lee’s failure to retaliate forcefully, while prudent, laid him open to charges of weakness. (Heaven help us if Pyongyang should try it a third time; it would be political suicide were Lee again to hold his fire, but a risk of national suicide if he blasts back with all barrels.)

Some also drew wider policy lessons. Many in the DP and those further left – who are not a negligible force in the ROK – blamed Lee for provoking Pyongyang by his hard line. Upon coming to office, and despite promising a pragmatic approach, Lee at once repudiated the economic cooperation agreed by his predecessor Roh Moo-hyun at the second Pyongyang summit in October 2007. In this writer’s view, as readers of past issues will know, this was regrettable since the new plans were no longer one-sided aid, but potentially win-win.

All this is of course a matter of judgment, and no excuse for the DPRK’s vile aggression. But we knew the nature of the beast of old. The question is, what works? After three and a half years, Lee Myung-bak’s strict conditionality – no serious aid unless Kim Jong Il gives up his nuclear weapons, something which almost no analyst believes he will ever really do however logical and fair in theory – has neither advanced inter-Korean relations nor rendered the peninsula a safer place. So it is hardly surprising that Lee is now rethinking his approach even if his motives – and that of his party – for doing so are more self-serving than strategic.

Below the surface

But we risk running ahead. A whole tetrameter elapsed before Lee’s U-turn, if such it be, so there are other events to record first. As always, this narrative account barely scratches the surface. I do hope that readers, even if pressed for time, will also delve into the granularity – to

use a management buzzword – afforded by the chronology. Even now, despite the poor state of inter-Korean relations in the main, below the surface all manner of varied pond life continues to dart about. For instance, it was established that North Koreans are entitled to sue in South Korean courts for their share of the inheritance of a parent who had fled to the South and remarried. That matters, both now and especially in the future.

Chronologically, in the month of May – as we now know, but didn't at the time – there was more going on than met the eye. President Lee spent a week (May 8-14) visiting Germany, Denmark, and France. In Berlin, a major theme was about sharing ideas and experience on reunification. This predictably infuriated North Korea, whose *Korean Central News Agency (KCNA)* on May 16 lambasted “traitor Lee Myung-bak” for his “daydream of ‘emerging a victor’ in the confrontation of systems.” Lee publicly invited, or perhaps challenged, Kim Jong Il to come to the second global Nuclear Security Summit (NSS), which Seoul is due to host next March. There was just one small condition: North Korea must commit itself to denuclearization and apologize for the *Cheonan* and Yeonpyeong incidents.

Begging for it?

It was hard to see this offer as serious. But in fact there was more going on below the surface. On June 1, Pyongyang chose to reveal, in detail, what had long been suspected. Despite harsh words in public, behind the scenes the two Koreas had held secret talks. Indeed, the North claimed it was the South that since April had “begged” for talks, which were eventually held in Beijing from May 9. They named the ROK officials involved as Kim Chun-sig of the Ministry of Unification's (MOU) Policy Office; Hong Chang-hwa, a director of the National Intelligence Service (NIS); and President Lee's deputy national security advisor, Kim Tae-hyo. In implicit corroboration, all three switched off their mobile phones and went to ground as soon as the story broke in Seoul, too much embarrassment all round.

The North's version, attributed to a spokesman for its National Defense Commission (NDC) – the DPRK's top executive body – was typically irate in tone. *Inter alia* it accused “the Lee Myung-bak group of traitors” of being “master hands at fabrications as they cook up lies and deny what they have done and hooligans who renege on the promises made to the nation like a pair of old shoes.” Besides the insults, it went into detail on both the niceties of discussion and what the South was allegedly seeking. By this account, Seoul wanted a form of words that it could present as an apology for the *Cheonan* and Yeonpyeong, even if Pyongyang would deny making any such apology. This would have cleared the way for a three-stage series of meetings: first at the border village of Panmunjom in late June, then in Pyongyang two months later (i.e., late August), and finally after quite a gap in Seoul in March next year when the ROK will host the second global Nuclear Security Summit (NSS).

Clearly it would be a huge coup if Kim Jong Il could be persuaded not only to come South at all, as he has never done, but to do so for the NSS where, presumably, he would renounce nuclear weapons and promise to be a good boy in the future, in exchange for a very fat check. The whole idea is so ludicrous that one can only marvel at the Lee administration's endless capacity for fantasy and self-deception in its Nordpolitik. Nothing whatever in DPRK policy suggests there was the remotest chance of Kim Jong Il doing anything of the kind. Why on earth would he

choose to boost a lame duck Southern president, when a year and a half from now the next incumbent of the Blue House will undoubtedly prove more accommodating?

A lesson from Libya

Also the timing could not have been worse. The only recent precedent for such a voluntary abjuration and surrender of WMD, which indeed used to be urged upon Kim Jong Il as an exemplar to follow, is Libya; enough said. Given the turn of events in that country weeks before the ROK's secret initiative, North Korea had not only drawn but uttered precisely the lesson one would expect them to, in this DPRK Foreign Ministry diatribe on March 22:

It was fully exposed before the world that "Libya's nuclear dismantlement" much touted by the U.S. in the past turned out to be a mode of aggression whereby the latter coaxed the former with such sweet words as "guarantee of security" and "improvement of relations" to disarm itself and then swallowed it up by force. It proved once again the truth of history that peace can be preserved only when one builds up one's own strength as long as high-handed and arbitrary practices go on in the world. The DPRK was quite just when it took the path of Songun and the military capacity for self-defence built up in this course serves as a very valuable deterrent for averting a war and defending peace and stability on the Korean Peninsula.

One does rather wonder what prompted Pyongyang to play ball at all, unless they intended all along to do the dirty and spill the beans. The latter ran to a second installment on June 9 in response to Seoul's reaction, which was not to deny the talks but to claim, *au contraire*, that it was the North which had begged for them. By now in a towering faux rage, the NDC threatened to publish transcripts to prove its version was correct. Seoul professed not to know that the talks had been recorded, yet it is hardly surprising if they were.

The North also amplified a reference in its earlier statement to the South offering "enveloped money", i.e., a bribe. (The South vaguely admitted offering to cover board and lodging costs for preliminary talks.) Such a charge is of course rank hypocrisy. Earlier North-South talks, in particular those that led to the first summit in 2000, saw Pyongyang blatantly demanding to be paid under the table. Regrettably Seoul complied, setting a bad precedent.

All this washing of dirty linen held a certain morbid fascination, but was deeply depressing. For obvious reasons, the long, if spasmodic and fraught, history of inter-Korean dialogue has always relied on preliminary secret talks to pave the way for public ones. Spilling the beans was thus a low blow indeed by the North, which duly discomfited the South just as intended. All else aside, it was dismayingly short-sighted. Landing another blow on Lee Myung-bak may have its satisfaction. However, 18 months hence a new leader will occupy the Blue House, who may well want to re-engage Pyongyang, but will now think twice, even more than one would anyway, about what basis there can be for trust. Rather than CBMs, not for the first time North Korea seems perversely to prefer CDMs: confidence-destroying measures.

A one-off nuclear discussion

If June was sordid and bad-tempered, July brought one of those brief glimpses of bluer skies, which intermittently raise spirits and hopes on the peninsula. This is a metaphor; the actual

weather was mostly unrelenting rain, culminating on July 27 in Seoul's fiercest daily downpour in history. Unusually the South's 60-odd fatalities, mostly from mudslides, may have been higher than those in the North, though the full extent of the damage there is not certain.

Five days earlier all was sunshine, at least on the sidelines of the ASEAN Regional Forum (ARF) in Bali where on July 22 the two Koreas' chief nuclear negotiators unexpectedly held a two-hour bilateral meeting. They agreed to make joint efforts to resume the Six-Party Talks (6PT) as soon as possible. Both the South's Wi Sung-lac and the North's newly appointed Ri Yong Ho – not to be confused with the vice-marshal of the same name, the most powerful man in the KPA – called their discussion serious and constructive. This was the more unexpected, in that Pyongyang normally refuses to discuss the nuclear issue with Seoul, usually insisting that its only qualified interlocutor is Washington, or at a pinch the 6PT.

Next day, North and South Korea's foreign ministers, Pak Ui Chun and Kim Sung-hwan, met too, albeit much more briefly. Momentum appeared to be building only for the Blue House to scotch it. On July 24, an ROK presidential spokesman reverted to an old tune by insisting that the North must first of all clarify its position on last year's twin attacks on the ROK, and adding, "Just because a swallow has come does not mean spring is around the corner."

The wings of a hawk clipped

And yet it was (speaking metaphorically again). August brought change, and not only at the month's end. In a little-noticed move, on Aug. 5 Suh Jae Jean failed to win a second three-year term as president of the Korea Institute for National Unification, a leading think-tank on matters Northern under MOU. A soft-spoken but firm sociologist, Suh published a book in 2009 called *The Lee Myung-bak Government's North Korea Policy: a Study on its Historical and Theoretical Foundation*. He argued that North Korea was bound to come back in from the cold because communist countries always do in the end. This argument paralleled what in Washington tends to be called "strategic patience"; the moral is stand firm, and wait.

Suh's successor at KINU, Kim Tae-woo, moved across from the Korea Institute for Defense Analyses (KIDA) where he had been vice president. It was not long before he struck a rather different note. On Aug. 30, he told the ROK news agency *Yonhap*, "It is important for the government to show more flexibility without undermining its principles." One suggestion was dialogue for its own sake, as a prelude to full-fledged talks.

Similarly, South Korea's most popular politician, and maybe its next president, weighed in a few days earlier with a carefully timed and judged article in the US journal *Foreign Affairs*. Under the title "A New Kind of Korea," Park Geun-hye, daughter of the late Park Chung-hee, essayed a delicate balancing act. While demanding that any Northern provocations be met with a firm response, her main call – complete with a new slogan, crafted for memorability – was to build 'trustpolitik' between North and South as an essential basis for progress.

Though a fellow conservative and former head of the GNP, Park has visited the North once, in 2002, when she was Kim Jong Il's dinner guest. Their fathers must have rolled in their graves. Here as elsewhere she is keen to strike a different note from and annoy Lee Myung-bak – they

remain at odds, ever since he snatched the GNP's presidential nomination from her in 2007. How far either of them will take this enmity remains to be seen; it is not certain that Lee will endorse her as his successor, so deep does factional animosity run. As noted above, electoral calculation is not the best basis on which to craft a North Korea policy. But Park, or those who advise her, must have decided it would play well now to sound a softer note. (And *a fortiori*, if the DP wins the presidency and forms the next government they will revert to some version of the old "sunshine" policy, suitably rebranded and hopefully less one-sided.)

But it now looks as if a change of course in Seoul will not have to wait for 18 months and a new president. Dumping Hyun In-taek sends its own signal, despite his nominal retention as an adviser on unification issues. Hyun had been unification minister since January 2009, a long incumbency by ROK standards. Most ministers serve less than two years, which hardly seems good for continuity. In Hyun's case, given the state of North-South relations, many had expected him to go in an earlier reshuffle in May. In a revealing vignette, credit for his survival then was claimed by Kim Jin, an editorial writer at the *JoongAng Ilbo*, a leading center-right daily. By this account, he and a group of fellow conservatives, dining with Blue House advisers on the eve of the reshuffle, persuaded them that Hyun should be retained for fear Pyongyang would read any change as a sign that Lee Myung-bak was going soft. In that case presumably the converse also applies.

A pipeline in the pipeline?

Electoral calculation apart, the main reason for a policy change of course at this juncture can be found in Kim Jong Il's latest train journey, to Russia in late August. This journal focuses on bilateral relations, but sometimes a three-way dance is the point. This is not the place for a full account of the dear leader's latest peregrinations, already well covered elsewhere – including for once by *KCNA*, which unusually reported the trip day by day rather than its customary ludicrous pretense that this wasn't happening till after it was over, as in his three recent visits to China. Perhaps Russia refused to put up with that nonsense.

The DPRK news agency chooses every word with care. One phrase it hardly ever uses is "the Republic of Korea." Searching on nk-news.net – not to be confused with nknews.org – reveals just 13 cases in 15 years. Two of these were in August, quoting Russia's President Dmitry Medvedev, who met Kim Jong Il in Ulan Ude on Aug. 24. The first came earlier, on Aug. 15, when Medvedev's congratulatory message to "Esteemed Your Excellency Kim Jong Il" for Korea's Liberation Day included the phrase, "We have willingness to boost cooperation with the DPRK in all directions of mutual concern including a three-party plan encompassing Russia, the DPRK and the Republic of Korea in the fields of gasification, energy and railway construction."

KCNA could have chosen to paraphrase this or use reported speech. The fact that instead it used South Korea's official name sends a signal. So do the three areas specified for potential three-way cooperation. In reverse order, a freight route from South Korea to Siberia and on to Europe has long been a dream for some, including the late Kim Dae-jung who dubbed this an "iron silk road." Indeed, on DJ's watch the actual lines were reconnected across the DMZ north of Seoul. But the North has let few trains run, and then only a mile or two as far as the joint venture at the Kaesong Industrial Complex (KIC). Moreover, any serious freight route would also have to spend billions upgrading North Korea's decrepit and obsolescent tracks.

As for energy, its importance for South Korea is clear from Lee Myung-bak's simultaneous travels; also to inner Asia, not far away. Kim's leisurely ground-bound trek crossed a single country – or two, if you count his transit via China on the way back. Meanwhile Lee, flying like normal leaders do, touched base with three key energy suppliers: Mongolia, Uzbekistan, and Kazakhstan, signing deals worth some \$11 billion. But the ROK's thirst is insatiable, so there was excitement in Seoul that Kim Jong Il's first stop was the vast Bureya power plant in Amur region. This plant generates more electricity than can be used locally and Moscow would like to sell some of it to either or both Korean states. Nothing specific was said about that on this occasion, but for Kim Jong Il to make that side-trip may also be a signal.

Gas, or hot air?

Above all, there is gas – or is it just hot air? The idea of a pan-peninsular gas pipeline goes back over 20 years. Hyundai's legendary founder, the northern-born Chung Ju-yung, never one to think small or short-term, suggested it in 1989 on his first visit to Pyongyang. Neither Korean state was yet ready for this, but almost two decades later in 2008 Russia's Gazprom and the ROK's KoGas signed a \$90 billion MOU for the latter to buy 30 years' worth of gas from the former. This more or less presumes a pipeline, yet puzzlingly at the time Presidents Lee and Medvedev trumpeted it as if it could somehow be a purely bilateral deal.

My fellow author in these pages, Mike Green, was recently quoted calling such a pipeline “an old Russian dream.” In 2002, Medvedev's predecessor Vladimir Putin suggested this as a solution to concerns about uranium enrichment by the DPRK. Green's view is that “Seoul would be crazy to consider it, since the North could easily use the pipeline as leverage.”

Crazy or not, some in Seoul are getting mighty excited. Perhaps predictably, they include GNP chairman Hong Joong-pyo, who has said that pipeline talks will start in November. All that Russia and North Korea have formally committed to is joint working groups; nor was it specified anywhere that these are to include South Korea. Amid feverish speculation, it may be prudent to wait until our next issue at the year's end to see whether all this is for real.

For now, the overall signals from Pyongyang are, as often, distinctly mixed. Currently all the assets that Chung Ju-yung and Hyundai poured almost a billion dollars into building at the Mt. Kumgang tourist resort on the east coast are up for sale or rent, having been brazenly seized by the DPRK state as the ROK's freeze on tourism since the shooting of a tourist in July 2008 entered its fourth year. This theft will be one of the first challenges for Yu Woo-ik in his new job. The old-style Lee MB would have gone on hanging tough, and damn the consequences, which include near-bankruptcy for the hapless Hyundai Asan. But now, with Yu joining the new chorus in Seoul singing the F word – flexibility – who knows?

Chronology of North Korea-South Korea Relations May – August 2011

May 1, 2011: A “source tells *Yonhap*, South Korea’s semi-official news agency, that Kim Jong Un – third son and putative successor to North Korean leader Kim Jong Il – is behind recent attempts by Pyongyang to crack down on defections and strengthen social discipline.

May 3, 2011: South Korean prosecutors blame North Korea for a cyber-attack on April 12 which paralyzed Nonghyup, a major bank with irretrievable loss of some transaction data.

May 4, 2011: A 10-person delegation of the Jogye Order, South Korea’s largest Buddhist sect, goes to the otherwise mothballed Mt. Kungang east coast tourist resort to deliver 100,000 vermifuge tablets (a medicine for intestinal worms). The ROK government, while permitting this visit, forbids the monks to hold a joint service with Northern Buddhists.

May 6, 2011: ROK President Lee Myung-bak partially reshuffles his Cabinet. Against many expectations Hyun In-taek, unification minister since January 2009, retains his post.

May 9, 2011: North Korea tells the South it has nothing to say about the latter’s proposal for further dialogue on seismic cooperation. Seoul had proposed that they meet on May 11-13. This contact, initiated by Pyongyang in March after Japan’s earthquake, thus goes no further.

May 9, 2011: *Yonhap* reports that the Unification Ministry (MOU) has approved more non-governmental humanitarian aid to Pyongyang. Five ROK civic groups have been allowed to deliver 830 million won (\$769,000) worth of bread, soy milk, basic medical supplies and anti-malaria aid. This brings the total amount of private Southern aid to the North this year to 2.28 billion won (\$2.11 million); very meager compared to what used to be sent officially.

May 9, 2011: In Berlin, ROK President Lee invites Kim Jong Il to next March’s second Nuclear Security Summit (NSS) in Seoul, if the DPRK first commits to denuclearization. Lee and Chancellor Angela Merkel endorse a plan for Germany to share a large database on exchanges between the former two Germanys, negotiations for reunification, reconstruction of East Germany, social integration, mutual growth after reunification and estimation of unification costs. South Korea and Germany will hold an annual conference on reunification.

May 9, 2011: According to subsequent revelations by Pyongyang (see June 1), the two Koreas hold secret talks in Beijing towards a potential summit meeting.

May 10, 2011: Still in Berlin, Lee Myung-bak meets retired and current officials who were involved in Germany’s reunification, to seek advice on how to prepare for this in Korea. He tells a German newspaper: “Such a movement as the Jasmine Revolution cannot be defied... However, as North Korean society is so closed and lacks information, the Middle Eastern revolution will not have any direct impact, at least for the time being.”

May 10, 2011: An editorial writer at the *JoongAng Ilbo* (Seoul’s leading center-right daily), Kim Jin, claims that on May 3 he and some fellow-conservatives, dining with Blue House advisers,

persuaded them that Hyun In-taek should be retained as unification minister for fear that Pyongyang would read any change as a sign that Lee Myung-bak is going soft.

May 14, 2011: MOU announces that the cumulative total of North Korean defectors to the South topped 21,000 in April, and now stands at 21,165. It passed 20,000 last November.

May 16, 2011: Apropos the ROK president's recent visit to Berlin – see above, May 9 – the (North) *Korean Central News Agency (KCNA)* lambastes “traitor Lee Myung-bak” for his “daydream of ‘emerging a victor’ in the confrontation of systems.”

May 23, 2011: MOU says that South Koreans wishing to send money to their families in the North must get official approval in advance. The move draws criticism from defectors and others. It is unclear when this will take effect. Also, Southern firms doing business with the North must register; MOU says it has confirmed 580 so far, but believes there are 700-800.

May 27, 2011: A six-person team from the Council for Cooperation with North Korea, a Southern NGO, visits Kaesong for talks on aid. This is the fourth such humanitarian trip approved by MOU since it banned most Southern travel to the North in May last year.

June 1, 2011: North Korea's National Defense Commission (NDC) says that on May 9 the two Koreas held secret talks in Beijing. South Korea does not repudiate the story, but claims it was the North that took the initiative.

June 9, 2011: North Korea amplifies its account of May's secret talks, including allegations that the South tried to use a bribe. It threatens to publish transcripts of the proceedings.

June 15, 2011: *Yonhap* reports that a group of nine North Koreans defected by boat in the West (Yellow) Sea a week earlier. Next day, Unification Minister Hyun In-taek says he was not told of this and first heard of it in the media, raising doubts about coordination in Seoul.

June 22, 2011: MOU reports that as of March the Kaesong Industrial Complex (KIC) has produced a cumulative total of goods worth \$1.22 billion since it first opened in December 2004. Over 90 percent of these were sold in South Korea, with just 9 percent (worth \$110 million) exported to overseas markets such as the EU, Russia, and Australia.

June 25, 2011: To mark the 61st anniversary of the outbreak of the Korean War in 1950, activists – mainly defectors – launch five balloons carrying 100,000 propaganda leaflets, 500 dollar bills, booklets, radios and DVDs northward across the Demilitarized Zone (DMZ).

July 4, 2011: South Korea's ruling conservative Grand National Party (GNP) elects Hong Joon-pyo, a maverick back-bencher, as its new chairman. Hong soon distances himself from some of President Lee's policies, hinting at a change of course on North Korea.

July 12, 2011: In a landmark decision, Seoul Central District Court rules in favor of four DPRK siblings named Yoon who filed suit in the ROK in February 2009, claiming part of the 10 billion

won estate of their late father who went South in 1950 and died in 1987. The four children of his subsequent remarriage in South Korea had opposed their claim.

July 13, 2011: The two Koreas hold talks at Mt. Kumgang on the resort's future. No progress is made as neither side budes from their earlier entrenched positions.

July 22, 2011: The North and South Korean chief Six-Party Talks negotiators unexpectedly hold a two-hour bilateral meeting on the sidelines of the ASEAN Regional Forum (ARF) in Bali. Wi Sung-lac and Ri Yong Ho agree to make joint efforts to resume the talks as soon as possible.

July 23, 2011: Also at the ARF in Bali, the two Koreas' foreign ministers, Pak Ui Chun and Kim Sung-hwan, meet briefly but cordially.

July 24, 2011: A Blue House spokesman warns against hopes of an early breakthrough on resuming the Six-Party Talks, adding, "Just because a swallow has come does not mean spring is around the corner."

July 29, 2011: Apropos Mt. Kumgang, North Korea gives notice that "the properties of the south side would be legally dealt with according to the DPRK law and in case the enterprises of the south side do not witness the adjustment within three weeks, the former would consider that the latter totally forfeited the right to properties and strictly dispose of them."

July 31, 2011: Court officials in Seoul say further lawsuits are impending by North Koreans claiming part of the assets of fathers who have died in the South. They suspect the DPRK government may be involved, since large estates are being targeted and the plaintiffs have surprisingly detailed knowledge of these, which ordinary North Koreans could hardly gain.

Aug. 7, 2011: Kim Tae-woo, ex-vice president of the Korea Institute of Defense Analyses (KIDA), is named president of the Korean Institute for National Unification (KINU).

Aug. 11, 2011: The (South) Korea Chamber of Commerce and Industry (KCCI) hosts a symposium on preparing for unification. Cost estimates range from 55 to 249 trillion won (\$50 to 230 billion) in the first year of a unified government alone.

Aug. 15, 2011: In a very rare usage of South Korea's official name, *KCNA* prints in full Dmitry Medvedev's Liberation Day message to "Esteemed Your Excellency Kim Jong Il." The Russian president advocates "a three-party plan encompassing Russia, the DPRK and the Republic of Korea (sic) in the fields of gasification, energy and railway construction."

Aug. 18, 2011: Revising an earlier plan, the ROK Justice Ministry says it will not recognize DPRK law regarding North-South inheritance cases lest this lead to "unreasonable rulings."

Aug. 19, 2011: On the day set by the North as a deadline to resolve the Mt. Kumgang row, four Hyundai Asan officials visit the resort. No progress is made.

Aug. 20, 2011: *KCNA* reports – immediately, for once – that leader Kim Jong Il’s train has crossed the northeast border at Khasan. This is Kim’s first visit to Russia since 2002.

Aug. 21, 2011: Kim Jong Il visits a large dam and power station at Bureya in Amur region. In the past Russia has mooted selling electricity generated here to both Koreas.

Aug. 21-25, 2011: Lee Myung-bak undertakes state visits to Mongolia, Uzbekistan, and Kazakhstan. He signs energy and related accords worth \$11 billion in total.

Aug. 22, 2011: Pyongyang says it will “from now on make a real legal disposal of all the properties including real estates, equipment and vehicles of the south side in the Special Zone for International Tour of Mt. Kumgang.” It gives South Koreans 72 hours to leave.

Aug. 23, 2011: All 14 ROK workers (plus two from China) leave Mt. Kumgang ahead of the North’s deadline, leaving no South Koreans at the resort for the first time in over a decade.

Aug. 23, 2011: Park Geun-hye, the leading contender for the GNP presidential nomination in 2012, calls for “a new kind of Korea” and a fresh approach to the North based on building “trustpolitik” in an article in the September/October issue of the US journal *Foreign Affairs*.

Aug. 24, 2011: Dmitry Medvedev and Kim Jong Il meet in Ulan Ude, Siberia. They call for early resumption of the Six-Party Talks, and agree to set up working groups to look into (in *KCNA*’s words) “various fields including the issue of energy including gas and the issue of linking railways.” Moscow’s version explicitly mentions a South Korean role.

Aug. 25, 2011: The ROK convenes an inter-ministerial task force under MOU to mull legal and diplomatic measures against the DPRK over Mt. Kumgang. Unification Minister Hyun In-taek asks: “What country, what company, what person would trust and invest in North Korea after it abandoned what little trust it received?” (words as reported).

Aug. 26, 2011: Southern prosecutors release details of an ongoing spy ring probe, to counter charges that this is politically driven. They claim the alleged ringleader Kim Duk-yong met the late Kim Il Sung personally in Pyongyang in 1993, and founded a pro-North secret group called Wangjaesan. In 2005 four of the group are said to have received DPRK medals.

Aug. 26, 2011: MOU refuses a request by a special committee on inter-Korean affairs of the ROK National Assembly, which on Aug. 17 applied to visit the Kaesong Industrial Complex (KIC) at the request of Southern companies operating there. Since May 24, 2010 Seoul has let no South Koreans visit the North, except a few for business or humanitarian aid.

Aug. 27, 2011: The ROK’s liberal opposition Democratic Party (DP) calls for Minister of Unification Hyun In-taek to be sacked, calling him an obstacle to Korean reunification.

Aug. 28, 2011: Park Chol-su, the Chinese-Korean head of Taepung International Investment Group (TIIG), explains Pyongyang’s plans to turn Mt. Kumgang into an international tourist and business zone, with golf courses and casinos. A group of foreign business persons and journalists

will visit the resort by sea from Rason next week; *Yonhap* is invited, but Seoul forbids it to go. On Aug. 30 an unnamed official says the ROK will call on all countries to boycott any new tours to Mt. Kumgang.

Aug. 29, 2011: Several Seoul papers report that at a meeting with President Lee the previous day, GNP chairman Hong Joon-pyo, pushed “strongly” for a change of unification minister.

Aug. 29, 2011: The *JoongAng Ilbo* reports that at mid-August MOU had yet to hold official discussions about unification funding with the Ministry of Strategy and Finance (MOSF). MOU said the ROK’s economic difficulties made such discussions problematic. Last year MOU said an outline unification plan would be ready by this June.

Aug. 30, 2011: New KINU president Kim Tae-woo calls on South Korea to “show more flexibility” toward the North, albeit “without undermining its principles.”

Aug. 30, 2011: Lee Myung-bak reshuffles his Cabinet. The four ministers replaced include Unification Minister Hyun In-taek. He is replaced by Yu Woo-ik, Lee’s former chief of staff and later ambassador in Beijing. Hyun is made a special advisor on unification.

Aug. 30, 2011: The ROK Cabinet approves a bill that would protect North Korean residents’ rights to inherit assets from their families living in South Korea, while also strictly limiting the transfer of such assets out of the South.

Aug. 30, 2011: GNP Chairman Hong Joon-pyo says three-way gas pipeline talks will be held in November, and will “open a new chapter for inter-Korean relations.” He adds: “The GNP has been accused of being an anti-unification, warmonger group. But time has come for the party to change direction.”

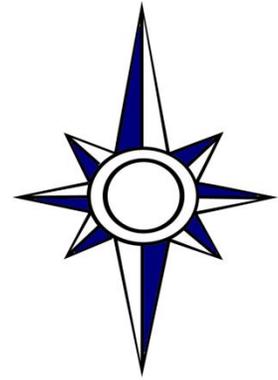
Aug. 30, 2011: *Chosun Ilbo* quotes an unnamed official of the National Intelligence Service (NIS)’s National Cyber Security Center as saying that North Korea attempts as many as 250 million indiscriminate cyber-attacks on government agencies and private corporations in South Korea every day.

Aug. 31, 2011: In a letter to MOU, some 40 of the 120-odd ROK firms operating in the KIC request that debt repayments be deferred because bad inter-Korean relations have adversely impacted their businesses.

Aug. 31, 2011: *AFP* reports that an unnamed North Korean woman recently defected to South Korea to claim an inheritance from her late grandfather, who had gone South during the Korean War. She claims they had maintained contact since meeting in a family reunion, and that her grandfather regularly sent her money before he died in 2010.

Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



China-Korea Relations:

A Fragile China-ROK Strategic Partnership

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High-level exchanges between China and South Korea's foreign and defense ministries appeared to recover momentum as the two countries marked their 19th anniversary of diplomatic relations on Aug. 24. The first China-ROK "strategic defense dialogue" was held in Seoul on July 27 following talks between Defense Ministers Liang Guanglie and Kim Kwan-jin in Beijing on July 15 and in Singapore on June 4 on the sidelines of the Shangri-La Dialogue. Foreign Ministers Yang Jiechi and Kim Sung-hwan met June 6 ahead of the Asia-Europe Foreign Ministers Meeting in Budapest and held another round of talks July 21 in Bali on the sidelines of ASEAN regional meetings. But efforts to consolidate the China-ROK strategic partnership have exposed policy differences over North Korea and the ROK alliance relationship with the US.

China and North Korea commemorated the 50th anniversary of the Treaty of Friendship, Cooperation and Mutual Assistance in July. Kim Jong Il visited China on May 20-26, holding talks with President Hu Jintao and Premier Wen Jiabao. He returned Aug. 25-27 and met State Councilor Dai Bingguo in Heilongjiang province on his way back from a meeting in Siberia with Russian President Dmitry Medvedev. Kim's May visit was publicly revealed during bilateral talks between Premier Wen and President Lee on the sidelines of the fourth Trilateral China-ROK-Japan Summit in Tokyo. Communist Party of China (CPC) and DPRK counterparts held an unprecedented "strategic dialogue" ahead of the 90th anniversary of the CPC in June. China and North Korea also agreed to strengthen military cooperation during a visit by a Korean Peoples' Army (KPA) delegation to China on Aug. 25-26. China and North Korea's new joint economic projects have raised debate on the prospects for North Korean reform. DPRK denuclearization efforts remain stalled despite apparent increases in regional diplomatic efforts to resume the Six-Party Talks.

China's two Koreas diplomacy

During talks with Kim Jong Il in Beijing on May 25, Hu Jintao proposed five goals for enhancing bilateral ties: (1) strengthen high-level visits and friendship; (2) share experiences on party-building and state governance and promote economic and social development; (3) improve mutually beneficial cooperation to benefit the two peoples; (4) deepen youth-oriented cultural, education and sports exchanges; and (5) maintain coordination on international and regional issues. Kim also met Premier Wen Jiabao, Vice President Xi Jinping, and other members of the Political Bureau Standing Committee of the CPC Central Committee including Jia Qinglin, Li Changchun, Li Keqiang, He Guoziang, and Zhou Yongkang. Kim's week-long visit marked his third summit with Hu Jintao within a year and included a tour of economic projects in industrial production, agriculture, technological development, and trade in Beijing, Heilongjiang, Jilin, and

Jiangsu provinces. His trip to Northeast China on Aug. 25-27 on his return from his first visit to Russia in a decade also included tours of industrial projects.

On the day of the Hu-Kim summit in May, President Lee Myung-bak stated that he “positively evaluate[s] China’ frequent invitations for North Korean leaders for the purpose of more field trips and talks,” while urging Pyongyang to “act more responsibly” to promote inter-Korean relations. Premier Wen Jiabao told Lee in Tokyo that the purpose of Kim’s visit was to learn from Chinese economic experience in a rare public acknowledgment that Kim Jong Il indeed was visiting China. But the Hu-Kim summit was widely believed to have fallen short of each other’s expectations on Chinese economic commitments and North Korean commitments to reform and engage in regional dialogue. Within days of the summit, Pyongyang declared it would “never deal with” the Lee government and rejected Seoul’s proposal of holding inter-Korean talks.

Prospects for dialogue appeared to improve in late July on the sidelines of ASEAN meetings, with separate talks between People’s Republic of China (PRC) Foreign Minister Yang Jiechi and ROK and DPRK counterparts and an inter-Korean meeting of Six-Party Talks envoys that led to “exploratory” talks between Washington and Pyongyang. Although this provided the PRC Foreign Ministry with a new opportunity to promote the Six-Party Talks, these meetings appeared to be insufficient for promoting meaningful dialogue absent closer coordination among the US, China, and South Korea. During talks with Secretary of State Hillary Clinton in Washington on June 24, ROK Foreign Minister Kim Sung-hwan stated that “the *Cheonan* incident is a North-South Korean issue, and Six-Party Talks is a denuclearization issue.” Despite South Korean efforts to separate the two processes, both are unlikely to move forward given differences with China over Pyongyang’s failure to account for the 2010 provocations and its unwillingness to demonstrate “tangible steps” toward denuclearization. In his August meeting with State Councilor Dai Binguo, Kim Jong Il pledged his willingness to resume Six-Party Talks “without preconditions.”

Despite Chinese efforts to promote inter-Korean dialogue as a starting point for the resumption of the Six-Party Talks, South Korean analysts in May warned against the “misconception” of China as “mediator between the two Koreas,” criticizing Beijing’s “simultaneous diplomacy” as an attempt to “use closer ties with North Korea as a bargaining chip in negotiations with South Korea.” The timing of Kim’s trip to China in May, made at the same time as Wen Jiabao’s meeting with Lee Myung-bak in Tokyo, evinced parallels with Hu Jintao’s back-to-back summits with Lee and Kim in May last year amid tensions over the *Cheonan* sinking. South Korean media on June 23 suggested a possible change in China’s position by revealing Beijing’s alleged pledges to Seoul that “it won’t stand by the North if it makes an additional provocation.” But in response to South Korea’s launching of military exercises near the Demilitarized Zone on July 27, the PRC Foreign Ministry reaffirmed that China “opposes any action” undermining peninsular peace and stability, calling for “parallel and multilateral dialogues” toward the resumption of Six-Party Talks.

The China-South Korea strategic partnership

High-level defense exchanges between China and South Korea have supported the goals of strengthening strategic dialogue mechanisms in the “strategic cooperative partnership” since 2008. During the first strategic defense dialogue in Seoul with Vice Defense Minister Lee Yong-

gul on July 28, Deputy Chief of the PLA General Staff Ma Lt. Gen. Xiaotian pledged to strengthen bilateral military exchanges based on the principles of mutual political trust, mutual economic benefits, and peninsular peace and stability. Ma also met ROK Defense Minister Kim Kwang-jin and Chairman of South Korea's Joint Chiefs of Staff Gen. Han Min-koo. The vice-ministerial dialogue mechanism was established during Kim Kwang-jin's first visit to China as defense minister on July 14-17, during which he toured a Chinese air force base in Jiangsu province, and met PRC counterpart Liang Guanglie, Chief of the PLA General Staff Gen. Chen Bingde, State Councilor Dai Bingguo, and Vice President Xi Jinping. The joint communiqué from that visit includes agreements to strengthen defense cooperation on not only peninsular peace and stability but also peacekeeping, disaster relief, humanitarian aid, and anti-piracy.

The intensification of China-ROK defense cooperation suggests the stabilization of security relations following regional tensions in 2010. But it has also underscored the key challenges to the China-ROK security relationship, including China's dissatisfaction with the US-ROK alliance and South Korean worries over China's regional military ambitions. The highlight of Defense Minister Kim's July visit to China was Gen. Chen's public criticisms of US behavior as a "superpower" that channeled his frustrations over the holding of US joint military exercises in the South China Sea with the Philippines and Vietnam, an issue that was raised at Chen's earlier meeting with US Chairman of the Joint Chiefs of Staff Adm. Mike Mullen. This resonated with Chinese Foreign Ministry remarks prior to Lee Myung-bak's summit with Hu Jintao in 2008 that the US-ROK alliance "would not be valid in viewing, measuring and handling the current global or regional security issues" and Lt. Gen. Ma's statement at the 2009 Shangri-La Dialogue that "China opposes the enlargement of the existing bilateral military alliance."

Gen. Chen Bingde's comments sharpened South Korean sensitivities over being caught in a major power competition between China and the US, as suggested when the ROK Foreign Ministry ahead of the July ASEAN Regional Forum (ARF) affirmed Seoul's neutral position on the South China Sea. While China's testing of its first aircraft carrier in August raised new suspicions about Chinese naval and territorial ambitions, another source of controversy in South Korea is the construction of a naval base on Jeju Island, which began in January this year. Protestors see the base as serving US regional defense interests against China rather than ROK security needs against North Korea. These developments have heightened South Korea's dilemma over responding to China's military rise while remaining a US ally. This dilemma is likely to be a continuing source of strain in China-ROK relations. South Korean experts attacked Chinese "imperialistic" maritime claims in an Aug. 3 op-ed that stated: "Asia's mistrust of China and fear of Beijing is based on its territorial ambition.... China's ambition should be counterbalanced by the United States as a Pacific partner to Asia-Pacific nations and by a unified Asian alliance." A Korea National Defense University professor also reacted to China's aircraft carrier trials by arguing on Aug. 17 that "Korea can secure military deterrence by reinforcing joint deterrence capacity with the United States." China's sending two naval vessels to North Korea's Wonsan port on Aug. 4-7 to mark 50 years of friendship raised new concerns about China's close military relationship with North Korea that appeared to exacerbate regional debates on Chinese military and territorial ambitions. This visit began immediately after Japanese warnings about the expansion of Chinese naval activities around its waters, and on the same day the Chinese Foreign Ministry warned Tokyo for "irresponsible comments" about China's military threat in its White Paper issued earlier that week.

China-DPRK party and military exchanges

China and North Korea exchanged high-level visits on July 9-12 commemorating the 50th anniversary of their bilateral Friendship Treaty, including a visit by PRC Vice Premier Zhang Dejiang to North Korea and a visit to China by Yang Hyong Sop, vice president of the Presidium of the DPRK's Supreme People's Assembly. This exchange followed an unprecedented "strategic dialogue" between the two parties according to the DPRK state media, for which Li Yuanchao, head of the CPC Organization Department and Secretariat of the CPC Central Committee, led a delegation to Pyongyang on June 10-14 and met DPRK counterpart Choe Thae Bok, top legislator Kim Yong Nam, and Kim Jong Il. The Chinese delegation included Secretary of Jilin Provincial Committee of the CPC Sun Zhengcai, PRC Ambassador to North Korea Liu Hongcai, and head of the CPC International Department Wang Jiarui, who held talks with Worker's Party of Korea (WPK) Secretary Kim Yong Il on June 12.

This strategic dialogue marked the first visit to North Korea by the head of the CPC Organization Department in more than a decade and was hailed as an effort to further political and economic coordination following Kim Jong Il's May visit to China. Chinese and DPRK state media reports appeared to refute earlier assessments of Kim's visit by noting its significance in advancing the traditional friendship to a "new" and "higher" stage. The June meeting was followed by a visit to China on July 5-9 by Thae Jong Su, alternate member of the WPK Political Bureau and member of the Secretariat, to meet Zhou Yongkang, member of the Standing Committee of the CPC Political Bureau, during which the two sides agreed to strengthen renewable energy cooperation in line with North Korea's goal to "learn from China's experience." China-DPRK military exchanges in August also focused on North Korean efforts to draw lessons from China. Jon Chang Bok, chief of the General Logistics Bureau of the KPA Armed Forces Department, visited China on Aug. 25-26 and met Defense Minister Liang Guanglie and Liao Xilong, chief of the PLA General Logistics Department, during which Jon pledged to learn from China's "military logistics construction" according to Chinese state media.

China-DPRK economic zones and new hopes for North Korean reform

China-DPRK economic exchanges have highlighted China's progress in economic development as it implements its 12th Five-Year Plan (2011-2015) and the DPRK priority on improving people's livelihoods under the objective of establishing a strong and prosperous state by 2012. During his meeting with Kim Jong Il on May 26, Premier Wen Jiabao emphasized joint efforts to enhance economic and trade cooperation through various bilateral working mechanisms and locality- and enterprise-driven initiatives. A major outcome of Kim's May visit to China was the establishment of the Rason Economic and Trade Zone and Hwanggumphyong and Wihwa Islands Economic Zone, launched with a ground-breaking ceremony on June 8-9 following the second meeting of the Development Cooperation and Joint Steering Committee in Northeast China led by PRC Commerce Minister Chen Denming and WPK Administrative Director Jang Song Thaek. On June 10, China and North Korea began reconstruction plans on a major logistics road along their border linking Hunchun and Rajin ports.

While Kim's previous visits and "study tours" have renewed speculation in some quarters about the possibility of North Korean reform, one difference in the latest joint economic projects is the support from the central leadership on both sides, which appears to correspond with mutual economic and trade interests at the local level. According to Chinese sources, North Korea on July 4 began allowing Chinese domestic trade cargo to be shipped from northeast to east China via Rajin port, where China secured access rights three years ago as an export route to other countries. North Korea held a four-day international trade fair at the Rason Economic Zone on Aug. 22-25, drawing Chinese and Russian investors to the region. Local leadership exchanges have accompanied the high-level party exchanges in June, including a visit by a delegation of the Pyongyang City Committee of the WPK and a return visit by a Liaoning party delegation led by Gov. Chen Zhenggao, who met DPRK Premier Choe Yong Rim on June 27. North Korea has also boosted tourism cooperation with China's major cities with the establishment of new and expanded flight services to Shanghai and Shenyang.

Amid conflicting reports on the humanitarian situation inside North Korea, DPRK state media on July 31 announced that the Chinese government and the Red Cross Society of China have offered emergency flood relief materials to Pyongyang. South Korean media in August revealed that Kim Jong Il in May also secured China's agreement to provide 200,000 tons of free fertilizer to boost food production and 500,000 tons of corn at discount prices in exchange for rights to North Korea's natural resources. A Korea Rural Economic Institute report in August also showed that North Korea imported less rice and more corn and other cheaper grains from China during the first half of 2011 compared to the same period last year, suggesting an increase North Korea's food shortages and lack of foreign cash. Media reports on June 21 that North Korea has imported increased amounts of anti-riot gear from China fueled speculation about the DPRK leadership's growing concerns over internal stability. Other reports have indicated the pressures of cross-border instability facing both Chinese and North Korean authorities, including China's arrest of 14 North Koreans in the border area in May and North Korea's enhanced security measures along the China-DPRK border in August in an effort to contain defection. Local maritime authorities of Dandong city in Liaoning province and DPRK counterparts of Pyongan Bukdo on June 15 launched their first joint patrol on the Yalu River following a maritime cooperation agreement reached last April on managing the river.

Conclusion: coordinating North Korea policy

South Korea has traditionally prioritized its economic partnership with China, which accounted for 20 percent of its total foreign trade in the first half of 2011 compared to a historic low of 9 percent for the US. However, China's growing economic leverage in the relationship has led to increased attention on the China-ROK strategic relationship. The launching of a new diplomatic exchange program between junior Foreign Ministry officials in May made South Korea the third country to have such a program with China after North Korea and Mongolia and suggested South Korea's future importance to China as a strategic partner. But this exchange also revealed key differences over relations with North Korea and the United States despite "shared long-term goals" such as Korean unification.

At the Shangri-La Dialogue in Singapore on June 4, PRC Defense Minister Liang Guanglie stated that "the work we have done with North Korea is much more than what the outside world

may expect,” warning that “the foundation remains fragile” on the Korean Peninsula. But critics in South Korea argued that “China should do more for regional stability” following the defense ministers meeting in July, which left South Koreans largely disappointed with what was called a “watered-down” joint statement that failed to mention how to jointly address North Korean provocations despite pledges to strengthen the China-ROK strategic partnership. While PRC and ROK envoys have continued to coordinate on the resumption of Six-Party Talks, China’s push for inter-Korean talks to promote regional dialogue has conflicted with China’s perceived siding with North Korea in the management of inter-Korean issues.

Trends in the China-ROK partnership have stirred internal South Korean debates on Seoul’s diplomatic strategies under the Lee government. The appointment of Lee Kyu-hyung as the new ROK ambassador to China in May suggested renewed efforts to strengthen bilateral relations with Beijing. At the same time, Lee’s naming of former ROK Ambassador to China Yu Woo-ik as unification minister on Aug. 30 has raised questions over a possible softening of Seoul’s North Korea policy ahead of South Korea’s presidential election in 2012.

Chronology of China-Korea Relations **May – August 2011**

May 4, 2011: Chinese, ROK, and Japanese counterparts hold talks on the sidelines of the 11th ASEAN Plus Three meeting of finance ministers in Hanoi.

May 12, 2011: *Xinhua*, *Yonhap*, and *Kyodo* agree to jointly cover the Trilateral China-ROK-Japan Summit through a single website in their first such cooperation project.

May 16, 2011: President Lee Myung-bak gives credentials to new ROK Ambassador to China Lee Kyu-hyung.

May 16-20, 2011: A delegation of the Chinese People’s Consultative Conference (CPPCC) led by Chen Zongxing, vice chairman of the CPPCC National Committee, visits North Korea and meets Kim Yong Nam, president of the Presidium of the Supreme People’s Assembly.

May 17, 2011: The PRC Foreign Ministry spokesperson cites positive signs on the Korean Peninsula and calls for the resumption of Six-Party Talks.

May 20-26, 2011: Kim Jong Il visits China, touring Heilongjiang, Jilin, and Jiangsu provinces before meeting President Hu Jintao in Beijing on May 25.

May 21-22, 2011: Premier Wen Jiabao, President Lee, and Prime Minister Kan Naoto visit earthquake-stricken Fukushima and hold the fourth Trilateral China-ROK-Japan Summit in Tokyo. Wen and Lee hold bilateral talks on the sidelines.

May 25, 2011: President Lee, during a meeting with unification advisors at Cheong Wa Dae, positively evaluates Kim Jong Il’s frequent visits to China.

May 29-June 4, 2011: Eleven ROK diplomats tour Beijing, Shanghai, and Xinjiang's Urumuchi as part of a new diplomatic exchange program between Chinese and ROK Foreign Ministries.

May 31, 2011: The PRC Foreign Ministry spokesperson calls for inter-Korean dialogue in response to North Korea's May 30 statement vowing to "never deal with" South Korea's Lee Myung-bak government.

June 2, 2011: The PRC Foreign Ministry spokesman reiterates China's call for a peaceful solution to the Korean Peninsula issue in response to North Korea's June 1 statement rejecting South Korea's proposal of holding three inter-Korean summits.

June 3, 2011: Major trade organizations of China, South Korea, and Japan call on their governments for early conclusion of trilateral free trade agreement (FTA) negotiations.

June 4, 2011: PRC Defense Minister Liang Guanglie and ROK counterpart Kim Kwan-jin hold talks on the sidelines of the Shangri-La Dialogue in Singapore.

June 6, 2011: PRC Foreign Minister Yang Jiechi and ROK counterpart Kim Sung-hwan hold talks in Budapest ahead of the 10th Asia-Europe Meeting of foreign ministers.

June 7-9, 2011: China and North Korea hold the second meeting of the Development Cooperation and Joint Steering Committee in Liaoning and Jilin on the Rason Economic and Trade Zone and Hwanggumphyong and Wihwa Islands Economic Zone.

June 8, 2011: Shandong's Qindao, Yantai, Rizhao, and Weihai Ports sign a strategic alliance with South Korea's largest Port of Busan aimed to integrate mutual logistics cooperation.

June 8-9, 2011: ROK nuclear envoy Wi Sung-lac visits China to meet counterpart Wu Dawei.

June 10, 2011: Copyright Protection Center of China and Copyright Commission of the ROK sign online copyright protection agreement at the seventh Sino-ROK Workshop on Copyright in Beijing.

June 10-14, 2011: A CPC delegation led by Li Yuanchao, head of the CPC Organization Department, visits North Korea for a "strategic dialogue" with DPRK counterparts, meeting Kim Yong Nam, president of the Presidium of the Supreme People's National Assembly, Choe Thae Bok, chairman of the Supreme People's Assembly, and Kim Jong Il.

June 15, 2011: PRC and DPRK maritime authorities launch first joint patrol on the Yalu River.

June 16, 2011: ROK media reports that China arrested 14 North Koreans in the border area in May as Beijing and Pyongyang intensified their crackdown on defectors.

June 17, 2011: The PRC Foreign Ministry states that China and Russia have agreed to deal with the DPRK nuclear issue only within the six-party framework, following talks between Hu Jintao and Russian President Dmitry Medvedev on June 16.

June 21, 2011: Media sources report that North Korea has recently imported increased amounts of anti-riot gear from China.

June 23, 2011: A delegation of the Pyongyang City Committee of the WPK led by Ri Yong Sik, chief secretary of the Phyongchon District Committee of the WPK, arrives in China.

June 24-28, 2011: Chen Zhenggao, deputy secretary of the Liaoning Provincial Committee of the CPC and governor of the Liaoning Provincial People's Government leads a delegation to North Korea and meets DPRK Premier Choe Yong Rim in Pyongyang.

June 28, 2011: China sends the first 120 government-brokered migrant workers to South Korea.

June 28, 2011: The PRC Foreign Ministry spokesman expresses China's opposition to any act undermining Korean Peninsula peace and stability in response to South Korean plans to conduct five-day military drills near the Demilitarized Zone.

June 30, 2011: Kim Jong Il sends a congratulatory message to President Hu Jintao on the 90th anniversary of the CPC.

July 1, 2011: A Shanghai tourist group led by Shi Quanxing, chief of the CPC branch of Shanghai Kungang Tours Co. arrives in Pyongyang via the new Shanghai-Pyongyang air route.

July 2, 2011: A DPRK Red Cross Society delegation led by Paek Yong-ho, vice chairman of its Central Committee, arrives in Beijing to attend a meeting of Red Cross national organizations.

July 4, 2011: North Korea allows China's domestic trade cargo to be shipped from northeast to east China via Rajin port.

July 4, 2011: Sohn Hak-kyu, chairman of South Korea's opposition Democratic Party, meets Vice President Xi Jinping in Beijing.

July 5-9, 2011: A WPK delegation led by Thae Jong Su, alternate member of the WPK Political Bureau and member of the Secretariat, visits China and meets Zhou Yongkang, member of the Standing Committee of the Political Bureau of the CPC.

July 9-12, 2011: PRC Vice Premier Zhang Dejiang leads a delegation to North Korea to attend events marking the 50th anniversary of the signing of the DPRK-China Treaty of Friendship, Cooperation and Mutual Assistance.

July 9-12, 2011: Yang Hyong Sop, vice president of the Presidium of the DPRK's Supreme People's Assembly, leads a delegation to China and attends a reception on July 10 hosted by Ji Jae Ryong, DPRK ambassador to China, and attended by PRC State Councilor Dai Binguo.

July 14-17, 2011: ROK Defense Minister Kim Kwan-jin tours a Chinese Air Force base in Jiangsu province and meets PRC counterpart Liang Guanglie, Chief of the PLA General Staff Gen. Chen Bingde, State Councilor Dai Bingguo, and Vice President Xi Jinping in Beijing.

July 17-21, 2011: Chung Ui-hwa, deputy speaker of the ROK National Assembly, attends the sixth China-ROK inter-parliamentary meeting in China and holds talks with Wu Bangguo, chairman of the Standing Committee of the National People's Congress.

July 21-23, 2011: PRC Foreign Minister Yang Jiechi and ROK counterpart Kim Sung-hwan attend the ASEAN Plus Three Foreign Ministers Meeting in Bali on July 21, EAS Foreign Ministers Consultation on July 22, and ARF Foreign Ministers meeting on July 23, holding bilateral talks on the sidelines on July 21.

July 22, 2011: Foreign Minister Yang Jiechi and DPRK counterpart Pak Ui Chun hold talks on the sidelines of the ARF in Bali. The PRC Foreign Ministry spokesperson expresses support for bilateral talks held on the sidelines between ROK and DPRK envoys of the Six-Party Talks Wi Sung-lac and Ri Yong-ho.

July 25, 2011: Korean Air Lines Co. and Asiana Airlines Inc. launch direct flight services between Seoul and Huangshan, the first international flights to the city.

July 27-8, 2011: PRC Deputy Chief of General Staff Lt. Gen. Ma Xiaotian visits Seoul to hold the first China-ROK defense strategic dialogue with ROK Vice Defense Minister Lee Yong-gul and meets ROK Defense Minister Kim Kwang-jin and Chairman of South Korea's Joint Chiefs of Staff Gen. Han Min-koo.

July 31, 2011: *Korean Central News Agency* announces that Beijing and the Red Cross Society of China have offered emergency flood relief materials to Pyongyang.

Aug. 4-7, 2011: Chinese Navy fleet visits Wonsan, North Korea, where Vice Adm. Tian Zong, commander of China's northern fleet, is received by DPRK Rear Adm. Kim Myong Sik.

Aug. 9, 2011: DPRK's Air Koryo expands flight service between Pyongyang and Shenyang.

Aug. 13, 2011: ROK Trade Minister Kim Jong-hoon at an ASEAN trade ministers meeting in Indonesia says that South Korea and China are considering negotiations on a bilateral FTA.

Aug. 16, 2011: South Korean retailer Lotte Mart Co. announces plans to expand its number of stores in China from 82 to 300 by the end of 2018.

Aug. 16, 2011: *Yonhap* reports that North Korea has installed surveillance cameras and barbed wire in border areas with China in an effort to contain defection.

Aug. 19, 2011: *JoongAng Ilbo* reports that Kim Jong Il during his May visit to China secured China's agreement to provide 200,000 tons of free fertilizer and 500,000 tons of discounted corn.

Aug. 22-25, 2011: North Korea holds an international trade fair at the Rason economic zone.

Aug. 25-27, 2011: Kim Jong Il visits Northeast China following his Russian tour and meets State Councilor Dai Binguo in Heilongjiang province on Aug. 26.

Aug. 25-26, 2011: Jon Chang Bok, chief of the General Logistics Bureau of the KPA Armed Forces Department, leads a Korean People's Army delegation to China and meets Liao Xilong, chief of the PLA General Logistics Department, and Defense Minister Liang Guanglie.

Aug. 25, 2011: ROK nuclear envoy Wi Sung-lac meets counterpart Wu Dawei in Beijing.

Aug. 28, 2011: China and South Korea agree to conduct a joint environmental study on the Yellow Sea.

Aug. 30, 2011: Lee Myung-bak names former chief of staff and Ambassador to China Woo Yoo-ik as new ROK unification minister.

Aug. 31-Sept. 2, 2011: The sixth China-ROK-Japan feasibility study meeting on a trilateral FTA is held in Changchun.

Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



Japan-China Relations: Muddling Through

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Private-sector contacts keep the bilateral relationship afloat while high-level official contact began to re-engage. Defense ministers met in June in Singapore and foreign ministers met in July in Beijing. In each instance, they agreed on the importance of advancing the strategic and mutually beneficial relationship. In early August, Japan's Ministry of Defense released its *2011 Defense White Paper*, which expressed concerns over China's military modernization, its increasing activities in waters off Japan, and its "overbearing" conduct in the South China Sea. Eight days later, the Chinese aircraft carrier *Varyag* left port for initial sea trails. Meanwhile, activities in the Senkaku/Diaoyutai Islands area continued to generate political friction in both Tokyo and Beijing.

Business and economics

On May 16, Keidanren Chairman Yonekura Hiromasa met China's Foreign Minister Yang Jiechi in Beijing and expressed Japan's appreciation for the assistance extended by China in the wake of the March 11 earthquake and tsunami. Yonekura emphasized that Japan is focused on recovery and the resumption of its role in the global economy and asked that Yang work to expedite normalization of customs procedures on Japanese exports to China, which stagnated after March 11 due to health and safety concerns. Yang promised to do his best and expressed China's interest in a trilateral free trade agreement with Japan and the Republic of Korea.

Tourism ministers of Japan, China, and the ROK met in South Korea on May 29 to discuss crisis management procedures to deal with natural disasters that affect tourism. In the joint statement issued at the conclusion of the meeting, the ministers confirmed both public- and private-sector cooperation to promote recovery of the tourist industry and to encourage resumption of tourism to Japan. According to the Japan National Tourism Organization, the numbers of foreign tourists visiting Japan in April 2011 plummeted 62.5 percent in comparison to April 2010. Tourists from China fell an estimated 60 percent. The ministers also agreed to cooperate in the prompt sharing of information in the event of natural disasters or critical incidents.

Following Premier Wen Jiabao's proposal on the sidelines of the Trilateral Japan, China, ROK Summit in Tokyo, a 100-member mission from China led by Shao Qiwei, the head of China's National Tourism Administration, visited Japan at the end of May to address expanding Chinese

* The views expressed in this article are the views of the author alone and do not necessarily represent the views or policy of the National Defense University, the Department of Defense, or the U.S. government.

tourism to Japan. Shao's group met representatives of Japan's tourism industry and local government officials interested in attracting Chinese tourists. Speaking at a meeting organized by Japan's Tourism Agency, Shao said that his agency would make every effort to encourage tourism to Japan, with the exception of the disaster-ravaged northeast region of Honshu.

In a Japanese effort to boost Chinese tourism, Chief Cabinet Secretary Edano Yukio, on May 27, announced that, beginning July 1, Chinese tourists would be eligible to visit Okinawa using multiple-entry visas. The Foreign Ministry took an additional step on Aug. 10 when it further eased conditions for tourist visas for Chinese citizens and extended the duration of stay from 15 to 30 days. Previously visas were restricted to government or corporate representatives.

On June 1, representatives of 32 Chinese and 62 Japanese companies met in Beijing for the Japan-China Green Expo, a three-day conference aimed at promoting environmental technology and green growth in China and the Asia-Pacific region. Addressing the conference, Keidanren Chairman Yonekura called for "closer public-private sector cooperation in energy saving and new energy fields," while Wan Jifei, chairman of China's Council for the Promotion of International Trade, expressed the hope that China and Japan will "cultivate a new market and build 'win-win' relations."

High-level meetings

The Trilateral Japan, China, ROK Summit was held in Japan on May 21-22. Prime Minister Kan, Premier Wen Jiabao, and President Lee Myung-bak visited the area of northeastern Japan devastated by the earthquake and tsunami. In Fukushima, near the damaged nuclear reactor, they met with evacuees and sampled local agricultural produce, which Wen described as being "very delicious." Wen also expressed his appreciation for the actions taken by Sato Mitsuru, a 55 year-old president of a fish processing plant in Miyagi, who saved the lives of 20 Chinese trainees and lost his life in the process, telling reporters that "a friendship nurtured in calamity is valuable and important. I hope for a further improvement in relations between China and Japan"

The summit concluded in Tokyo on May 22, with the three leaders agreeing to cooperate in promoting nuclear safety and crisis management. President Lee and Premier Wen agreed to cooperate in assisting Japan's recovery. Wen said, "In times of natural disaster of this scale, mutual understanding, assistance and support from the international community, especially neighboring countries, are of crucial importance."

When Prime Minister Kan expressed his deep regrets over sea contamination as a result of water leaking from the Fukushima reactor, Wen asked Kan to take steps to prevent further radiation leakage and to understand the concerns of neighboring countries. He also announced that China would ease restrictions on Japanese agricultural imports on the condition that the Japanese government certifies their safety. On June 13, China's General Administration of Quality Supervision, Inspection and Quarantine loosened restrictions on food imports from Japan and removed Yamagata and Yamanishi prefectures from China's food import ban. Government inspection certificates were required only for dairy products, vegetables, fruits, tea leaves, fisheries, and other perishable products. Wen also said that China wanted to set up a "maritime crisis management mechanism" to prevent the recurrence of Senkaku-like incidents. Wen did not

respond when Kan called for an early resumption of negotiations on the East China Sea. The three leaders agreed to consider joint rescue drills to deal with natural disasters, to accelerate processing of visa applications to promote tourism, and to move ahead on a trilateral FTA.

On July 4, Foreign Minister Matsumoto Takeaki traveled to Beijing to meet Chinese counterpart Yang Jiechi in the first visit made by a Japanese Cabinet-level official since August 2010. At the outset, both ministers emphasized the importance attached to improving ties. Yang said that China believes it is “very important to promote and maintain strategic and mutually beneficial relations” between the two countries. Matsumoto replied that “it goes without saying that it is desirable to secure mutual confidence and stability as neighbors.” Matsumoto went on to express Japan’s concerns over tensions arising from the territorial disputes in the South China Sea between China and its southeast Asia neighbors as well as Japan’s “strong interest” in the recent People’s Liberation Army (PLA) Navy exercises in waters off Japan. He emphasized the importance the international community attaches to “freedom of navigation and maritime safety” and called on China to refrain from escalating tensions in the South China Sea, telling Yang that Japan would “make efforts to secure freedom of navigation and maritime security” as agreed to with the US in the recent “Two-Plus-Two” meeting in Washington. Matsumoto also called on China to increase military transparency and asked Yang to ease restrictions on the import of Japanese food products. Following his meeting with Yang, Matsumoto met Vice President Xi Jinping and State Councilor Dai Bingguo.

Turning to the East China Sea, the ministers agreed to work toward the resumption of negotiations to implement the 2008 Japan-China agreement on resource development in the East China Sea, which Beijing suspended following the September 2010 Senkaku incident. Matsumoto called for cooperation in dealing with resource development issues and the creation of a “multilayered crisis management mechanism” to deal with maritime contingencies. However, after the meeting he declined comment on Yang’s reaction to his proposal for a crisis management mechanism.

Finally, the two ministers committed to maintain high-level contacts through frequent visits and to expand cultural ties as well as people-to-people exchanges in recognition of next year’s 40th anniversary of the normalization of relations. On July 7, Japanese and Chinese parliamentarians resumed their annual meeting, which China also suspended following the September 2010 Senkaku incident. Kawabata Tatsuo, chairman of the Lower House Steering Committee, led the Japanese delegation and Li Jianguo led the Chinese delegation.

Commenting on the Yang-Matsumoto talks, the statement released by China’s Foreign Ministry said that “Yang reiterated to Matsumoto that the Diaoyu Island and its affiliated islands are China’s inherent territory” and called on Japan “to work together to create a favorable atmosphere and conditions for implementing the principled consensus on the East China Sea.” Yang also expressed China’s concern “over the China-related issues being raised by the US-Japan military alliance....”

ODA

Shortly after the Matsumoto-Yang meeting, the Kan administration, on July 12, announced a 7.6 percent reduction, approximately 350 million yen, in official development assistance to China in

fiscal year 2012. The cut was far smaller than the drastic cuts previously advocated by former Foreign Minister Maehara Seiji. A Foreign Ministry official explained that deeper cuts had been put off because they “could deteriorate the bilateral relationship despite emerging signs of improvement.”

Senkakus

By mutual agreement, Senkaku/Diaoyutai territorial claims were kept off the agenda at the Trilateral Japan, China, ROK Summit. According to the *Sankei Shimbun*, Tokyo and Beijing refrained from taking up the issue in an effort to improve public sentiment in both countries. On May 18, China’s Foreign Ministry spokesperson said that “sensitive issues should not be made a major topic of discussion at the China-Japan leaders meeting.” Five days after the summit, the Japanese government, on May 27, designated Okinotorishima as a Particular Distant Island/base point for protecting Japan’s Exclusive Economic Zone (EEZ) claims and approved maintenance activities on the island’s western sea wall, anchorage, and temporary road and port facilities. On June 15, Okinawa Gov. Nakai Hiroshi paid a call on Chief Cabinet Secretary Edano and asked the government to strengthen measures to prevent illegal fishing in the area of the Senkakus.

On June 17, Foreign Minister Matsumoto, addressing a *Xinhua* report that a Chinese oceanographic research ship had deployed into the western Pacific through Japan’s EEZ around Okinotorishima on May 16, told reporters that, if true, China had not observed the bilateral agreement for prior notification of such activities and that Japan would be inclined to deal with the matter through diplomatic channels. Chief Cabinet Secretary Edano speculated that the research ship was monitoring radiation emitted from the Fukushima reactor, but made it clear that the government could not countenance such activities within its EEZ and would make every effort to protect Japan’s EEZ and territorial waters. When, on June 23, Tokyo protested through its embassy, Beijing replied in a manner that dismissed Japan’s EEZ claim. Meanwhile, the *China Daily* reported that China would increase the size of its maritime patrol forces from 260 ships to 350 and personnel from 9,000 to 15,000 by 2020.

A Japanese Coast Guard ship confirmed on July 3 that a Chinese fisheries patrol boat was operating in the contiguous zone (22 km outside territorial waters) off the Senkaku Islands. Warned by the coast guard ship against entering Japanese waters, the Chinese ship replied that it was operating appropriately in waters under Chinese jurisdiction and later departed the area. That same morning, 10 boats from an Ishigaki fishery cooperative left port bound for fishing grounds in the Senkaku Islands. Experiencing rough seas, the Ishigaki fishing boats returned to port on July 4. Meanwhile, Beijing asserted its territorial claims and protested the commercial activities as “illegal and invalid.”

In late July, the Japanese Coast Guard again spotted a Chinese fisheries patrol boat operating in Japan’s contiguous zone, marking the 11th confirmed instance of a Chinese patrol boat operating in the contiguous zone since the September 2010 incident. The next day, a Chinese maritime research ship was spotted 60 km north northwest of Uotsuri Island in the Senkakus.

On Aug. 10, Chief Cabinet Secretary Edano told the Upper House Select Committee on Okinawa and the Northern Territories of the government’s commitment to maintain Japan’s effective

control over the Senkakus, and “in the event of an aggression by another country, Japan, at whatever costs, would exercise the right of self-defense and expel the invaders.”

Early on Aug. 24, two Chinese fisheries patrol ships entered Japanese territorial waters in the Senkaku Islands. Despite repeated warnings by Japanese Coast Guard ships, the Chinese boats remained in the area, asserting that they were operating under Chinese law. Later in the morning, they left Japan’s territorial waters but remained in Japan’s contiguous zone until departing later in the day. To protest the incident, Japan’s Vice Minister of Foreign Affairs Sasae Kenichiro called China’s Ambassador Cheng Yonghua to the Foreign Ministry. Sasae made it clear that the islands are Japanese territory and that the actions of the Chinese ships were against the spirit of the mutually beneficial relationship. When Cheng explained China’s position regarding the islands, Sasae reiterated his earlier remarks and asked China to take steps to prevent future incidents. In Beijing, Ambassador Niwa Uichiro called on Assistant Minister of Foreign Affairs Liu Zheming to protest the incident.

Meanwhile, directors of the Lower House Administration Oversight Committee met on Aug. 23 to consider asking the government to approve on-site inspection of the Senkakus to gather information on the island’s ecology and environment and, in the process, strengthen Japan’s claim to sovereignty. On Aug. 31, representatives of both government and opposition parties agreed on the “necessity” of the on-site inspection and to take the proposal to their respective parties for consideration.

Security

On the sidelines of the Shangri-La Dialogue in Singapore, Minister of Defense Kitazawa Toshimi met his Chinese counterpart, Liang Guanglie. They agreed to re-open defense relations, which China had halted since the September 2010 Senkaku incident. They also agreed that the early establishment of a maritime crisis management mechanism was indispensable and that exchange visits of defense officials should be resumed at the earliest possible date.

On June 8, a flotilla of eight Chinese warships transited in international waters between Okinotorishima and Miyakojima for exercises in the western Pacific Ocean. Three Chinese frigates followed on June 9. In Tokyo, the Foreign Ministry noted that because the passage took place in international waters, there was no issue. Commenting on the exercises, Chief of the Joint Staff Gen. Oriki Ryoichi remarked that the PLA Navy had introduced the latest high-tech capabilities, including unmanned aircraft, and that the upgrade in its fighting power was notable.

Minister of Defense Kitawaza met PLA Deputy Chief of Staff Lt. Gen. Ma Xiaotian in Tokyo on July 25. Ma expressed sympathy for the victims of the earthquake and tsunami. Kitazawa, in turn, expressed his appreciation of Ma’s remarks and observed that bilateral relations had been moving forward since normalization “despite some twists and turns.” Ma observed that the fundamental national interests of both countries called for the development of a strategic and mutually beneficial relationship and that military-to-military relations are an “important part” of bilateral relations. They agreed to promote defense exchanges as an important step in the process of building mutual trust and confidence.

On July 26, Lt. Gen. Ma led the Chinese delegation to the Ninth China-Japan Consultation on Defense and Security. The Japanese delegation was led by Administrative Vice Minister of Defense Nakae Kimito. Ma called for “solid efforts to maintain friendship, improve people’s feelings toward each other, handle the sensitive problems properly and strengthen the strategic, mutually beneficial relationship.” Nakae said that Japan was prepared to work with the PLA “to establish better understanding and mutual trust” Both agreed to set up a maritime crisis management mechanism in the East China Sea and to enhance communication and cooperation between defense establishments.

The next day, China’s Ministry of Defense for the first time officially acknowledged reconstruction and refitting of the aircraft carrier, *Varyag*, and that work on the ship had moved to its final stages. The ministry’s spokesperson announced that the *Varyag* would be used for training and research and went on to say that possession of an aircraft carrier would allow China to defend itself and its maritime rights. A *Xinhua* column observed that construction and deployment of aircraft carriers was indispensable to the development of great powers. Reports followed that the *Varyag* would put to sea in the first week of August.

Addressing the aircraft carrier reports, Chief Cabinet Secretary Edano told the media that China’s lack of transparency and military buildup had become matters of concern to the region as well as internationally and that China should clarify the purpose of its air carrier construction and plans for deployment. Earlier, writing in *China Daily*, Rear Adm. (ret.) Yang Yi dismissed the “carping comments” of the Western media over the aircraft carrier as “unwarranted.” He explained that China is “a land-sea power with a very long coastline and maritime rights and interests; it thus needs a strong navy to defend itself.”

Japan’s Ministry of Defense released its *2011 Defense White Paper* on Aug. 2. The report reprised longstanding concerns about China: its lack of transparency, the size of the defense budget, which has increased 70 percent in the past five years, and the pace of its ongoing military modernization program. The document for the first time devoted a section to China’s actions in the South China Sea and China’s “overbearing” conduct there. Meeting with reporters, Defense Minister Kitazawa also expressed concerns about China’s “overbearing” conduct in East Asia, while also expressing hope that outstanding problems could be managed within a framework of friendly relationships.

On Aug. 3, the *People’s Daily* found the use of the word “overbearing” as another example of efforts to stoke the “China threat” debate. The paper noted that Japan’s recent *National Defense Program Guidelines* called for a strengthening of Japan’s defense posture in the southwestern islands and emphasized the China threat to justify its policy decisions. China’s Foreign Ministry spokesperson found the use of the word “irresponsible.” China, he explained, strictly follows the path of peaceful development and that China’s defense and military modernization is “solely to safeguard its own sovereignty, security and territorial integrity, not targeting any country.” He concluded with the hope that Japan “can regard history as a mirror, earnestly reflect on its own defense policy and do more to deepen mutual trust with neighboring countries...”

On the morning of Aug. 10, the aircraft carrier *Varyag* left the Dalian shipyards and put to sea for sea trials, which Japanese media closely followed through Chinese reporting. Drawing on

Xinhua sources, the *Yomiuri Shimbun* reported on the rise in ship and aircraft-related stocks, while the *Sankei Shimbun* speculated on the possibility of take-off and landing drills by aircraft from nearby bases and on 2014 as the date when China's indigenously constructed aircraft carriers would join the fleet. On Aug. 12, Defense Minister Kitazawa told a press conference that "there is no doubt that the move will have a big impact on the region" and went on to say "we will keep a watchful eye on events." At the same time he asked why a carrier, with its mobility and striking power, was necessary and called for transparency with regard to its purpose.

August 15 and Yasukuni

For the second consecutive year, Prime Minister Kan and members of his Cabinet refrained from paying homage at Yasukuni Shrine on the date of Japan's surrender in World War II. But, over 50 members of the Diet from both governing and opposition parties did visit the shrine, as did former Prime Ministers Mori Yoshiro and Abe Shinzo and Tokyo Gov. Ishihara Shintaro. More controversially, Japan's Minister of Finance and now Prime Minister Noda Yoshihiko reiterated his belief that Japan's Class-A war criminals are not, in fact, war criminals and thus posed no impediment to the prime minister visiting Yasukuni Shrine. Asked if he would visit the shrine as prime minister, Noda dodged the question, finding such talk "hypothetical."

Public opinion

On Aug. 11, Japan's public opinion research institute Genron NPO and the *China Times* released the results of their annual joint survey of public opinion. Asked of their impression of China, 78.3 percent of Japanese respondents said it was "not good," an increase of 6.3 percent over 2010. Asked the same question about Japan, 65.9 percent of Chinese respondents replied that it was "not good." The negative responses in both countries are the highest since the joint polling began in 2005.

Outlook

There will be a new prime minister in the Kantei. Whether this will open the door to re-engagement with China and how China will respond to the new government will be of interest over the coming months. While Prime Minister Noda has made some encouraging statements on Japan's future relationship with all Asian neighbors including China, there remains a great deal of concern that both sides will be able to manage fulfillment of their promise to seek win-win solutions to their ongoing disputes.

Chronology of Japan – China Relations

May - August 2011

April 29, 2011: China relaxes tourist restrictions to Japan with the exception of the northeast region of Honshu.

April 30, 2011: *Yomiuri Shimbun* reports that Chinese authorities have approved transit from China of three North Korean refugees protected at the Japanese Consulate in Shenyang for over two years.

May 4, 2011: China's Vice President Xi Jinping meets delegation of Japan-China Parliamentary Union, led by former Foreign Minister Komura Masahiko in the Great Hall of the People.

May 5, 2011: Former Prime Minister Hatoyama Yukio visits China and meets Vice President Xi Jinping; thanks China for assistance extended in response to the Fukushima disaster.

May 8, 2011: *Sankei Shimbun* reports that the Ministry of Defense in conjunction with the new defense guidelines had considered Senkaku-related scenarios.

May 8, 2011: Taiwan dedicates a memorial park to Japanese architect Hatta Yoichi.

May 9, 2011: *Bloomberg* reports Japanese maker of Hello Kitty products, Sanrio, has agreed to partner with Chinese company to open a theme park in eastern Zhejiang.

May 13, 2011: Premier Wen Jiabao meets Keidanren delegation led by Chairman Yonekura Hiromasa; Yonekura meets Foreign Minister Yang Jiechi on May 16.

May 14, 2011: Prime Minister Kan Naoto hosts a meeting of the advisory panel on Japan-China relations at his official residence.

May 16, 2011: Anti-G4 conference, which is opposed to admittance of Japan, Germany, India and Brazil as permanent members of the United Nations Security Council (UNSC), meets in Rome. Participants include China, Italy, and the ROK.

May 19, 2011: Taiwan President Ma Ying-Jeou calls for strengthening of Taiwan-US-Japan ties.

May 21-22, 2011: Prime Minister Kan hosts Trilateral Japan, China, ROK Summit.

May 22, 2011: Japan, China, and ROK business leaders call for the conclusion of a trilateral free trade agreement (FTA.)

May 27, 2011: Japanese government approves maintenance activities on Okinotorishima in support of Japan's Exclusive Economic Zone (EEZ) claims in the Senkakus.

May 29, 2011: Japan, China, ROK tourism officials meet in South Korea.

May 30-June 3, 2011: Delegation from China's National Tourism Administration visits Japan.

May 30, 2011: Dalian court sentences Japanese national to death for importing amphetamines; execution is deferred for two years.

June 1-3, 2011: Japan-China private sector conference on green growth and environmental technology is held in Beijing.

June 4, 2011: Defense Ministers Kitazawa Toshimi and Liang Guanglie meet on the sidelines of Shangri-La Dialogue in Singapore; agree to set up a maritime crisis management mechanism and resume exchange visits of defense officials.

June 8-9, 2011: People's Liberation Army (PLA) Navy warships transit in international waters between Okinotorishima and Miyakojima for an exercise in the western Pacific.

June 9, 2011: Japanese Foreign Ministry releases findings of annual poll of US public opinion; survey finds that China has replaced Japan as most important US partner in Asia.

June 10, 2011: China Defense Minister Liang meets members of Japan's Self-Defense Forces (SDF) in Beijing; they agree to advance defense dialogue.

June 13, 2011: China relaxes restrictions on food imports from Japan.

June 14, 2011: Japanese government declines comment on Hong Kong interview of Chinese fishing boat captain involved in the Senkaku incident; captain alleges Japanese Coast Guard ships rammed his boat and that he suffered injuries when his ship was boarded.

June 15, 2011: Okinawa Gov. Nakai Hiroshi calls on Chief Cabinet Secretary Edano Yukio to request strengthening of measures to protect against illegal fishing.

June 16, 2011: Japan's Taipei Economic and Cultural Representative Office opens exhibition on Sun Yat Sen and Japanese supporters of the 1911 Revolution.

June 17, 2011: Foreign Minister Matsumoto Takeaki and Chief Cabinet Secretary Edano report that a Chinese research ship transited Japan's EEZ without prior notification; government protests on June 23.

June 22, 2011: Okinawa citizens' independent judicial panel recommends indictment of Chinese fishing boat captain involved in the Senkaku incident for damaging Japanese Coast Guard ships; Naha prosecutors last year decided not to indict, citing diplomatic reasons.

June 22-23, 2011: Japan's Director General for Asian and Oceanic Affairs Sugiyama Shinsuke visits Beijing for consultation regarding the Six-Party Talks.

June 23, 2011: Prime Minister Kan attends war memorial service on Okinawa; president of Okinawa Bereaved Families Association encourages Kan to pay homage at Yasakuni Shrine and pray for external peace.

July 3, 2011: Japanese Coast Guard ships confirm Chinese fishing boat is operating in Japan's contiguous zone in the Senkaku Islands.

July 4, 2011: Japanese and Chinese foreign ministers meet in Beijing.

July 6, 2011: Mid-term report of the Ministry of Defense Study Group on Japan's Defense Industry and Technological Base recommends reconsideration of the three principles governing Japan's arms exports.

July 7, 2011: *Xinhua* reports Ministry of Defense officials express concern with Japan's increased air and naval activities in the East China Sea.

July 7, 2011: Japanese and Chinese parliamentarians resume annual meeting in Tokyo.

July 8, 2011: *Yomiuri Shimbun*, citing diplomatic and media sources, reports that China has initiated indigenous construction of an aircraft carrier.

July 12, 2011: Kan government announces a slight reduction in China Official Development Assistance (ODA) program.

July 25, 2011: PLA Deputy Chief of Staff Lt. Gen. Ma Xiaotian visits Japan; meets Minister of Defense Kitazawa and Chief of the Joint Staff Oriki Ryoichi.

July 26, 2011: Lt. Gen. Ma and Administrative Vice Minister of Defense Nakae hold ninth Bilateral Vice-Ministerial Defense and Security Dialogue.

Aug. 2, 2011: Japan's Ministry of Defense issues its *2011 Defense White Paper*.

Aug. 3, 2011: Stone monument in Heilongjiang dedicated to Japanese settlers of Manchuria is defaced by activists related to China Federation for Defending the Daiyou Islands.

Aug. 10, 2011: Director General for Asian and Oceanic Affairs Sugiyama visits Beijing for discussions on resumption of Six-Party Talks.

Aug. 10, 2011: Japan announces relaxation of visa requirements for Chinese tourists.

Aug. 10, 2011: Chief Cabinet Secretary Edano says that in the event of aggression by another country on the Senkakus, Japan will exercise the right of self-defense to repel invaders.

Aug. 10-14, 2011: China's aircraft carrier *Varyag* undergoes its first sea trials.

Aug. 11, 2011: Japanese Coast Guard releases new footage of September 2010 Senkaku incident; shows several fishing boats, including one that appears to attempt to cut off pursuit by Coast Guard ships.

Aug. 11, 2011: Genron NPO and *China Times* release annual joint public opinion survey; results show continued deterioration in Japanese views of China and Chinese views of Japan.

Aug. 12, 2011: Defense Minister Kitazawa questions necessity of China's aircraft carrier.

Aug. 14, 2011: Exhibition panel dedicated to comfort women opens in Beijing's Memorial Hall of the Chinese People's War of Resistance against Japan; the section was developed by Japanese civic associations and scholars who supplied approximately 500 documents and photographs.

Aug. 15, 2011: Prime Minister Kan and Cabinet for second consecutive year do not pay homage at Yasukuni Shrine. Kan attends ceremonies for the war dead at Chidorigafuchi cemetery.

Aug. 15, 2011: Finance Minister Noda Yoshihiko tells reporters Class A war criminals are not in fact war criminals.

Aug. 16-19, 2011: Japan's Ambassador to China Uichiro Niwa visits Tibet.

Aug. 17, 2011: JETRO announces that Japan-China trade for January-June 2011 grew at rate of 17.9 percent over 2010 to \$163.15 billion, a new record for the period.

Aug. 21, 2011: *Kyodo News* reports that Chinese prize-winning motion picture on the Nanjing Massacre will be shown in Tokyo.

Aug. 23, 2011: Directors of the Lower House Administration Oversight Committee meet to consider asking the government to approve on-site inspection of the Senkakus.

Aug. 4, 2011: Chinese fisheries patrol ships enter Japanese territorial waters in Senkaku Islands.

Aug. 25, 2011: Japan and China agree on joint program to prevent illegal logging.

Aug. 26, 2011: Japan's National Police Agency alleges that 90 percent of the July 10 attacks on the Agency's website originated from China and that Beijing has been asked to investigate.

Aug. 26, 2011: Kan Naoto resigns as prime minister.

Aug. 30, 2011: Noda Yoshihiko is confirmed in the Diet as Japan's sixth new prime minister in five years, replacing outgoing Kan Naoto who resigned on Aug. 26.

Aug. 31, 2011: Representatives of both government and opposition parties in Japan agree on the "necessity" of on-site inspections in the Senkakus.



**Japan-Korea Relations:
Reality or Symbolism in the Relationship**

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

South Korea and Japan are neighbors that are advanced, technologically sophisticated capitalist economies with capable and well-educated populations, and are fully consolidated liberal democracies. They share an alliance with the US, and generally view themselves as stalwart regional allies. As has been the case for many years, relations between them during the past four months were relatively stable, with increasingly deep economic relations, voluminous cultural flows, and general agreement on a strategy of isolation toward North Korea. They also share a tendency to provoke each other over their shared history and the ownership of several islets that sit between them. When this happens, the media goes into a frenzy, breathlessly reporting the latest incident. But which is reality? Do the historical disputes meaningfully affect their bilateral relations? On the one hand, yes: they could cooperate more closely on issues such as military coordination and a free-trade agreement. On the other hand, no: it's not at all clear that historical issues are holding up cooperation and relations are deeper across a range of issues.

Unfortunately, relations between Japan and the Republic of Korea (ROK) over the summer were portrayed by the media in both countries as punctuated by that familiar spirit of: "give me _____ (insert Dokdo or Takeshima) or give me death!" But, what else was occurring while the media with its steadfast attraction to sensational stories provided immense coverage of South Korea's denial of entry for the three Japanese lawmakers intent on visiting Ullengdo (near the contested island of Dokdo/Takeshima) at Gimpo airport in early August? Coverage of the political sparring occurred at the expense of shedding light on other issues that deserved as much attention, if not more. Although we have no clear answer as to whether the disputes are real or symbolic, we choose to focus on other events between Korea and Japan that received far less attention, but may be more meaningful in moving the relationship forward.

The League of Extraordinary Gentlemen?

The League of Extraordinary Gentlemen is a comic book series written by Alan Moore and illustrated by Kevin O'Neill, published beginning in 1999. Set in the late 1890s, the series follows a cast of characters who join together into a single team to save the world from impending ruin. While perhaps not quite as dramatic, Japan-Korea relations witnessed something similar on July 23, when the *League of Korea-Japan Female Lawmakers* met in Seoul for the second time since its inauguration in 2010. The 17 Korean lawmakers included Na Kyung-won from the ruling Grand National Party (and also the chairwoman of the 2013 Special Olympics Committee), Shin Nak-kyun of the main opposition Democratic Party, Lee Young-ae from the Liberty Forward Party, and Kim Eul-dong and Kim Hye-seong of Future Hope Alliance. From Japan, Ishige Eiko (House of Representatives, Tokyo PR Bloc), Nakabayashi Mieko (House of

Representatives, Kanagawa No. 1), Fujita Kazue (House of Representatives, Fukuoka No. 3) from the Democratic Party of Japan (DPJ) participated, alongside Furuya Noriko (House of Representatives, South Kanto) from the New Komeito Party (NKP), and Mitsuei Konde of the Liberal Democratic Party of Japan (LDP). According to lawmaker Kim Hye-seong's official website, session 1 focused on the status and future tasks of improving the presence of women in politics in both South Korea and Japan and session 2 focused on bilateral cooperation in conjunction with improving women's presence in politics. Despite the cross-cutting of domestic and inter-state political affiliations, the event did not inspire any other English-language articles or produce a single hit on LexisNexis. Could a female league be an avenue for overcoming the historical distrust between the two sides and create new momentum for cooperation?

In June, a month prior to the meeting, the Japanese Cabinet approved the White Paper on Gender Equality – an annual report published in accordance with the Basic Act for a Gender-Equal Society. The statistics outlined in the report left much to be desired: women make up 11.3 percent of Lower House members (ranking 121st out of 186 nations in terms of female presence in Parliament), and 1 percent of corporate leaders in Japan, or 515 out of 42,000 executives in roughly 3,600 listed companies. In Asia, Nepal ranked the highest in terms of the presence of female lawmakers at 33.2 percent, followed by South Korea at 14.7 percent. The *Nikkei Weekly* ran an editorial on Aug. 29 by Iwata Miyo, in part congratulating the Japanese women's national soccer team and its latest win in the 2011 World Cup and, in part, lamenting the fact that women are still marginalized in Japanese society.

Perhaps there is hope for ROK-Japan cooperation between the female lawmakers to work as a mechanism in not only improving the status of women in general, but mitigating the political fighting that so often hijacks the inter-state relationship. Given the weak leadership in Japan, an improved standing for female lawmakers may also serve as a breath of fresh air. It would be a mistake to think that the league could become an “epistemic community” that transcends the concept of national interest, but unburdening the bilateral relationship by forging a new solidarity based on different links such as gender while keeping within the confines of high politics is certainly a road not often taken.

The transition from *inter-connectedness* to *inter-dependence*

As we noted above, the economic aspect of bilateral relations has often represented an odd disembodiment from the rest of the relationship; economic interests have run almost on their own momentum as if shielded from the more ugly side of politics. The summer of 2011 evidenced this very wisdom. *Asahi Shimbun* reported there were plans for a joint venture company – LG-Hitachi Water Solutions Co., Ltd. – to be launched in October 2011, with LGE providing 51 percent of the capital while Hitachi Plant Technologies would contribute 49 percent. The company would focus on manufacturing and sales of water treatment equipment, including research and development of water treatment technology. Additionally, the joint venture plans to branch out to water-related businesses in other countries, thereby signaling its intent to be greater (more globalized) than simply the sum of its parts (of Korea and Japan).

Similarly, in July, *Asahi Shimbun* reported that Toshiba Corp., with the world's second-largest market share in flash-memory chips, and Hynix Semiconductor Inc., the world's second-largest

maker of dynamic random access memory (DRAM) chips, have joined hands to jointly develop next-generation memory devices (MRAM). Shortly thereafter, *DongA Ilbo* ran an article announcing that the state-run Japanese Science and Technology Agency decided to sell Samsung Electronics its patented technology of a new semiconductor that had been produced with the aid of government subsidies. The significance of this move is this: it seemed atypical for Tokyo to sell a core next-generation technology to a Korean company ahead of other Japanese rivals in the sector.

Nevertheless, the media has for the most part glossed over the fact that it has been over a decade since first talk of a ROK-Japan Free Trade Agreement (FTA) emerged. It was back in 1998, when President Kim Dae-jung paid a visit to Japan, which culminated in “The Joint Declaration of the New ROK-Japan Partnership for the 21st Century,” and sowed the seed for talks on prospects of a bilateral FTA. Subsequently, an ROK-Japan Joint Study Group was established in July 2002 to appraise the possibility of a Japan-Korea Free Trade Agreement (JKFTA). Official negotiations began in December 2003, but stalled due to differences over manufacturing and agriculture, only to be revived in 2008 in the form of working-level meetings. In May 2011, head of the ROK Trade Ministry’s FTA Negotiations Bureau Lee Yun-young met Director General of the Japanese Ministry of Foreign Affairs’ Economic Affairs Bureau Yagi Takeshi in Seoul to continue the FTA talks.

What will come out of the May talks is uncertain, but the attention garnered by the ROK-Japan FTA pales in comparison to that claimed by the Republic of Korea-United States Free Trade Agreement (KORUS FTA). Yet findings regarding the potential economic effects of a JKFTA are impressive. For instance, the 2003 JKFTA Joint Study Group Report (available for download from the Ministry of Foreign Affairs of Japan website), based on findings by the Korea Institute for International Economic Policy (KIEP) and Japan’s Institute of Developing Economics (IDE), reported static effects (direct economic effects resulting from the elimination of tariffs and quotas on all bilateral trade) in Gross Domestic Product (GDP) increase for South Korea as high as 0.06 percent, and 0.04 percent for Japan. The dynamic effects (indirect long-term economic effects on other parts of the economy) were posited to increase the GDP for South Korea by 8.67 percent and 10.44 percent for Japan. If the report is correct in stating that the integration of the two economies through an FTA would account for virtually 17 percent of total global GDP with a combined population of 170 million, the JKFTA would represent a vital part of transitioning the two countries from mere inter-connectedness to inter-dependence. Unfortunately, bilateral FTA talks in May within the framework of the larger topic lacked the sensationalism needed to catch the attention of the media.

In contrast, the launch of the Korea, China, Japan Economic and Trade Forum in June was much more successful in getting the media’s eye. The forum was established by the Korea International Trade Association (KITA), the China Center for International Economic Exchanges, and the Japan-China Organization for Business, Academia & Government Partnership, to build a private foundation for the early conclusion of FTAs among the three countries and to conduct cooperative projects aimed at economic integration in the region. An article in the *Journal of Korea Trade* (Vol. 13, No. 1 February 2009: 45-64) titled, “A CGE Analysis of Free Trade Agreements among China, Japan, and Korea” makes an interesting assessment of the GDP and social welfare impacts of each different pairing of FTAs. According to the authors, the ranking of

FTAs in order of GDP effects accorded to South Korea from highest to lowest is Korea-China (2.8), China-Japan-Korea (2.53), Korea-Japan (0.32), and China-Japan (-0.59). For China, the China-Japan-Korea (0.6) FTA ranks highest, followed by Korea-China and China-Japan (0.34), and Korea-Japan (-0.07); for Japan, the order is China-Japan-Korea (0.99), China-Japan (0.87), Korea-Japan (0.22), and Korea-China (-0.1). The impact on social welfare reveals that the ranking for each country does not change, with the China-Japan-Korea trilateral FTA estimated to produce the greatest results for each country. In the end, the empirical results combined with the significance of the geopolitical implications of such economic integration have muted the importance of the ROK-Japan FTA.

Then came the quibbling...

In turning our initial question around and asking what had been said many times before that could be said again during the summer months, leads to the diplomatic spat between Seoul and Tokyo over territory. The first source that ignited the argument was a May 25, 2011 *Asahi Shimbun* report that Japanese Ambassador to South Korea Muto Masatoshi had lodged a protest with Park Suk-hwa, first vice minister of South Korea's Ministry of Foreign Affairs and Trade, over the visit by three South Korean lawmakers to the disputed Kuril Islands, which occurred with the permission of the Russian government. The debate soon moved to the territorial space of Dokdo/Takeshima when the Japanese government instructed its officials to boycott *Korean Air* for a month starting July 18 in response to the carrier's July 16 inauguration of its newly-purchased A380 jumbo jet with a flight over Dokdo/Takeshima. This marked the first such boycott of a specific carrier by the Japanese government. Moreover, a group of Japanese lawmakers also announced plans to travel to Ulleungdo to reinforce Japan's claims to the contested territory. In response, the South Korean government announced plans to use Dokdo to hold a general meeting of the National Assembly's Special Committee on Measures for the Safeguarding of Territory. (This was later cancelled due to inclement weather.)

The climax came at the end of July when a right-wing professor of Takushoku University was denied entry by South Korean immigration officials at Incheon International Airport, due to the local justice ministry's disapproval of his visit. On Aug. 1, the three lawmakers from Japan's conservative Liberal Democratic Party (LDP) planning to visit Ullengdo were denied entry by South Korean immigration officials at Gimpo International Airport. The release of Japan's 2011 *Defense White Paper* claiming Dokdo/Takeshima as its territory solidified the peevish mood in both Seoul and Tokyo. Conservative newspapers of both states joined in the sparring. The Aug. 4 *Yomiuri Shimbun* ran an editorial titled, "South Korea Goes Overboard in Denying Lawmakers Entry," describing a reverse situation wherein Seoul would not have tolerated such a denial of entry by the Japanese. The *Chosun Ilbo* released an editorial on the same day headlined, "Japanese Lawmakers' Dokdo Mission Inspires Copycats," highlighting that after the airport fiasco, LDP lawmakers Hirasawa Katsuei and Shimomura Hakubun had pledged to visit Ulleungdo in September.

In a rare moment of agreement, North Korea conveniently sided with the South in denouncing the Japanese actions. On July 30, *KCTV*, broadcast by the DPRK's Committee for the Peaceful Reunification of the Fatherland, castigated Tokyo's punitive measures against *Korean Air* and the Japanese lawmakers' plans to visit Ulleungdo. An Aug. 5 editorial in *Korean Central News*

Agency (KCNA) lambasted Japan for its efforts to claim Dokdo as part of its own territory, while the North's official website, *Uriminzokkiri*, branded the Japanese lawmakers "a shameless bunch" and called for a "unified force" against Japan's claims to the disputed islands. Pyongyang did, however, also unleash its fury at South Korea, with the DPRK's Committee for the Peaceful Reunification of the Fatherland emphasizing the "incompetence" of Seoul in dealing with Tokyo's "treacherous behavior." Nevertheless, Pyongyang's scathing commentary of Tokyo's conduct regarding the territory of Dokdo/Takeshima stood out in an overall low-key period for the two countries. The only other notable interaction occurred in July on the sidelines of the Association of Southeast Asian Nations (ASEAN) Regional Forum in Bali, when Japan refuted claims by the DPRK that the issue of abduction of Japanese nationals was already settled.

Unfortunately, the territorial spat underscored the issue-linkage that plagues ROK-Japan relations. Instead of functioning as a mechanism to enhance the probability of joint settlement, issue-linkage – especially when adopted in the context of contested territory or history – has become a habitual deal-breaker. When parts of the South Korean citizenry started framing the attempted Japanese lawmakers' visit to Ulleungdo as subverting the prior assistance given by South Korea to Japan during its time of need a couple months back, the spirit in which the initial humanitarian aid was given became tarnished by the politics of unfortunate issue-linkage. Regardless of whether compartmentalization of different agendas is the optimal course for ROK-Japan relations, President Lee Myung-bak stated in a policy address that "South Korea should ... try to foster a future-oriented relationship [with Japan] with a pragmatic attitude. Historical truth must not be ignored, but we can no longer afford to give up our future relations due to disputes over the past." (quoted from a cable from the US Embassy in Seoul to the Department of State, dated Jan. 12, 2009). Hope is so often accompanied by disappointment.

Loose lips sink ships?

Speaking of hope, Noda Yoshihiko has been elected as the new prime minister and head of the ruling Democratic Party of Japan (DPJ). Instead of making predictions about what this means for ROK-Japan bilateral relations, what has not yet been said about the new development is what had already been said about Noda *prior to* his new-found position at the helm of the DPJ.

South Korean media latched onto what they saw as Noda's inappropriate and somewhat brash remarks about Korea's policies. Towards the end of 2010 in October and November, there was a cluster of articles pointing to Noda's criticism of South Korea for allegations of currency manipulation and his intent to question Seoul's leadership as the host of the G20 Summit. *Yonhap News* also ran stories about Noda's blaming China for its policies and their contribution to the appreciation of the Yen.

Many articles were simply reporting the facts as they related to Noda's role as the finance minister, but there were also articles in the Japanese media cautioning Noda for his "slip of the tongue." For instance, the Aug. 18 *Asahi Shimbun* carried an editorial titled "Noda Should Watch His Mouth," referencing his recent re-affirmation at a news conference that the Class-A war criminals interred at the Yasukuni Shrine were no longer war criminals. The editorial admonished Noda and stated that "Noda is off the mark. What he says does nothing but unnecessarily hurt the feelings of many people, both Japanese and foreign, whose relatives were killed in the war ... If

he becomes prime minister, he will have to speak about Japan's past as the representative of our nation. He needs to exercise discretion in both action and words." Hopefully, the past will not be a gauge for what is to come.

There is almost nothing to write about Japan-North Korea relations in these past four months, because there has been virtually no movement in their relationship. Japanese politicians continue to state that resolution of the abduction question must precede any change in Japan's current policy of isolation and sanctions, while the North Koreans continue to claim that they have concluded the issue.

The end of 2011 could prove to be interesting, as the new Japanese government attempts to formulate domestic and foreign policies in the face of enormous challenges. As South Koreans begin to look to the 2012 presidential election, new voices will emerge, and there may be a different look to the ruling GNP as it prepares for what appears to be a difficult campaign season. North Korea, of course, remains a problem with little change in policy in sight. With the world perhaps facing another financial crisis, Korea-Japan relations in the final months of 2011 promise to be interesting.

Chronology of Japan-Korea Relations **May – August 2011**

May 4, 2011: *Yonhap* confirms that North Korea will take legal action against two Japanese citizens detained since March 14 on charges of drug trafficking and counterfeit activities. The men were initially arrested after entering Rason City in the North's special economic zone.

May 9, 2011: South Korea and Japan hold director general-level talks on a free trade agreement in Seoul, the second of the kind since the first round of talks in Tokyo on Sept. 16, 2010.

May 11, 2011: Seoul's Six-Party Talks envoy Wi Sung-lac and Japanese counterpart Sugiyama Shinsuke meet and agree to a "three-step process" in resuming the Six-Party Talks, recognizing the need for preliminary talks between Seoul and Pyongyang.

May 18, 2011: *The Daily NK* reports the announcement by the Japanese consulate in Shenyang that it will no longer protect North Korean defectors following a demand by China to stop.

May 20, 2011: Japan's Ministry of Finance announces that Seoul and Tokyo have reached an agreement to mutually recognize the Authorized Economic Operator (AEO) system. This means that the AEO status of economic operators will be taken into account during the security risk assessment procedure by Japanese and South Korean customs authorities. For Japan, South Korea marks the fifth such partner, following New Zealand, US, European Union, and Canada.

May 21-22, 2011: The fourth Trilateral Japan-China-South Korea Summit is held in Tokyo. Issues addressed in the declaration include multilateral cooperation on disaster management and nuclear safety, economic growth, and environmentally sustainable development.

May 25, 2011: *Asahi Shimbun* announces that the Japanese Ambassador to South Korea Muto

Masatoshi lodged a protest with Park Suk-hwa, first vice minister of South Korean Foreign Affairs and Trade, over the visit by three South Korean lawmakers to the disputed Kuril Islands, which occurred with the permission of the Russian government.

May 25, 2011: *Asahi Shimbun* reports that Japanese Foreign Minister Matsumoto Takeaki lodged a formal protest against the May 25 visit of South Korea's Minister of Gender Equality and Family Paik Hee-young to the disputed islands of Dokdo/Takeshima.

May 27, 2011: According to *DongA Ilbo*, the Upper House in the Japanese Diet has ratified an agreement on the return of ancient Korean texts to Seoul with a vote of 145-86. This comes a month after the Lower House passed the bill.

May 29, 2011: *Yonhap News* cites a May 19 article by *The Nikkei* concerning an agreement to establish a joint South Korea-Japan investment fund for financing Asian television programming (to be launched in June) dubbed the "Asia Content Fund."

June 3, 2011: *JoongAng Daily* reports on the first Korea-China-Japan Economic and Trade Forum, held in Seoul. The forum included Oh Young-ho, vice chairman of the Korea International Trade Association (KITA), Bi Jiyao, director of the Foreign Economic Institute (Academy of Macroeconomics) from China, and Shinji Fukukawa, president of the Japan China Organization for Business, Academia & Government Partnership from Japan.

June 10, 2011: *Yonhap News* reports that the ROK-Japan bilateral agreement for the return of ancient Korean texts from Japan has come into force, roughly seven months after the initial signing of the accord.

June 28, 2011: Son Hak-gyu, leader of the South Korean Democratic Party, meets Japanese Prime Minister Kan Naoto at his official residence in Tokyo.

June 28, 2011: *Korean Central News Agency (KCNA)* lambastes Japan for participating in the Korean War by helping the US with supplies and forces to keep the war going, demanding an apology for the "sin" committed.

July 7, 2011: According to the *Mainichi Shimbun*, Japan is willing to allow Chang Ung, a North Korean member of the International Olympic Committee (IOC), entry into Tokyo for an Olympic Council of Asia meeting. This marks an exception to Tokyo's ban on entry by North Korean nationals since October 2006, in protest of Pyongyang's nuclear test.

July 11, 2011: *Asahi Shimbun* reports that South Korea's LG Electronics Inc., and Japan's Hitachi Plant Technologies Ltd., have agreed to establish a joint venture in the water business.

July 13, 2011: *Kyodo News* cites a new agreement forged between Japan's Toshiba Corporation and South Korea's Hynix Semiconductor Inc. to jointly develop a new type of memory chip known as MRAM.

July 14, 2011: According to *Asahi Shimbun*, the Japanese government has instructed its officials to boycott Korean Air for a month in response to the carrier's inauguration of its newly purchased A380 jumbo jet with a flight over Dokdo/Takeshima.

July 19, 2011: Several South Korean groups protest in front of the Japanese embassy in Seoul, demanding the immediate cancellation of the intended visit to Ulleungdo by Japanese lawmakers and vowing to continue daily demonstrations until Aug. 2. Meanwhile, the South Korean government announces its plans to use Dokdo to hold a general meeting of the National Assembly's Special Committee on Measures for the Safeguarding of Territory.

July 20, 2011: *Donga Ilbo* reports that the state-run Japanese Science and Technology Agency has agreed to sell Samsung Electronics its patented technology of a new semiconductor, paving the way for Samsung to create large displays with resolutions up to 10 times greater than existing products.

July 21, 2011: *Kyodo News* reports that the Tokyo District Court has rejected a suit filed by South Korean plaintiffs in which they called for the removal of the names of their deceased relatives from the list of those enshrined at the Yasukuni Shrine.

July 22, 2011: Hyundai Steel, South Korea's second-biggest steelmaker, announces that it expects to secure orders from three to four Japanese shipbuilders in the second half of 2011.

July 22, 2011: Jin Air, a low-cost Korean airline, celebrates the inauguration of its first route into Japan, connecting Incheon and Sapporo.

July 23, 2011: The League of Korea-Japan Female Lawmakers meets in Seoul, Korea. The league is chaired by Na Kyung-won, a former Grand National Party (GNP) spokeswoman. This marks the second such gathering since its inaugural meeting in 2010.

July 23, 2011: *Kyodo News* reports that Japan, at the 18th ASEAN Regional Forum (ARF) in Indonesia, refutes North Korea's claim that the Japanese abduction issue has been settled.

July 24, 2011: *Yonhap News* announces ROK Foreign Minister Kim-Sung-hwan met Japanese counterpart Matsumoto Takeaki on the sidelines of ASEAN-related meetings in Indonesia and expressed "strong" regret over Japan's punitive actions taken against Korean Air in mid-July.

July 31, 2011: A right-wing professor of Takushoku University is denied entry by South Korean immigration officials at Incheon International Airport, due to the local justice ministry's disapproval of his visit.

Aug. 1, 2011: Three lawmakers from Japan's Liberal Democratic Party (LDP) are denied entry by South Korean immigration officials at Gimpo International Airport. Japanese Foreign Minister Matsumoto Takeaki summons South Korean Ambassador to Japan Shin Kak-Soo to lodge a protest.

Aug. 2, 2011: The *Mainichi Shimbun* reports that the South Korean Foreign Ministry has summoned Kanehara Nobukatsu, a diplomatic minister at the Japanese embassy, to protest Japan's claim to Dokdo/Takeshima in its newly-released *2011 Defense White Paper*.

Aug. 3, 2011: According to the *Chosun Ilbo*, Japanese LDP members, Hirasawa Katsuei and Shimomura Hakubun, pledged to visit Ulleungdo in September after the closing of the regular session of the Diet.

Aug. 5, 2011: An editorial in *Korean Central News Agency (KCNA)* lambastes Japan for its efforts to claim Dokdo/Takeshima as part of its own territory.

Aug. 7, 2011: *Chosun Ilbo* reports that roughly 500 demonstrators gathered around *Fuji TV* headquarters in Tokyo, to protest broadcasts of Korean TV dramas.

Aug. 8, 2011: South Korea protests the decision by the US maritime boundary agency to notify the International Hydrographic Organization (IHO) to only back usage of "Sea of Japan," which South Korea calls the "East Sea."

Aug. 12, 2011: The meeting of the National Assembly's Special Committee on Measures for the Safeguarding of Territory scheduled to be held on Dokdo is postponed due to inclement weather.

Aug. 14, 2011: *Yonhap News* reports that South Korea has conducted two military drills aimed at protecting the islets of Dokdo/Takeshima in 2011.

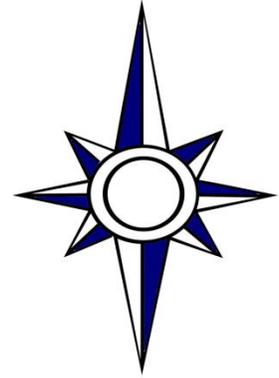
Aug. 21, 2011: A second anti-Hallyu ('Korean Wave') demonstration is held in front of *Fuji TV* headquarters in Tokyo. The *Hankyoreh* reports participation by roughly 6,000 people.

August 31, 2011: The Japanese Parliament elects Noda Yoshihiko new head of the Democratic Party of Japan (DPJ), as prime minister, sparking concern from South Korea over his views regarding Japanese Class A war criminals.

Aug. 31- Sept. 2, 2011: The sixth joint study meeting on a Free Trade Agreement (FTA) among South Korea, Japan and China is held in the northeastern Chinese city of Changchung.

Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



China-Russia Relations: Politics of Two Anniversaries

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The summer of 2011 marked two anniversaries for China and Russia. In June, the Shanghai Cooperation Organization (SCO) celebrated its 10th anniversary at the annual SCO Summit in Astana, Kazakhstan. Over the past 10 years, the regional security group has grown fed by its “twin engines” of Russia and China. Immediately following the SCO Summit, President Hu Jintao traveled to Moscow, marking the 10th anniversary of the signing of the Friendship Treaty between Russia and China. There was much to celebrate as Moscow, Beijing, and the SCO have achieved stability, security, and sustained economic development in a world riddled with revolutions, chaos, crises, and another major economic downturn. The two anniversaries were also a time to pause and think about “next steps.” While the SCO is having “growing pains,” China and Russia have elevated their “strategic partnership relations” to a “comprehensive strategic cooperation and partnership.”

SCO 10 years on

On June 14-15 in the Kazakh capital of Astana, the SCO celebrated its 10th anniversary while holding its 11th annual summit. There are plenty of reasons for the SCO to celebrate at this moment. Starting with six original members (China, Russia, Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan) in June 2001, the regional organization has reached out to include four observer states (Mongolia, Iran, India, and Pakistan), two “dialogue partners” (Belarus and Sri Lanka) and an Afghan “liaison group.” The formal SCO member states occupy a territory of around 30 million sq. km, which makes up three-fifths of the Eurasian continent, and have a population of 1.5 billion, which makes up a quarter of the planet’s population. If observer and dialogue members are included, the SCO represents about half the world’s population on the bulk of the Eurasian continent. Physical setting aside, the SCO has been well entrenched with growing influence in the region.

In Astana, the heads of state of its member states reportedly held “in-depth exchanges” regarding the past, present, and future of the SCO, as well as key regional and global issues. They believe the SCO has passed its infancy and will further mature. Specifically, it has become an effective mechanism for maintaining security and promoting socio-economic development, despite sea changes in the region. The leaders pledged to continue fortifying their time-honored bond as “Silk Road partners,” to bring more benefits to their over 1.5 billion people and to make new contributions to world peace and development. Still, security and economics topped the agenda in Astana, against the backdrop of a general state of instability and chaos in both North Africa and Western Asia. The much-anticipated phased withdrawal of the US from Afghanistan also

was seen as influencing the security outlook for the region. There was a consensus in the SCO that what is happening in North Africa and Western Asia should not occur in Central Asia.

Several secondary documents were inked in Astana in the areas of health care cooperation, and combating drugs; the most important document signed was the 10-part Astana Declaration. The Declaration provides a general assessment of the SCO's performance in its first decade (Parts 1 and 2) and its prospects for the next decade. Parts 3-6 deal with global and intra-regional issues. While reiterating the SCO's traditional functions of combating terrorism, separatism, and extremism, Part 7 identifies drug-related crimes, internet security, Afghanistan, and socio-economic conditions as giving rise to terrorism and extremism. The last three parts are devoted to economic, social, and cultural development of the SCO. The general tone is rather sober in assessing the first 10 years. The bulk of the document focuses on current challenges and future trajectory of the organization.

Beijing's newfound interest in security

For quite some time, there seems to have been a tacit division of labor between Moscow and Beijing. While the former has had more leverage in the area of security, the latter has been expected to do more in the economic area. This general pattern of behavior, however, may not continue. In Astana, China took the SCO presidency for 2011-12 and while suggesting this would be the SCO's "Year of Good-Neighborliness and Friendship," there are strong signs that China is ready to prioritize security and stability.

In his speech at the summit, President Hu Jintao called for strengthening the SCO's ability to defend against real threats and ensure lasting peace and stability. "We should grasp core issues and key factors affecting the region's security, and we should build a more perfect security cooperation system. We should improve the organization's operational capability and its ability to make rapid response," said Hu. "We should relentlessly crack down on the 'three forces' of drug smuggling, and transnational organized crimes. We should hold joint anti-terror military exercises on a regular basis."

Hu's emphasis on security issues is not just rhetoric. In early May, China, Kyrgyzstan, and Tajikistan conducted a joint anti-terror drill, codenamed *Tianshan-II*, in Kashi (Kashgar) located in China's Xinjiang Autonomous Region. The last time such a drill was held was in 2006. China hosted the first-ever meeting of SCO military chiefs in late April. When Vice President Xi Jinping met them in Beijing, he used the phrase "defense and security cooperation," which is a significant departure from the more frequently used term "security" by Chinese officials. Although the two terms are related, "security" largely means internal affairs, while "defense" is externally oriented.

In late May, China's military reiterated that it was ready to further strengthen the SCO against terrorism and other security threats. At a regular press conference, Chinese Defense Ministry spokesman Geng Yansheng said that "China is willing to continue stepping up its exchange and cooperation with the other [SCO] member countries in terms of defense and security, on the basis of mutual trust and reciprocity, and make joint efforts with them to improve our ability to combat the 'three evil forces' (of terrorism, separatism and extremism) and other new threats and

challenges and create peaceful and stable environment for the country's development and people's livelihoods."

During the SCO Summit, China's official *Xinhua News Agency* published an article titled "SCO's 10-year Path: Defense and Security Are Crucial." The writer attributed the origins, evolution, and success of the SCO to the devotion of the organization to the security issues confronting its members and the region in the previous decade. "The origins of the SCO were the common need for security," said the *Xinhua* piece. "With the huge impact resulting from the collapse of the bipolarity of the world, the issue of security and cooperation badly needed new institutions and perspectives. In both Eurasia and the world, there has been a huge increase of nontraditional and cross-border crimes such as terrorism, separatism and extremism, drug trafficking, illegal immigration and cross-border crimes. Under these circumstances, the SCO, which makes regional peace and stability its priority, came to the forefront." It just so happened that 9/11 occurred three months after the SCO's founding, which testified to the timely and precise decision to create the SCO.

In the next few years, the SCO adopted a charter (2002) with a clear dedication to safeguarding regional security, set up a Secretariat in Beijing and its Regional Counter-Terrorism Structure (RCTS) in Tashkent, Uzbekistan (2004) to coordinate anti-terrorist activities, and signed the "Treaty on Long-Term good-Neighborliness, Friendship and Cooperation" for the SCO states (2007). Perhaps the most significant security-related achievement of the SCO was the complete resolution of disputes along its 3,000 km of borders, which had been the main source of centuries-long instability and conflict in the region. Over the years, the SCO conducted seven large bilateral or multilateral military exercises. It successfully provided security services to international events including the 2008 Beijing Olympics, 2010 Shanghai Expo, 2010 Guangzhou Asian Game, 2010 Moscow V-E Day and the 2011 Astana-Almaty Asian Winter Games. "The SCO has significantly narrowed the space of terrorism, which is more important than catching and eliminating a few terrorists or terror groups," argued Zhang Deguang, the SCO's first secretary general.

Beijing's newfound interest in SCO defense and security issues should not be a surprise for several reasons. One is the pending withdrawal from Afghanistan by the US military. Though "phased," it is unlikely to stabilize the war-torn country, and the growing insurgency in Afghanistan is sure to have a spillover effect on its neighbors. A more proactive approach is needed. Moreover, the past decade has witnessed China's growing economic presence in Central Asia, where thousands of kilometers of oil and gas pipelines are vulnerable to sabotage. Since early 2011, Beijing has watched as its economic holdings evaporated in many parts of the Arab world and North Africa. If the SCO is to avoid such a consequence, its member states must improve the current security mechanism. Last but not least, Russia seems more interested in maintaining its own security assets in the region through occasional unilateral actions as seen in its decision to provide transit routes for US and NATO supplies. In addition, the Collective Security Treaty Organization (CSTO), which has overlapping membership with the SCO (Kazakhstan, Kyrgyzstan, Russia, Tajikistan and Uzbekistan), has proven to be ineffective despite the creation of its Collective Rapid Reaction Forces in early 2009. In October 2007, the SCO and CSTO signed an agreement to broaden cooperation on security issues, however, their interaction remains ad hoc. In other words, CSTO cannot be counted on for the security needs of

the SCO. Given these developments in the midst of the “Arab Spring,” China’s concern regarding security and defense is also shared by other SCO members.

Beijing’s growing interest in SCO defense and security issues is still in transition. For example, Assistant Foreign Minister Cheng Guoping used the term “security” without “defense” in his talk to the press on June 15 when the SCO heads of state were meeting in Astana. He also chose to put the issue of development ahead of security. Regarding security, Cheng promised that China would handle the issue “within the existing security mechanism, i.e., on the basis of SCO “consulting mechanisms” such as the Council of Security Secretaries and the Council of Internal Ministers. Cheng also identified the Russia-dominated Commonwealth of Independent States (CIS) and CSTO as being involved in regional stability.

It is still the economy, stupid

China’s growing interest in the SCO’s security does not mean a sharp priority shift. Security and development remain the “twin engines” for the health of the regional group. If anything, China’s growing interest in security suggests a more balanced approach in managing SCO affairs as China’s economic involvement has surged in the past decade. In 2010, China’s trade volume with other member states was eight times greater than it was in 2000, reaching \$83.97 billion. Sino-Russian trade increased five times compared with 2000, reaching \$55.45 billion, and China has now become Russia’s biggest trade partner. China’s trade with central Asian countries has increased at an average annual rate of about 40 percent; in 2010, it was 14.81 times higher than it was in 2000, reaching \$28.52 billion. In the first 10 years of the SCO, China provided favorable loans worth more than \$12 billion to other SCO member states for economic development.

Moscow and some other Central Asian countries perceive these impressive economic figures quite differently. On the day of the SCO Summit, presidential aide Sergei Prikhodko said that Russia did not perceive China’s financial and economic activities on the territories of other SCO members as a threat to its interests and hoped that China would be more flexible in its credit, indicating a complex feeling about the relationship between China and other SCO members. The *Moscow Kommersant*, an online pro-Kremlin business daily, was more straightforward, saying that the SCO’s economic integration “would mean that Central Asia and Russia would become the suppliers of raw material for China and the markets for its export commodities... [T]he SCO’s economic projects would enclose all the adjacent economies in a Greater China.” The journal deplored that the former Soviet republics run the risk of becoming a raw material appendage of China, while being an unwilling supplier of raw material to the West.

China is well aware of the mixed feelings of other SCO members, despite the financial and economic input China has made to the region. According to Zhao Mingwen, director and researcher for the China Periphery Security Studies Center at the China Institute of International Studies, China and Russia have different goals regarding the SCO. “China hopes to take advantage of the SCO to boost its political influence and economic development vitality, while Russia for its part wants to take advantage of this platform to reassemble its character as a central Asian partner, enlivens ‘its own’ CSTO and Eurasian economic community, and restore its former influence in central Asia.” “Under this mindset,” argued Zhao, “Russia is not very willing to see the SCO develop too rapidly.” Some SCO members were even “full of misgivings over

deepening and expanding cooperation with China, and are worried that they will in the end become economic appendages to China.”

In his keynote speech to the 10th Conference of Central Asia and SCO on July 10, 2011, Russia’s National Coordinator for the SCO Kirill Barsky went as far as to use the phrase “China’s economic expansion” in Central Asia. The Chinese participants were also taken back by an Uzbek scholar, who argued that China’s economic activities did not benefit Central Asian countries at all. Chinese participants disagreed with these assessments by listing various developments and changes in the region. What is clear is that with its continued economic growth, China is faced with a situation in which perceptions of its economic input in the region are mixed at best and may not be welcome in the long term.

SCO growing pains

In the past decade, SCO’s remarkable growth is largely “on the periphery,” meaning the security group reached out to several other regional countries with “secondary” relationships such as the induction of four “observer members” (Mongolia, Iran, India, and Pakistan) and two “dialogue partners” (Belarus and Sri Lanka), plus an Afghan liaison group. The core of the SCO – China, Russia, Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan – remains unchanged despite the mounting pressure for formal membership from several of the SCO “peripheral” countries such as Iran (2007 and 2008), India (2010) and Pakistan (2006).

SCO membership expansion, however, is at best a “dilemma” for the SCO, according to an analysis in the influential Chinese journal *Liaowang (Outlook)* published by *Xinhua*. As a result, there has not been a single new member since June 2010 when the SCO Summit approved the “Regulations on Accepting New Members.” Prior to the June 2011 meeting in Astana, SCO General Secretary Muratbek Imanaliyev told the press that no new members would join because the members would discuss “the adoption of a memorandum of duties for joining SCO. It will be provided to the countries that have applied to join SCO. However, I would like to say that there will be no instant decision on this matter.” The memorandum of duties “does not form obstacles for accession to SCO, it determines the parameters for joining (the organization),” said Imanaliyev.

What really prevents the SCO from accepting new members is a lack of consensus among current members, particularly Russia and China, regarding which countries should be admitted. Russia wants India to join, primarily to counter the growing influence of China. India’s immense size, huge population, growing economic power, military might, and political influence around the world are needed to balance those of China, particularly in Central Asia. Members of the Russian delegation to the Astana Summit revealed that Moscow “is very sympathetic toward the Indian application and will do everything it can to support it,” according to a *Kommersant* correspondent. “If we admit India, the SCO will contain not two heavyweights – Russia and China – but three. It will make things much easier for us,” *Kommersant* quoted a delegate.

Russia’s concern over China’s influence in Central Asia is not new. The Kazakhstan–China oil pipeline and Turkmenistan–China gas pipeline were the first to break Russia’s monopoly over Central Asia’s energy exporting business. Both were constructed during the first 10 years of

SCO existence. The 2008 financial crisis further elevated China's financial clout and political influence, particularly in areas adjacent to China. At the SCO's Yekaterinburg Summit in 2009, Russia's ambitious idea of abandoning the US dollar and reinforcing the role of national currencies in transactions among SCO member countries, though supported by China, was quickly overshadowed by Beijing's \$10 billion credit line for the SCO participants. To Moscow's dismay, many SCO members, Kazakhstan in particular, have availed themselves of Beijing's financial largesse. For these reasons, among others, Russian officials concluded, while traveling to Astana for the SCO 10th anniversary, that China is now the "informal leader" of the organization that Moscow was hoping to make the springboard from which to restore its influence in Central Asia.

Meanwhile, Moscow understands the rather sensitive, and at times even difficult, relationship between China and India, as well as between India and Pakistan. India's SCO membership would have to be accompanied by Pakistan's entrance. Apparently to facilitate India's membership, President Medvedev, for the first time, publicly expressed Russia's support for Pakistan's SCO membership in a joint communiqué with the visiting Pakistan President Asif Ali Zardari on May 12, 2011. A month later, however, the SCO heads of state had failed to reach consensus about SCO membership for India and Pakistan. Instead, a "precondition" was set for the two South Asian countries: resolving their territorial problem. Not only did this avoid internal divisions among SCO members, but also it would encourage the two sides to seek compromise and peaceful settlement of their disputes, according to Russian sources. But as the Indian-Pakistani territorial dispute is perhaps the toughest dispute in the world and their SCO entrance is almost impossible in the foreseeable future if this precondition continues, Russia will not realize its goal of bringing in another power to balance China.

Compared with Pakistan and Iran, India's interest in joining the SCO is relatively recent. In 2009, Indian Prime Minister Manmohan Singh participated in a SCO summit for the first time. This was a departure from its lukewarm policy of keeping its distance, based on New Delhi's perception that the SCO was simply dominated by China and was anti-US. India's "new thinking" about the SCO, however, differs from Russia's assessment. New Delhi seems to see more opportunities in getting closer, or inside, the SCO primarily for fighting terrorism. India's External Affairs Minister S.M. Krishna, who joined the Astana Summit, made clear that India was mostly interested in the SCO's role in stabilizing Afghanistan after the drawdown of foreign troops. A stable and terror-free Afghanistan, according to India's vision, could become the geo-strategic bridge between Central and South Asia, as well as a trade and transit hub. Besides, India calculates that an expanded SCO could encourage and pressure Pakistan to fight terrorism within its borders. Indian officials also revealed that India is already involved with the SCO's Regional Anti-terrorism Centre (RATS) through intelligence-sharing regarding terrorist activities inside Pakistan. "We see the RATS as an important regional answer to the terrorism challenge," said Mr. Krishna.

Another possible reason for India's newfound interest in the SCO membership is that the US is apparently reassessing the utility of the SCO and appears to be closer to working with Beijing on the Afghan issue. In March 2011, US Assistant Secretary of State for South and Central Asia Robert Blake traveled to Beijing and held the first sub-dialogue on Central Asia. The purpose was to explore with the Chinese government how the two sides can collaborate and coordinate

efforts in Central Asia in “areas of mutual interest.” His discussions with Chinese officials covered a wide range of issues such as regional political developments, energy security, the role of multilateral organizations and humanitarian concerns. In his talk to the press in Beijing, Blake revealed “both sides have come away with a greater understanding of each other’s interests and each other’s priorities in Central Asia.” For India, this was a clear shift in the US attitude toward a more cooperative approach with China in Central Asia by supporting the SCO’s efforts.

Given this background, Beijing is perhaps among the most cautious about SCO expansion and favors a slow and careful approach. During an international conference in Almaty in February 2011, Chinese participants asked fundamental questions: Why should the SCO expand? What is the objective? What does the SCO charter say about expansion? These are important questions that need to be discussed among the SCO before new members are admitted.

Among those seeking SCO membership, Iran is the most eager to join and the most sensitive to handle. Again, China and Russia have different ideas regarding Iran. Russia wants to admit Iran to create a SCO “energy club,” which would be dominated by Russia. China, however, suggests that Iran needs to fulfill its international obligations regarding its nuclear program. China is afraid that Iran’s admission will bring Iran’s disputes with the West, particularly the US, into the SCO, which will affect the SCO’s ability to focus on major regional issues. In the 2010 Tashkent Summit, the SCO decided it would not accept any country that is sanctioned by the UN. This effectively blocked Iran from being accepted. Perhaps the least controversial with regard to SCO membership is Mongolia, which so far prefers to remain an observer while seeking cooperation in the energy and transportation sectors.

War-torn Afghanistan could be the next for advancement. Several SCO members expressed support prior to the 2011 SCO Summit and at the SCO Foreign Ministers Meeting, both Russian Foreign Minister Sergei Lavrov and Kazakh Foreign Minister Yerzhan Kazykhanov expressed strong support for granting Afghanistan observer status while the SCO develops criteria for countries wishing to join. The main requirement is adoption of the SCO Charter and other key documents of the organization. Afghan President Hamid Karzai joined the 2011 SCO Summit and made a strong appeal for observer status for his country. “We want to become an observer in this important forum and hope that the Council of the SCO heads of state will respond positively to our request,” said Karzai. He also expressed the wish that SCO partners make investments in his country, particularly in mineral resources. President Medvedev echoed Karzai’s appeal and urged SCO member states to cooperate more broadly with Afghanistan. “Afghanistan is our neighbor, whose cooperation with the SCO could be stronger. I understand all participants in the forum agree with that,” Medvedev said, and “Security of all SCO member states largely depends on political stabilization in Afghanistan.” The Astana Summit, however, did not grant Afghanistan observer status. The pending US withdrawal was perhaps a main factor in the SCO’s indecision. The degree of SCO involvement with and in Afghanistan in coming years may have also become an issue of debate among SCO members.

The SCO’s inability to enlarge itself, particularly its “inner core,” may not be desirable. A Chinese analyst believes that if this issue remains unresolved, it would have “a bad impact” on the SCO’s prestige. The alternative, however, seems less desirable if the SCO’s “core” is to erode because of internal disputes. Therefore, SCO enlargement remains in a holding pattern.

Hu Jintao in Russia and two documents

From the SCO Summit, President Hu Jintao traveled to Moscow for a three-day state visit on June 16-18. A major activity in Russia was to mark the 10-year anniversary of the signing of the Treaty of Good-Neighborly Relations, Friendship and Cooperation between Russia and China (Friendship Treaty hereafter) signed by former Presidents Jiang Zemin and Vladimir Putin on July 16, 2001. Ten years later, the two sides agreed to further elevate their ties from the current “strategic partnership relations” to “comprehensive strategic cooperative partnership based on equality, mutual trust, mutual support, common prosperity and friendship from generation to generation.” Hu met both President Medvedev and Prime Minister Putin. After his stay in Moscow, the Chinese president traveled to St. Petersburg to attend the city’s annual International Economic Forum. In the press conference with Medvedev, Hu described his talks with the Russian leaders as “frank, friendly and fruitful.”

In Moscow, Hu and Medvedev signed two important documents. In the lengthy 22-clause “China-Russia Joint Statement on the Current International Situation and Major International Issues,” they spelled out their consensus and priorities. The document begins with the issue of a growing gap between globalization and interdependence on one hand, and lack of global governance on the other, particularly in the area of international finance (Article 1). They called for united efforts by the international community to meet challenges. Specifically, the UN should be supported in its crucial role in managing international conflicts and development and its reforms should follow a fair, pragmatic, and gradualist approach (Article 2). The statement also pledges to coordinate policies in multilateral platforms, such as G20, BRICS, SCO, OPEC, and the Russia-India-China triangle mechanism (Articles 3-6); in the areas of missile defense, outer space, antiterrorism, nonproliferation, internet security, and global warming, (Articles 7- 11); and regarding issues in Europe, the Asia-Pacific, Korea, North Caucasus, Iran, Libya, Afghanistan, and Japan’s nuclear safety and reconstruction.

In contrast to this long and comprehensive document on world affairs, the document on the 10th anniversary of the signing of the Friendship Treaty is fairly brief. Aside from the difference in length, the anniversary document is a rather general piece with broad strokes of principles. The one on international issues describes most of the sub-issues with far greater detail and prescribes courses of action. One has the impression that bilateral relations seem more on-track while the two sides have gone to great lengths to coordinate closely on each of the foreign policy issues. Part of the reason may be the proliferation of issues and challenges facing the two nations. For example, the 2010 Sino-Russian joint communiqué signed during Medvedev’s Beijing visit specified 15 issue areas, compared with 22 in the 2011 document. New issues include the multiple crises in North Africa and the Japan earthquake. The last part specifies five areas of cooperation: high-level exchange and trust, economic cooperation, humanitarian (people-to-people) interactions, military-to-military relations, and coordination in foreign affairs. The key task is to create “deepened pragmatic cooperation” in economics.

This emphasis on “pragmatic cooperation” in the document was not accidental, as bilateral economic ties have always been considered the weakest link. According to Zhao Mingwen, director and researcher of the China Periphery Security Studies Center of the China Institute of

International Studies, although trade volume between the two countries halted a slide and rebounded in 2010, it only accounted for 1.87 percent of China's total foreign trade and 11.82 percent of Russia's. It was equivalent to 14.3 percent of China-US trade, 11.1 percent of China-EU trade, and 25 percent of Russian-EU trade. Further, Russia has dropped to China's 11th largest trade partner. Even though Chinese investment in Russia is increasing, it only accounts for 4 percent of accumulated foreign investment in Russia. In addition, there have been many twists and turns in energy cooperation between the two countries, and things have never gone smoothly. At the historic moment of the 10th anniversary of the "friendship treaty" in Moscow, the two sides again failed to agree on the large gas deal.

Even existing energy projects such as the Skovorodino-Daqing oil pipe line, which went into operation on New Year's Day in 2011, have seen disputes. While Russian companies argue that the price of transporting oil should be calculated based on the entire route of the Eastern Siberia-Pacific Ocean pipeline to the end point of the port terminal in Kozmino, China insists that the price formula should only include the cost of transportation from Skovorodino, which is 2,046 km from Kozmino. It is unclear how this misunderstanding was overlooked at the beginning when China provided Transneft and Rosneft with loans of \$10 billion and \$15 billion, respectively, for guarantees of long-term oil deliveries. After many rounds of talks in the past few months, the issue has been referred to the inter-governmental energy committee's next meeting in early September in Beijing. In July, oil supplies to China reportedly fell by half, indicating China's displeasure over the pricing mechanism.

Moscow's solo dances: away from Libya and arming Vietnam

Another dimension of the prioritization of the international affairs is perhaps the lack of consensus and coordination between Moscow and Beijing in some areas. Within a month, for example, Moscow abruptly changed its policy from being critical of Western military actions in Libya in early May, to joining the "topple Gaddafi" campaign in early June, leaving China exposed to Western pressure. At a news conference after the G8 Summit in France, President Medvedev said Muammar Gaddafi's regime had lost its legitimacy and Gaddafi had to step down. In addition, Medvedev said Russia was willing to join the efforts to resolve the Libyan crisis and that it had sent delegates to visit Benghazi, the base of Libya's opposition. Apparently, Moscow did not inform Beijing of its decision to change course as *Xinhua* used the word "strikingly" for Medvedev's announcement to "join the Western powers."

A sense of betrayal and dismay quickly set in. A few days after the G8 meeting on May 26-27, a Chinese commentator went so far as to claim that "Russia has never been reliable. In almost all major international events that involved Russian interests – from NATO's eastward expansion and the Balkan crisis in the 1990s to the war in Iraq and other international conflicts in the 21st century – Russia always started off being tough before softening its stance. It always opted for open strategic contests to cover up secret deals; it tended to sacrifice its cooperative partners in order to seek interests for itself," said the author. Partly because of Russia's turn-around, China adjusted its own position regarding Libya in order to protect its investment there (estimated \$19 billion). In early June, China announced that it started to make contacts with Libyan opposition.

China's displeasure over Russia's sudden change of policy was fully reported in the Russian media. Nevertheless, on the eve of Hu's visit in mid-June, Russian officials called for a political settlement in Libya. In their joint statement on international affairs, Hu and Medvedev reiterated their common policies toward Libya:

The two sides are concerned about the situation in Libya. To prevent escalation of violence, the parties concerned must strictly abide by UN Security Council Resolutions 1970 and 1973 and should not misread or abuse them. The important thing is immediate cease-fire and political and diplomatic means to resolve the Libya problem. China and Russia will continue to work together within the UN Security Council, and support the African Union's mediation initiatives.

Ironically, Russia had departed, at least partially, from the above policies regarding Libya by unplugging its support to Gaddafi 20 days before. It is unclear how and why Moscow still paid lip service to its previous policies while Beijing still pretended to listen.

From that point on, Russian officials appeared to back-track from Medvedev's visibly pro-NATO stance. On July 15, a spokesman for the Russian Foreign Ministry said its position over the Libyan crisis had not changed, adding that the United Nations should play a central role in the settlement of the conflict. In late July, Foreign Minister Sergei Lavrov criticized the US and other countries for recognizing the rebel National Transitional Council as Libya's legitimate government, saying they were taking sides in the civil war. By the end of August when the rebels were approaching Tripoli, Russian officials became visibly dismayed over NATO's operation in Libya. Dmitriy Rogozin, Russia's permanent representative at NATO, publicly accused NATO of putting troops on the ground in Libya, thus breaching the terms of UN Security Council Resolution 1973. As the fall of Gaddafi's regime was imminent and Syria was becoming the West's new target, Russian and Chinese diplomats stepped up their coordination. In the last week of August, Deputy Foreign Minister Alexei Borodavkin twice received in Moscow Chinese Ambassador Li Hui at his request. The two sides seemed to have gone back to the more coordinated policies regarding Libya and Syria as they reaffirmed their countries' opposition to interference in Syrian affairs. Borodavkin also informed Li of Russia's approaches to Libya and the need for a political settlement in observance of Libya's independence, sovereignty, and territorial integrity.

If China is not happy with Russia's sharp policy turns, Russia's mounting arms sales to Vietnam has also triggered growing concern in Beijing. By December 2009, Vietnam officially became one of Russia's biggest arms clients thanks to its orders for six *Kilo*-class submarines and 12 *Su-30* fighter jets. Vietnam's submarine deal is Russia's second-largest contract for submarines in the post-Soviet period, after a 2002 contract with China for eight similar submarines. It was also Hanoi's biggest arms deal since the end of the Vietnam War. By late August, Vietnam received its second and final *Gepard*-class guided missile frigate from Russia at Cam Ranh naval port. Vietnam ordered two of the *Gepard*-class frigates in a December 2006 deal worth an estimated \$350 million, with the warships featuring a "stealthy" superstructure and helicopter facilities – a first for the Vietnam People's Navy (VPN). Meanwhile, Russian NPO Mashinostroyeniya, a producer of cruise missiles, was negotiating with Vietnam to supply the *Bastion* mobile coastal missile systems, which are designed to destroy various types of surface ships. The system uses

P-800 Yakhont (SS-N-26) anti-ship cruise missiles, and has a maximum range of 300 km. President Medvedev reportedly gave “personal consent” to NPO Mashinostroyenia, and the deal may even be sweetened with a loan from Russia.

The Russia-Vietnam arms deals were occurring at a time of heightened tension in the South China Sea between China and several ASEAN nations, including Vietnam. Although several PLA observers did not believe that Vietnam’s arms purchases would immediately affect China’s interests, internet chat rooms indicated that few if any in China would like to see continued arms deals between two of China’s neighbors at China’s expense. Chinese officials and the Chinese media have so far refrained from openly criticizing Russia’s arms sales to Vietnam.

Curiously, four days before President Hu traveled to Moscow for the state visit, *Xinhua* put a *Voice of America (VOA)* piece on its web page with the title, “US Media: will China be enraged by Russia Arming Vietnam?” The *VOA* piece describes that among those Russian arms are six *Kilo*-class submarines, worth \$1.8 billion, to be delivered in 2014-19. The *Gepard*-class frigate is the Russian Navy’s most sophisticated surface combatant. After the delivery of the two frigates, Vietnam and Russia are negotiating the possibility of assembling more such frigates in Vietnam. The *Su-30MK* fighters are particularly designed to destroy surface ship. With these purchases, Vietnam will become the largest recipient of Russian arms, second only to India.

Military-to-military relations

Despite Beijing’s irritation over Russia’s policies involving Libya and Vietnam, military-to-military relations showed signs of life over the summer. In early July, the Russian federal state unitary enterprise Rosoboroneksport concluded a contract for over \$500 million worth of aircraft engines to China. The AL-31 engine, which is installed in the *Su-27/30* type of twin-engine heavy fighters, is specially developed for equipping the Chinese Air Force *J-10* fighters. The same engines sold to China earlier: 54 in 2003, 100 in 2007, and 122 in 2009.

In late July and early August, two Chinese Navy ships, the training ship *Zheng He* and the *Luoyang* guided missile frigate, paid a four-day visit to the port city of Vladivostok. The Chinese naval squadron was led by North Sea Fleet Commander Vice Adm. Tian Zhong. The *Admiral Vinogradov*, a large anti-submarine ship in Russia’s Pacific Fleet, hosted the two Chinese ships during their visit. During the visit, the Chinese Navy’s official delegation and sailors also visited a number of historical sites in the capital of the Primorsky Territory. In addition to visiting each other’s ships, the Chinese sailors socialized with their Russian colleagues in various formats and held a friendly soccer match. The Chinese ships were open for public tours.

In early August, PLA Chief of General Staff Gen. Chen Bingde paid a six-day visit to Russia at the invitation of Russian Chief of the General Staff and First Deputy Defense Minister Nikolai Makarov. In Moscow, Chen held talks with Makarov, met Russian Defense Minister Anatoly Sedyukov, and visited an infantry brigade of Russia’s West Command in Moscow. Chen and Makarov signed a memorandum agreeing to hold bilateral naval maneuvers in 2012. “We treat the People’s Republic of China as a great power, without which global security issues cannot be resolved,” Makarov said, describing Russian-Chinese relations as “trustful.” Key members of

Chen's team included Chen Yong, assistant to chief of general staff of the PLA and Wang Jiaocheng, deputy commander of the PLA Nanjing Military Area Command.

A joint statement on bilateral military ties was issued at the conclusion of the visit. The signed document says that the two countries have agreed to further enhance military exchanges at various levels and maintain strategic coordination to better deal with new challenges and threats from regional and global security issues. The next round of dialogue will be held in Beijing by the end of 2011. Chen's visit to Russia was widely reported by the media in both countries. In contrast to the effort to elevate bilateral political relations (with an additional dimension of "comprehensive" strategic partnership), Sino-Russian mil-mil relations have changed substantially in the past few years.

One significant change is that the role of Russian military sales to China in the overall military-to-military relations has been reduced. China no longer purchases large volumes of complete weapon systems such as the *Sukhoi*-series fighter/bomber, *Kilo*-class sub, *Ilyushin*-series military cargo plane, etc. for two main reasons: Russia's reluctance to sell more advanced systems and China's increasing ability in military research and development (R&D).

In the future, sales of entire weapons systems to China are still possible; however, China is more interested in obtaining certain technologies and engaging in cooperative R&D. Gen. Chen Bingde's trip to Russia made clear this goal of Chinese military relations with Russia and other countries. Russia was the first leg of Chen's three-nation tour, which also took him to Ukraine and Israel. While Ukraine-China military technology cooperation is rapidly growing, Israel has perhaps one of the biggest potential sources for the Chinese military to obtain sophisticated military technology. In both Ukraine and Israel, Chen and his team were warmly received. Moreover, Chen's Ukraine visit followed President Hu Jintao's state visit to the country – the first in 10 years by a Chinese president – during which huge economic and investment packages were inked. It was unclear if the PLA deliberately put together Chen's trips as a way to put psychological pressure on Russia. For Moscow, the message of Chen's extended Eurasian trip was both subtle and unambiguous.

Perhaps coincidentally, this summer was also a time for the PLA to unveil several of its new military platforms. In early July, the first prototype of the carrier-based *J-15* fighter/bomber was revealed on the internet. The aircraft is believed to be based on the *T-10K-3*, a prototype of the Soviet-designed *Sukhoi-33* that China acquired from Ukraine sometime in 2001 and fitted with domestically produced radars and weapons. A month later, the first Chinese aircraft carrier, which is actually a totally refurbished *Admiral Kuznetsov*-class aircraft carrier named *Varyag* obtained from Ukraine with \$20 million in 1998, conducted its first sea trial. It is widely reported that Ukraine is deeply involved in the refitting of the former Soviet carrier.

Chronology of China-Russia Relations

May – August 2011

May 6, 2011: Foreign Minister Yang Jiechi visits Moscow and meets Foreign Minister Sergey Lavrov. They discuss the upcoming visit to Russia by President Hu Jintao and express “great concern” regarding Libya situation.

May 6, 2011: China, Kyrgyzstan, and Tajikistan conduct a joint antiterrorism drill codenamed *Tianshan-II* in Kashi (Kashgar), in China’s Xinjiang Autonomous Region.

May 13, 2011: Foreign Minister Yang Jiechi meets Russian counterpart Sergey Lavrov on the sidelines of the Shanghai Cooperation Organization (SCO) Foreign Ministers Council meeting.

May 14, 2011: SCO foreign ministers hold their annual meeting in Astana of Kazakhstan to prepare for the SCO Summit.

May 31, 2011: Seventh round of the Sino-Russian energy negotiators meeting is held in Moscow. Vice Premier Wang Qishan and Deputy Prime Minister Igor Sechin preside and attempt to resolve the recent dispute over the pricing for pipeline supply of oil.

June 2, 2011: Vice President Xi Jinping and President Dmitry Medvedev meet in Rome while attending the 150th anniversary of unification of Italy as guests of Italian President Giorgio Napolitano.

June 4, 2011: Defense Minister Liang Guanglie and First Deputy Prime Minister Sergei Ivanov meet while attending the Shangri-La Dialogue in Singapore. They conduct “a candid and in-depth exchange of views” on bilateral relations as well as other issues of common concern.

June 15, 2011: The 19th SCO summit is held in Astana, Kazakhstan. Several agreements are signed, including the Astana Declaration.

June 16-18, 2011: President Hu Jintao makes a state visit to Russia.

June 20-26, 2011: Vice Chairwoman of the Russian State Duma Svetlana Zhurova pays an official visit to China with a delegation of young lawmakers from Duma. They meet Wu Bangguo, chairman of the Standing Committee of the National People’s Congress (NPC).

July 22, 2011: Foreign Minister Sergey Lavrov and Chinese counterpart Yang Jiechi meet briefly in Bali, Indonesia, on the sidelines of the ASEAN events.

July 29-Aug. 3, 2011: Two Chinese Navy ships make a four-day visit to the port city of Vladivostok. Chinese warships last visited Vladivostok in 2008.

Aug. 3-8, 2011: Gen. Chen Bingde, chief of the General Staff of the Chinese military, visits Russia at the invitation of Russian Chief of the General Staff and First Deputy Defense Minister Nikolai Makarov.

Aug. 20-25, 2011: North Korean leader Kim Jong Il visits the far eastern region of Russia and meets President Dmitry Medvedev on Aug. 24 in Ulan Ude.

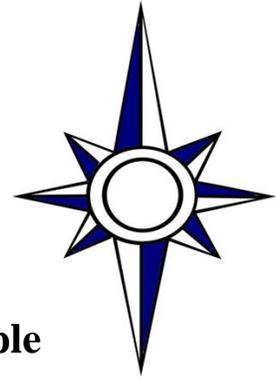
Aug. 24, 2011: Deputy Foreign Minister M.L. Bogdanov receives Chinese Ambassador to Russia Li Hui at the latter's request. They have "a detailed exchange of views" on the situation in Libya, Syria, and the Middle East as a whole.

Aug. 25-27, 2011: Kim Jong Il visits Northeast China following his Russian tour and meets State Councilor Dai Binguo in Heilongjiang province on Aug. 26.

August 26, 2011: Deputy Foreign Minister Alexei Borodavkin meets Chinese Ambassador Li Hui at the latter's request. They exchange views on "pressing regional issues," including the Korean nuclear problem.

Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



Australia-East Asia/US Relations:

Australia-US Alliance Enhanced as Economies Decouple

Graeme Dobell

Lowy Institute for International Policy

Australia has a close alliance with the US and deep emotional and cultural ties, but the new reality is that the two economies have decoupled. Twice in the past decade the US has gone into recession, but Australia has kept growing; that is a huge change from the 20th-century experience when Australia's fortunes were closely tied to the health of the US economy. Asia now sets Australia's economic temperature, even as the Australian military draws closer to the US through parallel reviews of the posture of their defense forces.

The great question for the alliance partners is how much they can still align their strategy and interests in what Canberra has started to describe as “the Asian Century.” All these elements could be detected when Australia's Prime Minister Julia Gillard addressed the US Congress in March and finished her speech of praise for America with a memory of her schooldays in Adelaide. She said that Americans are still, “the same people who amazed me when I was a small girl by landing on the moon. On that great day I believed Americans could do anything. I believe that still. You can do anything today.”

Australia's first female prime minister comes from the left of the Labor Party. But the tenor of her speech differed little from that of the Australian prime minister who took the same podium in Washington in 2002: Liberal Party leader John Howard. While Howard and Gillard are deeply contrasting personalities from the two poles of Australia party politics, on the US alliance they reflect a commitment and a consensus that has united both sides of Australian politics for decades. Even former Liberal Prime Minister Malcolm Fraser, who is most critical of the workings of the alliance, affirms the importance of the US relationship while lamenting that Australia is “too compliant” and “subservient” in its dealings with Washington.

Gillard was in Washington to mark the 60th anniversary of the signing of the ANZUS alliance. The health of the pact is shown by how it is evolving today: Australia's defense minister says plans for greater US use of Australian military facilities will “be the single biggest change or advancement of alliance relationships” since the 1980s. The alliance, though, is also being reframed for Australia by the changes throbbing through Asia. These two themes define much of this review of Australia–East Asia/US relations: the continuing vigor of the alliance and the unfolding realization of what the “Asian Century” will mean for Australia.

The economic decoupling from the US

Australia's alliance commitment with the US no longer mirrors, as it once did, the economic ties to the US. The rise of Asia over the last decade has seen Australia decouple from the US

economy. Both ends of the decade were bookended by symbols of the decoupling. At the start, the US dipped into recession when the “dot-com” bubble burst. Near the end, the US suffered its worst crash in nearly 80 years. Both times, Australia’s economy sailed on without dipping into the red. Important links remain.

For much of the 20th century, Australia’s economy always caught cold when the US sneezed. In the 21st century, that automatic linkage has been severed. The Asia boom has delivered Australia its best terms of trade in 140 years as Europe and the US grapple with recession. In its Regional Economic Outlook in April, 2011, the IMF depicted the shifting of the economic continents for Australia over the last 20 years. In the 1990s, the US could still feed major negative impacts into the Australian economy. But the decoupling completed in the first decade of the 21st century means the US negative effect is ‘no longer statistically significant.’ Asia is what matters, for good or ill. Here is the IMF on the 20-year transformation:

During the last decade, shocks from emerging Asia have overtaken those from the United States as the most important external factor influencing Australia’s business cycle. For the sample period 1991–2010, a 1 percent shock to US GDP is found to move Australian growth by about 0.4 percent. In contrast, GDP shocks from emerging Asia have an almost negligible impact on Australian growth. This result changes dramatically when limiting the sample period to 2000–10, for which a 1 percent shock to emerging Asia’s growth is found to shift Australian growth by $\frac{1}{3}$ percent, whereas the impact of US GDP shocks on Australia is no longer statistically significant.

The past 10 years witnessed fast-growing trade integration between emerging Asia and Australia. In 2010, almost 60 percent of Australia’s exports – dominated by commodities – headed to emerging Asia, compared with 40 percent 10 years ago. At the same time, about half of Australia’s imports came from emerging Asia, up from one-third a decade ago.

The decoupling from the US economy is part of the reason that in the annual budget for 2011-12, announced in May, the Gillard government could pledge to return government spending to surplus by the following financial year, 2012-13. Opposition leader Tony Abbott said the government can take little credit for getting the budget back into the black, arguing that if the federal budget does return to surplus in two years, it will be “made in China, not made in Australia.” Official analysis and political debate is telling Australia that it is being altered by Asia and that those changes will go much further. The Treasury budget papers discussed the transitions facing Australia under the heading, “The Asian Century and the changing structure of Australia’s economy.” In the opening moments of his statement to Parliament on the annual financial statement, Treasurer Wayne Swan hit the same note: “This budget is built on our firmest convictions: that just as our focus on jobs helped Australia beat the global recession, so too can a focus on jobs maximise our advantages in the Asian Century.”

Modern Australia is the creation of 200 years of settlement during what were clearly Western centuries. At the very least, the Asian Century will cause shifts in where and how Australians work, a theme the treasurer returned to in the closing moments of his budget speech: “Labor governments of the past managed the transition from a closed economy to an open economy competing in the world. Now that the world is changing, we must change as well. Ours is again

an economy in transition. Global economic weight shifts from West to East – bringing growth and dynamism closer to Australia than ever before.”

Using the heading “How fast is Australia’s economic geography changing?”, the Treasury answers: “Since the mining boom commenced, the pace of change in the distribution of economic activity between the different states and territories has been unprecedented in recent history, and even more marked than the pace of change in industry structure.” Much is on the move when the Australian Treasury starts using words like “profound” and “unprecedented” to describe economic shifts while the treasurer can embrace the “Asian Century” as a key image in the first minute of his annual budget address to the nation. Australia did much to promote the concept of the Asia-Pacific through the creation of APEC, so it is a shift in standard Canberra language for the focus to be simply Asia, not the Asia-Pacific.

The US and Asia

Prime Minister Gillard traveled to Washington in March for talks with Obama administration and to address Congress. The following month, the prime minister performed almost a matching tour to North Asia, visiting Japan, South Korea, and China. The two tours illustrate the twin themes of the alliance and Asia.

Following three previous Australian leaders who addressed the US Congress (Robert Menzies, Bob Hawke, and John Howard), Gillard said she came to repeat a simple message that had been true in war and peace, in hardship and prosperity, in the Cold War and in the new world: “You have a true friend down under.”

The regional dimension of the speech reflected Australia’s fervent hope that after the decade of Iraq and Afghanistan, Washington is giving full attention to its role as an Asian power. Gillard said the US will be as indispensable as it was in the Cold War in underpinning stability and strengthening institutions to manage the frictions caused by Asia’s growth: “I believe it is in the Asia-Pacific where the global order is changing most.... The centre of global strategic and economic weight is shifting to this region. The rise of the Asia-Pacific will define our times. Like you, our relationship with China is important and complex. We encourage China to engage as a good global citizen and we are clear-eyed about where differences do lie.”

In media terms, the images that mattered to Gillard came from her visit to the White House for talks with President Obama and then going with Obama to a Washington school to talk to students. For many Australian voters, the defining photo was Gillard in the Oval Office playing ball (or hand balling) an Australian Rules football with the president. The same symbolism shaped Gillard’s visit the following month to Asia, going first to Japan, then South Korea, and finally to China.



Going to China first in their initial bilateral visit to Asia was judged as poor message management by President Bill Clinton and by Prime Minister Kevin Rudd. The George W. Bush administration made a habit of calling on Japan first. Gillard followed the Bush model and avoided the China-first example of Rudd by touching down in Tokyo and Seoul. And, she spent four days in Japan compared to two in Beijing. The shortness of the China stay was partly explained by the prime minister's need to fly on to London to attend Prince William's wedding.

One other bit of symbolism is worth noting: the formal bilateral visit to Asia by Australia's first female leader. Less than one year into the Age of Julia, Australia has moved way past the first female leader milestone to a dark discussion of whether Gillard is any good as a political leader. (Note, also, that New Zealand had two female PMs before Australia got to the same point.)

In Asia, however, Gillard conveys important messages about what is possible in Australia. In Tokyo as in Beijing, women may have to wait a long time before they see a similar leadership milestone. The possibilities of Australian society are on show when the unmarried woman who runs Australia can take her male partner (colloquially known as "The First Bloke") to meet the Emperor and Empress of Japan.

Gillard confesses that she has no natural feel for foreign policy. Her words tend to follow positions of the Labor prime minister she deposed in 2010, Kevin Rudd, who now serves as foreign minister. Thus, in Gillard's "keynote address" to the Japan National Press Club, she repeated Rudd's argument for Asia to create a new community to confront (or prevent) security dilemmas: "The Asia-Pacific is a region in strategic flux, where changing power relativities are playing out against the backdrop of historical mistrust and conflict. It is vital that we build a robust architecture of security and cooperation to guarantee the peace and prosperity of our people in the years ahead."

Just as Gillard went to Washington to mark the 60th anniversary of the formal alliance with the US, so she journeyed to Korea to remember the 60th anniversary of the battle of Kapyong, one of Australia's major engagements in the Korean War. In Korea, Gillard could note that she was making her second visit to South Korea as prime minister, following the G20 meeting in November, 2010. The shared middle power and alliance perspective were stressed: "We are both alliance partners of the United States, seeing the US presence in Asia as fundamental to regional stability. We are G20 economies, members of the East Asia Summit, and active participants in APEC. As middle powers, we are committed to multilateralism and believe in doing our part to strengthen a rules-based global order."

In Beijing, Gillard's major speech asserted Australia's right to be "clear and robust" in what it says to China about human rights, but tied this claim to language of appreciation and partnership: "We do so in the context of what has become a comprehensive and constructive relationship between our two nations; a relationship grounded in a clear understanding of each other and our interests, and which is strengthened by hard work and deepened by mutual respect."

The *WikiLeaks* release of US diplomatic cables offered some inside detail on how Canberra and Washington are discussing the ever-bigger panda in the regional room. One notable cable reported a meeting between then Prime Minister Kevin Rudd and Secretary of State Hillary

Clinton in Washington on March 24, 2009. Clinton captured the economic dimension of the strategic challenge from China with one elegant question: “How do you deal toughly with your banker?” Rudd told the secretary of state that what became Australia’s 2009 Defence White Paper had been shaped by China’s growing military capacity. The US diplomatic cable reported:

“Calling himself ‘a brutal realist on China,’ Rudd argued for ‘multilateral engagement with bilateral vigor’ – integrating China effectively into the international community and allowing it to demonstrate greater responsibility, all while also preparing to deploy force if everything goes wrong. Rudd said the Australian intelligence community keeps a close watch on China’s military modernization, and indicated the forthcoming Australian Defence White Paper’s focus on naval capability is a response to China’s growing ability to project force.

Fairfax newspapers in Australia also used *WikiLeaks* to show how the US Embassy in Canberra had reported on Rudd’s prime ministership. One report said embassy cables had described Rudd as “an abrasive, impulsive ‘control freak’ who presided over a series of foreign policy blunders during his time as Prime Minister.”

In December, 2010, the secretary of state’s office said Clinton had telephoned Rudd about the *WikiLeaks* disclosures to underscore “the value she placed on their personal partnership” and emphasize “her gratitude to Minister Rudd for his leadership and vision in helping guide the alliance in meeting the threats and opportunities of the 21st century.”

Whatever his private self-description as “a brutal realist,” Rudd proclaims that he is always an optimist on China. In May, the foreign minister even offered a score on his emotions about China - 80 percent positive and 20 percent negative: “My policy on China has been very consistent for a long, long time and that’s that the glass is eight parts full and two parts empty.” It is that 20 percent negative area that is driving a lot of effort in the US-Australia alliance.

The alliance

Australia is following the US lead to conduct its own Defence Force Posture Review. And, Canberra is making clear that its choices and possible changes will be deeply influenced by what the US decides to do in Asia and the Indian Ocean. The reviews open the way to an increased US military presence on Australian soil. In preparations for the AUSMIN meeting in San Francisco in September, 2011, Defense Minister Stephen Smith said that increased US military use of Australian bases “will be the single biggest change or advancement of alliance relationships since the joint facilities regime [covering the signals intelligence base at Pine Gap] was established back in the 1980s.”

The working assumption of Australia’s own defense rethink is that more military personnel and equipment must be moved to sparsely populated areas in the west and north of the country. The domestic explanation for such a shift is to protect the energy infrastructure involved in vast oil and gas projects that are driving Australia’s economic health. The regional purpose is to respond to the changing strategic dynamics in the Indian Ocean and Southeast Asia and to compliment what Canberra hopes will be an increased US presence.

In November, 2010, Defense Secretary Robert Gates, Secretary Clinton, and Chairman of the Joint Chiefs of Staff Adm. Mike Mullen flew to Melbourne for annual talks with Defense Minister Smith and Foreign Minister Rudd. The meeting marked the 25th anniversary of AUSMIN (created after the US expelled New Zealand from the ANZUS alliance). The ministers agreed to “bilateral consultations on the US Global Force Posture Review.” Smith said a US-Australia working group will develop options to align Australian and US force postures, increase US access to Australian training exercise and test ranges, consider the prepositioning of US equipment in Australia, and develop options for greater US use of Australian facilities and ports.

In June, 2011, Smith went further, announcing Australia’s own force posture review to assess whether the Australian Defence Force (ADF) is correctly positioned geographically to meet future strategic and security challenges. He said the Australian review will “complement the work currently underway with the United States on the ongoing United States Global Force Posture Review.”

The review by the Defense Department is being overseen by two former public service secretaries of Defense, Allan Hawke and Ric Smith. (Ric Smith is currently serving as Australia’s Special Envoy for Afghanistan and Pakistan.) The Posture Review is to provide a “strategic context” for Australia’s next scheduled Defence White Paper in 2014. Defense Minister Smith said the study will consider:

- the rise of the Asia-Pacific as a region of global strategic significance;
- the rise of the Indian Ocean rim as a region of global strategic significance;
- the growth of military power projection capabilities of countries in the Asia Pacific;
- the growing need for the provision of humanitarian assistance and disaster relief following extreme events in the Asia Pacific region; and
- energy security and security issues associated with expanding offshore resource exploitation in Australia’s North West and Northern approaches.

At the Shangri-La Dialogue in Singapore in June, Smith said Australia’s engagement with the US posture review reflected Canberra’s view that the US should increase its role in Asia: “The very clear message from Australia has consistently been that we believe that it is in the Asia-Pacific region’s interest for the United States not just to continue its engagement but to enhance it.”

At the same Singapore conference, Secretary Gates said the US is seeking a defense posture across the Asia-Pacific that is “more geographically distributed, operationally resilient and politically sustainable – a posture that maintains our presence in Northeast Asia while enhancing our presence in Southeast Asia and into the Indian Ocean.” He said the US and Australia wanted to expand opportunities for the two militaries to train and operate together. The alliance would shift toward more combined defense activities and shared use of facilities, including “increasing our combined naval presence and capabilities to respond more readily to humanitarian disasters; improving Indian Ocean facilities – a region of growing international importance; and expanding training exercises for amphibious and land operations, activities that could involve other partners in the region.”

At the 2010 AUSMIN meeting, the US and Australia announced agreements on surveillance of space and cyber-security. A Space Situational Awareness Partnership Statement of Principles covered space surveillance to deal with “the increasingly interdependent, congested, and contested nature of outer space and acknowledged that preventing behaviours that could result in mishaps, misperceptions or mistrust was a high priority.” The two governments endorsed a Joint Statement on Space Security pointing to the “estimated 500,000 pieces of space debris of 1 centimetre diameter or larger in orbit around the Earth,” describing the space domain as critical to modern life, from navigation to weather forecasting, telecommunications and defense. The space surveillance announcement is the public face of a long collaboration, most significantly represented by the 45-year history of the Australia-US Joint Defence Facility at Pine Gap, near Alice Springs. Pine Gap is used to monitor telemetry signals, signals from large radars, communications from other satellites, and microwave emissions from the earth’s surface.

WikiLeaks revealed that in February 2008, the US and Australia signed a secret agreement on GEOINT – geospatial intelligence derived from imagery and other information obtained from surveillance satellites and reconnaissance aircraft. A US diplomatic report of the 2008 agreement said the aim was “to take GEOINT co-operation to the same level that signals intelligence has reached between the two countries.”

The same joint effort is now being used to confront cyber-espionage. The AUSMIN communique said, “the increasing sophistication of threats against both countries in cyberspace” meant Australia and the US would step up joint work on “operating and defending mutual national interests in cyberspace, including shared defence and economic interests,” while seeking to create international norms for cyberspace. Australia reached a similar agreement with Britain in January 2011.

The Gillard Government has announced that in the first half of 2012 it will release Australia’s first “Cyber White Paper” on cyber safety, cyber-crime, cyber security and cyber defence.” Defense Minister Smith said the cyber threat to Australia is a growing test of the national security establishment: “It comes from a wide range of sources, and from adversaries possessing a broad range of skills. Cyber-attacks are becoming increasingly more sophisticated and targeted. They are no longer confined to random acts of opportunism. Cyberspace is a shared domain and no single nation can address the security challenges alone. Australia, the United States and the United Kingdom are working together to promote a secure, resilient and trusted cyberspace that ensures safe and secure access for all.”

Afghanistan

The Labor government and the Liberal-National opposition share a common stance on Afghanistan based on a transition to Afghan-led responsibility for security in 2014. Beyond 2014, the prime minister has said Australia expects to remain in Afghanistan in some form, such as Special Forces operations, security over-watch, capacity building, institution building or training roles. In her address to the US Congress, Gillard said she was realistic but cautiously encouraged about progress in Afghanistan: “We know transition will take some years yet. We must not transition out only to transition back in.”

At the NATO/International Security Assistance Force (ISAF) Defense Ministers' Meeting in Belgium in June, 2011, Defense Minister Smith said that Australia had lost four soldiers in Afghanistan over the past two weeks. He said the deaths, "will not weaken Australia's resolve to see our mission through in Uruzgan Province, nor cast doubt on Australia's view that progress is being made. It has taken us too many years to get to this point, but the surge, and our special forces operations, are working."

Australia is the 10th largest troop contributor in Afghanistan with around 1,550 personnel; Australia is the third largest contributor of Special Forces to Afghanistan, with personnel deployed to the Special Operations Task Group based in Tarin Kot, and operating in Uruzgan and adjoining provinces, including Helmand and Kandahar. Smith predicted more bad days, setbacks, and hard times in the next three years: "The Taliban will strike back and try to recover ground, and they will also, as we know, try to use high-profile incidents as propaganda events to undermine confidence. There is still a way to go and there will be more fatalities. But Australia believes we have the military and political strategy in place and the resources and the people on the ground to deliver it. If the international community continues on this, our agreed path, we will prevent Afghanistan from again becoming a breeding ground for international terrorism." The official version of progress does not match the trend line offered by the figures of Australian soldiers killed and wounded in Afghanistan since 2001.

<p>Australians wounded in Afghanistan:</p> <p>2002-04: 4 wounded</p> <p>2005: 2 wounded</p> <p>2006: 10 wounded</p> <p>2007: 27 wounded</p> <p>2008: 26 wounded</p> <p>2009: 37 wounded</p> <p>2010: 65 wounded</p> <p>2011: 26 wounded (as at September 7)</p> <p>Total wounded: 191</p>	<p>Australians killed in action in Afghanistan:</p> <p>2002: 1</p> <p>2007: 3</p> <p>2008: 3</p> <p>2009: 4</p> <p>2010: 10</p> <p>2011: 8 (as at September 7)</p> <p>Total: 29 deaths</p>
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The future relationship

Australian discussion of the future of the diplomatic and military relationship with the US has been linked to remembrance of the origins these connections – the 70th anniversary of the establishment of diplomatic relations last year and this year's 60th anniversary of the signing of the ANZUS Treaty. The two moments in history are deeply intertwined. In 1940, in the early stages of World War II, Australia decided it could no longer conduct diplomatic business with Washington via Britain. By the following year, the US and Australia were moving rapidly from the formalities of bilateral diplomacy to the harsh realities of creating a new alliance to fight the Pacific war.

The 1940 diplomatic moment was recalled at the AUSMIN meeting in Melbourne in November 2010. Secretary Clinton and Foreign Minister Rudd issued "The Melbourne

Statement,” marking the 70th anniversary of formal diplomatic relations between Australia and the US: “Today, we honour that history by reaffirming that we share with our predecessors, from both sides of the Pacific, a fundamental commitment to the enduring partnership between our two countries. Today, we affirm afresh that the reasons our relationship has flourished are not only because we share common interests but also, more deeply, we share the bond of common values.” The foreign minister and secretary of state said the alliance was “the strategic anchor for American engagement in the Asia-Pacific” which had helped to underwrite the security and stability of the region. The statement listed these points as the basis for the future of the relationship:

- The enhancement of democratic freedoms across the human family.
- The maintenance of global and regional security.
- The enhancement of an international rules-based order, both within our region and for the world.
- The building of stable, prosperous, open markets in our region and beyond.
- Action on the global challenge of climate change.
- Lifting people of the world out of the degradation of extreme poverty.
- Building effective regional and global institutions to manage challenges and opportunities of the 21st century.

Chronology of Australia-East Asia/US Relations October 2010 – August 2011

Oct. 4, 2010: Asia Europe (ASEM) Summit is held in Brussels. Australia attends for the first time, with Prime Minister (PM) Julia Gillard making her first overseas trip as leader.

Oct. 12, 2010: The inaugural ASEAN-Plus Defense Ministers Meeting (ADMM+) in Hanoi, involving all members of the East Asia Summit (EAS), together with the US and Russia, agrees to establish expert working groups for counterterrorism, humanitarian and disaster relief, maritime security, and peacekeeping. Australia and Vietnam sign a Memorandum of Understanding on Defense Cooperation.

Oct. 13, 2010: Australia joins the maritime exercise *Eastern Endeavour 2010*, part of the Proliferation Security Initiative (PSI), hosted by South Korea in Busan.

Oct. 19, 2010: PM Gillard makes a statement on the Australian military role in Afghanistan, initiating a full Parliamentary debate.

Oct. 30, 2010: The fifth EAS is held in Vietnam; invites the US and Russia to join the EAS.

Nov. 1, 2010: PM Gillard visits Kuala Lumpur; meets Malaysian government ministers.

Nov. 2, 2010: PM Gillard visits Indonesia; meets President Susilo Bambang Yudhoyono.

Nov. 8, 2010: Foreign Minister (FM) Kevin Rudd and Defense Minister (DM) Stephen Smith, host the annual Australia-United States Ministerial Consultations (AUSMIN) with Secretary of State Hillary Clinton and Defense Secretary Robert Gates in Melbourne.

Nov. 13-14, 2010: The 18th APEC Leaders Meeting is held in Yokohama, Japan.

Nov. 13, 2010: Leaders of the nine Trans-Pacific Partnership (TPP) countries (Australia, Brunei Darussalam, Chile, Malaysia, New Zealand, Peru, Singapore, US, and Vietnam) meet on the margins of the APEC meeting, to discuss “a regional trade deal and resolved to seek to conclude the ambitious agreement as swiftly as possible.”

Nov. 19, 2010: PM Gillard and DM Smith attend the NATO Summit in Lisbon to agree to the 2014 timeline for handing over control to the Afghan national security forces.

Dec. 3, 2010: Final flights by the Royal Australian Air Force *F-111s* after four decades of service.

Dec. 10, 2010: In Perth, DM Smith meets Adm. Robert Willard, commander of the US Pacific Command.

Dec. 17, 2010: The Australian Federal Police (AFP) states that the publishing of US embassy cables containing classified information on the *WikiLeaks* website is not in breach of Australian law: “The AFP has completed its evaluation of the material available and has not established the existence of any criminal offences where Australia would have jurisdiction.”

Dec. 22, 2010: Australia and the US bring into force a new agreement for cooperation in the peaceful use of nuclear material and technology. The agreement extends rules governing the bilateral transfer and use of nuclear material, and for safeguards to prevent proliferation.

Dec. 23, 2010: Three men are found guilty of planning a terrorist attack on an Army base near Sydney allegedly in response to Australia’s military involvement in Afghanistan and Iraq and by the jailing of other Muslim men on terrorism charges. Prosecutors say the men sought a religious decree from radical sheiks in Somalia to allow them to launch the attack.

Jan. 18, 2011: Australia-United Kingdom Ministerial talks announce “a comprehensive cyber partnership,” coordinating diplomatic, defense, and security efforts on cyberspace.

Feb. 2, 2011: In Afghanistan, an Australian soldier serving with Mentoring Task Force -2, Cpl. Richard Atkinson, 1st Combat Engineer Regiment, is killed by an improvised explosive device.

Feb.10, 2011: New Zealand DM Wayne Mapp meets DM Smith in Wellington. They task their departments to produce a joint report by July to improve bilateral engagement, strengthen strategic bilateral exchanges and look at complementary military capabilities.

Feb. 14, 2011: In Washington, the first meeting of the steering committee of the Joint Commission on Science and Technology.

Feb. 15, 2011: DM Smith announces an inquiry into why the Australian Navy has no amphibious lift ships available because *HMAS Manoora*, *HMAS Kanimbla* and *HMAS Tobruk* are all out of action at the same time. Smith said the Navy's "can do and make do" culture allowed problems with the ships to build up over a decade.

Feb. 16, 2011: PM Gillard pays her first visit as leader to New Zealand and addresses Parliament in Wellington.

Feb. 19, 2011: In Afghanistan, Sapper Jamie Larcombe, 1st Combat Engineer Regiment, is killed during a battle with insurgents. An Afghan interpreter is also killed.

Feb. 20, 2011: US Secretary of Homeland Security Janet Napolitano begins a visit to New Zealand and Australia.

Feb. 23, 2011: Assistant Secretary of State for East Asian and Pacific Affairs Kurt Campbell visits Canberra for talks with FM Rudd and DM Smith.

March 3, 2011: Malaysia's Prime Minister, Najib Razak, visits Canberra.

March 7, 2011: In Washington, PM Gillard meets President Barack Obama at the White House.

March 8, 2011: PM Gillard meets Secretary of State Clinton at the State Department.

March 9, 2011: PM Gillard becomes the fourth Australian leader to address the US Congress.

March 18, 2011: PM Gillard, Opposition Leader Abbott, and Governor-General Quentin Bryce, attend New Zealand's National Memorial Service in Christchurch to commemorate the 65 lives lost in the Christchurch earthquake on Feb. 22.

April 6, 2011: To address the problem of no amphibious ships being serviceable, Australia buys a British Royal Fleet Auxiliary ship *Largs Bay*, which will be commissioned as *HMAS Choules*.

April 15, 2011: In Dili, DM Smith has talks on East Timor's defense and security and meets Australian soldiers deployed in the International Stabilization Force.

April 20, 2011: PM Gillard begins visit to Japan, South Korea, and China, her first bilateral visit as leader to Northeast Asia.

April 24, 2011: DM Smith and Chief of Defense Forces Angus Houston arrive in Afghanistan to visit Australian forces.

May 2, 2011: PM Gillard issues a statement on the US operation in Abbottabad, Pakistan that killed Osama bin Laden, describing it as a "great blow against terrorism."

May 2, 2011: In Washington, Secretary of State Clinton meets FM Kevin Rudd.

May 23, 2011: In Afghanistan, Sgt. Brett Wood, 2nd Commando Regiment, is killed by an improvised explosive device during a patrol.

May 25, 2011: Australia agrees to fund a new scholarship for an outstanding American professor to work with scientists from Australia. The new position, the Fulbright Distinguished Chair in Advanced Science and Technology, is created by the Defence Science and Technology Organisation and the Australian American Fulbright Commission.

May 30, 2011: In Afghanistan, Lance Cpl. Andrew Jones, 9th Force Support Battalion, while on guard duty, is shot dead by an Afghan National Army soldier who was also manning the guard tower; Lt. Marcus Case, 6th Aviation Regiment, dies of wounds sustained in the crash of an Australian *Chinook* helicopter.

June 1, 2011: Lt. Gen. David Hurley is announced as new CDF. Air Marshal Mark Binskin will be vice CDF, Rear Adm. Ray Griggs will be chief of Navy, Maj. Gen. David Morrison will be chief of Army, and Air Vice Marshal Geoff Brown will be chief of Air Force.

June 6, 2011: In Afghanistan, Sapper Rowan Robinson, Incident Response Regiment, dies as a result of gunshot wounds sustained in an engagement with insurgents.

June 6, 2011: DM Smith visits Brussels for the NATO/ISAF Ministers meeting on Afghanistan.

June 7, 2011: In a speech on the decade since 9/11, Attorney General Robert McClelland says that since 2000 there have been four major terrorist plots in Australia that had been disrupted by authorities. To date, 38 individuals have been prosecuted as a result of counterterrorism operations and 23 have been convicted; 37 of the 38 people prosecuted are Australian citizens and 21 of the 38 were born in Australia.

June 9, 2011: At a NATO/ISAF Meeting in Brussels, DM Smith, says that following the transition to Afghan-led responsibility for security in 2014 Australia expects to remain in Afghanistan in some form, such as Special Forces operations and security over-watch.

June 14, 2011: A Senior Officials Meeting of the Trilateral Strategic Dialogue is held in Washington, involving Deputy Secretary of State James Steinberg, Australian Foreign Affairs Deputy Secretary Paul Grigson, and Japanese Deputy Foreign Minister Koro Bessho.

June 16, 2011: Australia announces the purchase of 24 *MH-60R Seahawk Romeo* naval combat helicopters at a cost of more than \$3 billion. Canberra says a significant advantage would be interoperability with the US Navy, which operates about 100 of the *Romeos*.

June 22, 2011: DM Smith announces Australia will undertake a force posture review to assess whether the Australian Defence Force (ADF) is correctly positioned geographically to meet Australia's strategic and security challenges.

June 24, 2011: Australian and New Zealand defense chiefs formalize a plan to use the ANZAC Ready Response Force (RFF) to exercise for joint emergency responses in the region.

July 1, 2011: The Royal Australian Navy frigate *HMAS Toowoomba* starts patrols in the Middle East as part of the international campaign for maritime security. The deployment is the 26th rotation by an Australian Navy ship to the Middle East area since 2001.

July 4, 2011: In Afghanistan, Sgt. Todd Langley, 2nd Commando Regiment, is killed during an engagement with insurgents.

July 11, 2011: In Queensland, about 14,000 US and 8,500 Australian personnel start sea, land, and air exercises. The biennial *Talisman Sabre* is the most complex bilateral exercise Australia conducts with the US.

July 13, 2011: DM Smith visits Honiara to discuss the future of the Regional Assistance Mission (RAMSI) to Solomon Islands.

July 19, 2011: US Assistant Secretary of State for Political Military Affairs, Andrew Shapiro, visits Canberra.

July 19, 2011: DM Smith announces a review of maintenance and sustainment of Australia's six *Collins*-Class submarines, saying problems with the submarines are long standing, deeply entrenched and technically complex.

July 24, 2011: DM Smith arrives in the US to meet Secretary of Defense Leon Panetta and Secretary Clinton to discuss Afghanistan, the US Global Force Posture Review, and the September AUSMIN.

July 25, 2011: Australia and Malaysia sign an agreement aimed to stop people-smuggling boats sailing into Australian waters. Australia is to send 800 asylum seekers of such boats to Malaysia.

Aug. 5, 2011: Secretary of the Defence Department Ian Watt is appointed secretary of the Prime Minister's Department. Prime Minister's National Security Adviser Duncan Lewis becomes secretary of the Defence Department.

Aug. 11, 2011: Assistant Secretary of State Campbell leads the US delegation to attend the 19th annual Australian-American Leadership Dialogue in Perth.

Aug. 12, 2011: Australia's Attorney General issues a certificate under the Defence (Visiting Forces) Act to cover a US Navy officer involved in a collision in Willowbank, Queensland, on July 24, when a cyclist was killed. Queensland police on Aug. 11 had charged the officer with dangerous driving causing death. The officer will be investigated under US military law.

Aug. 22, 2011: In Afghanistan, Pvt. Matthew Lambert, 2nd Battalion, The Royal Australian Regiment, dies as a result of wounds from an improvised explosive device.

Aug. 31, 2011: The High Court disallows the Federal Government's "Malaysia Solution," the July 25 agreement for Australia to send 800 asylum seekers to Malaysia.

Sept. 3, 2011: In Canberra, UN Secretary General Ban Ki-moon meets PM Gillard.

Sept. 8, 2011: At the Pacific Islands Forum in New Zealand, PM Gillard announces an expansion of Australia's Pacific Seasonal Worker scheme. Nauru, Samoa, Solomon Islands and Tuvalu have been invited to join Kiribati, Papua New Guinea, Tonga and Vanuatu participating in the pilot scheme for Pacific workers to come to Australia for four to six months to work on farms and orchards.

About The Contributors

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