

## Regional Overview

# Multilateral Solutions to Bilateral Problems Help Contain Unilateralist Tendencies

by Ralph A. Cossa, President, Pacific Forum CSIS  
and Jane Skanderup, Direct of Programs, Pacific Forum CSIS

Is George W. Bush becoming “Mr. Multilateralism”? Not exactly! But, even as his administration was releasing another “unilateralist” report on combating weapons of mass destruction (WMD) and Australian Prime Minister John Howard was keeping the word “preemption” on everyone’s lips, President Bush continued to work through the UN Security Council to disarm and change the nature (if not the composition) of the government of Iraq while less formally working to build an international consensus to pressure North Korea to come into compliance with its international, and bilateral, nuclear disarmament commitments. Meanwhile, regional multilateral organizations, both with (APEC) and without (ASEAN Plus Three) the U.S., took interesting twists and turns this quarter, blending economics and politics in some unprecedented ways. As the new year began, the economic forecast for East Asia seemed generally (albeit cautiously) positive, as long as promised or planned restructuring and reform agendas are followed and the region, not to mention the U.S. economy, can weather a potential Iraqi storm.

## Combating Weapons of Mass Destruction

Charges of U.S. unilateralism and concerns about preemption once again raised their ugly head in December when the administration released a six-page report laying out a *National Strategy to Combat Weapons of Mass Destruction*. While it did not create quite as much a stir as the September release of *The National Security Strategy of the United States of America* (reviewed in these pages last quarter), critics were once again quick to brand the report “another dangerous escalation of the nuclear arms race.”

The new report begins with a quote from the September document and quickly links the two together, noting that an effective strategy for combating WMD is an “integral component” of the *National Security Strategy* (NSS). It lays out three “pillars” of Washington’s strategy to combat WMD: counterproliferation to combat WMD use, strengthened nonproliferation to combat WMD proliferation, and consequence management to respond to WMD use. These are described as “seamless elements of a comprehensive approach.”

The document seems to deliberately avoid the term “preemption,” using it only once in a section on “Defense and Mitigation,” which stated that the U.S. “must have the capability to defend against WMD-armed adversaries, including in appropriate cases through preemptive measures.” What attracted the most attention, and headlines, was the statement, “The United States will continue to make clear that it reserves the right to respond with overwhelming force – *including through resort to all of our options* – to the use of WMD against the United States, our forces abroad, and friends and allies.” [emphasis added] In other words, those contemplating the use of such weapons were warned that their action could draw a nuclear response.

This is not entirely new. During the 1991 Gulf War, Saddam Hussein had been put on notice that the U.S. would respond “using all available means” to a chemical or biological attack against allied forces and a Pentagon report a few years back had indicated that “nuclear weapons remain important as one of a range of responses available to deal with threats or use of NBC [nuclear, biological, chemical,] weapons against U.S. interests.” Nonetheless, its timing, as the U.S. seemingly prepared for war with Iraq while dealing with an increasingly confrontational North Korea – two states that are presumed to possess chemical and biological and perhaps nuclear weapons – seemed significant.

Please note that the document does not threaten the first use of nuclear weapons, much less a preemptive attack employing nuclear weapons. Nonetheless, some (the North Korean first among them) have chosen to lambast what is now being called Washington’s “preemptive nuclear attack policy.” Hysterical warnings from organizations like the Council for a Livable World, stating that “the Bush administration is now dangerously lowering the threshold for wreaking nuclear devastation across the planet” helped to feed North Korean paranoia and propaganda but, no doubt inadvertently, also helped send the administration’s message of deterrence to those who might contemplate using WMD against the United States.

### **Preemption, Aussie Style**

While preemption was not a centerpiece of the December White House report, the concept did draw additional attention this quarter following remarks by Australian Prime Minister John Howard during a Dec. 1 television interview that any prime minister would be “failing the most basic test of office” if he did not take preemptive action to prevent an imminent attack. These remarks were immediately and severely condemned by Indonesia and Malaysia (among others), with Malaysian Prime Minister Mahathir Mohamad, who never passes up a free shot at the Aussies, commenting that Canberra was behaving “as if these are the good old days when people can shoot Aborigines without caring for human rights.”

Few paid attention to what Howard actually said: “It stands to reason that if you believed that somebody was going to launch an attack against your country – either of a conventional kind or a terrorist kind – and you had a capacity to stop it and there was no alternative other than to use that capacity, then of course you would use it.” Asked if this meant taking preemptive action against terrorists in a neighboring country, Howard

replied “yes,” but added “There’s no situation that I’m aware of at the moment that raises that issue.” This, of course, did nothing to deflect the firestorm of protest that followed.

To me, the key phrase was Howard’s caveat, “*and there was no alternative other than to use that capacity.*” This raises the unanswered question of what Jakarta or Kuala Lumpur would do if Australia came to them with evidence of an impending attack and asked them to take the necessary action to prevent it. Making much the same point, Deputy Secretary of State Richard Armitage, after (not surprisingly) defending Howard’s remark as a “wake-up call” to the region, underscored that “The real message is that they [Australia’s neighbors] have to make the utmost efforts to police themselves, because then there is no need for anyone to preempt any threats.”

Meanwhile, as the quarter was drawing to a close, there were reports of Indonesia sending troops to its border with Papua New Guinea in response to cross-border separatist attacks by the “Free Papua” movement. Given Jakarta’s strong reaction to Howard’s comments, it is no doubt safe to assume that no preemptive cross-border action is being contemplated . . . or is it?

### **In Washington, it’s (Still) All About Iraq**

Despite desperate (and continuing) attempts by North Korea to distract attention its way, the Bush administration remained focused on Iraq during the past quarter. Discussions about Iraqi options were included in virtually all diplomatic discussions with East Asian officials. Washington’s continued willingness to use the United Nations Security Council (UNSC) to multilaterally pursue its efforts to disarm Iraq (and hopefully displace Saddam Hussein) helped to defuse this issue, especially after the UNSC finally agreed, after much political give-and-take, to a strongly-worded resolution on Nov. 8 demanding unfettered access for UN inspectors to search for weapons of mass destruction in Iraq. The Security Council did not give the U.S. all it wanted – there was no automatic trigger for military action in the event of noncompliance – but the resolution did generate the desired global consensus to compel Iraq to disarm in a verifiable manner or suffer the (unspecified but, at least to Washington, obvious) consequences. China voted in favor of the resolution (rather than its more typical abstention in matters such as these), further underscoring the success both sides have had in getting Sino-U.S. relations back on track. Earlier, during the Bush-Jiang Zemin summit in Crawford, Texas on Oct. 25, Iraq was essentially a non-issue.

### **DPRK: in Desperate Search of a Crisis**

Last quarter’s “Regional Overview” speculated about the implications of North Korea’s “smile diplomacy” – its apparent effort simultaneously to improve relations with Seoul, Tokyo, and Washington. Well, one out of three ain’t bad. At quarter’s end, there were still forced smiles emanating from Seoul, but expressions were pretty grim in Tokyo and Washington given the growing anger in Japan over North Korea’s refusal to let the families of the former abductees leave North Korea – the abductees themselves were permitted to make a “brief visit” to Japan in early November but have refused to return –

and, of course, Pyongyang's "admission" that it had a uranium enrichment program, not to mention its subsequent decision to expel International Atomic Energy Agency (IAEA) inspectors and remove its monitoring devices.

As spelled out in considerable detail in the U.S.-Korea chapter ("Trials, Tribulations, Threats, and Tirades") Assistant Secretary of State for East Asian and Pacific Affairs James Kelly's Oct. 3-5, 2002 visit to Pyongyang – the first high-level exchange with North Korea since the Bush administration came to power – was the first act in a new (and continuing) drama that the Bush administration continues to describe as a "diplomatic challenge," but that the rest of the world increasingly sees as a full-blown crisis.

Assistant Secretary Kelly reportedly accused the North Koreans of pursuing a clandestine uranium enrichment program and, according to Kelly, North Korean First Deputy Foreign Minister Kang Sok-ju acknowledged that his accusation was true. The North has been more circumspect, claiming that it was "entitled" to nuclear and "more powerful" weapons, given its branding by President Bush as a member of an "axis of evil," but officially neither confirming nor denying that it has either nuclear weapons or a uranium enrichment program. In response, the Bush administration announced that it would not pursue a promised "bold approach" toward improving U.S.-DPRK relations; instead it refused further negotiations with Pyongyang until it verifiably halted its uranium enrichment effort. The Korean Peninsula Energy Development Organization (KEDO) Executive Committee, comprised of representatives from the ROK, Japan, U.S., and European Union, subsequently decided to "suspend" future heavy fuel oil deliveries promised under the now "nullified" (according to North Korea) 1994 Agreed Framework.

In return, Pyongyang announced that it is restarting its Yongbyon nuclear reactor and reactivating its reprocessing facility, while at the same time expelling IAEA inspectors and removing monitoring devices aimed at ensuring that plutonium is not extracted from the reactor's spent fuel and diverted for weapons use. Pyongyang warned of a "catastrophic crisis of a war" unless Washington agreed to a non-aggression pact. Washington, while noting previous assurances that the U.S. had no intention of invading the North, remained steadfast in its refusal to yield to "nuclear blackmail."

Washington's efforts to build an international consensus against Pyongyang's nuclear brinkmanship has been relatively successful, if measured in terms of the number of countries that have been willing to condemn the North's actions. It has thus far had little success in compelling North Korea to honor its previous commitments and give up its nuclear programs, however. Concern over the stand-off has also contributed to rising anti-American sentiment in the Republic of Korea – South Koreans seem more willing to question Washington's motives or actions than Pyongyang's, even though the constant ratcheting up of the crisis (and only saber-rattling to date) has come from the North. Nonetheless, ROK President Kim Dae-jung joined President Bush and Japanese Prime Minister Koizumi Junichiro in an Oct. 26 joint statement issued along the sidelines of the Asia-Pacific Economic Cooperation (APEC) Leaders' Meeting in Los Cabos, Mexico calling on North Korea to dismantle its nuclear weapons program "in a prompt and

verifiable manner.” The Japanese contribution to the statement was particularly strong, tying Japanese-DPRK normalization talks to the North’s “full compliance with the Pyongyang Declaration . . . including the nuclear issue and abduction issue.

ROK President-elect Roh Moo-hyun has also demanded that North Korea abandon its nuclear weapons ambitions, even while expressing skepticism about the Bush administration’s “no negotiations” approach. Both Roh and Kim were also quick to condemn a report attributed to a senior U.S. official that the Bush administration planned to pursue a “tailored containment” policy against the North; a phrase which apparently has been allowed to die a silent death in Washington.

### **Ole! Asian Multilateralism Rolls On**

At the 12<sup>th</sup> APEC Leaders’ Meeting on Oct. 26-27 in Mexico – the first hosted by one of APEC’s Latin American members – the assembled APEC leaders also issued a rare political statement calling on the DPRK to “visibly honor its commitment to give up nuclear weapons programs.” Prior to last year, political declarations were kept off the APEC leaders’ agenda. The horrendous events of Sept. 11, 2001 changed this; a strong statement condemning international terrorism was adopted at the 2001 Shanghai APEC Leaders’ Meeting and this year’s Oct. 27 overall APEC Economic Leaders’ Declaration described terrorism as “a profound threat to our vision,” while committing members to a series of concrete steps to protect flows of trade, finance, and information.

The 2002 Declaration strongly endorsed successful negotiations of the Doha Development Agenda, including an end to all agricultural export subsidies. Although the leaders remain committed to their own Bogor Declaration, and various members continue to try to invigorate the peer review process of the individual action plans, it does seem that attention within APEC is shifting to more finite and practical results and away from grand schemes. Certainly with Doha seriously underway, there is little motivation for APEC to focus realistically on the liberalization cause.

The economic aspects of security and terrorism have also gripped APEC members, and it does seem a widespread (rather than a uniquely U.S.) concern. The leaders adopted the “Los Cabos Statement on Fighting Terrorism and Promoting Growth,” which launched the “Secure Trade in the APEC Region” (STAR) program, committing APEC economies to accelerate action on screening people and cargo for security before transit, increasing security on ships and airplanes en route, and enhancing security in airports and seaports. These are particularly important since APEC members are home to 21 of the world’s 30 top container seaports and 23 of the world’s 30 busiest airports. Thailand holds the chair for the 2003 meeting, and has already begun to focus on how to follow through with some of these initiatives.

## **ASEAN Summitry Promotes Subregionalism**

On Nov. 3-5, the Eighth ASEAN summit and accompanying meetings – including an ASEAN Plus Three (China, South Korea, Japan) summit and the first ASEAN-India summit – were held in Phnom Penh, Cambodia. The ASEAN summit itself was notable for considering the fast-tracking of some sectors for ASEAN integration, specifically in electronics and consumer goods, as recommended by an interim report on ASEAN competitiveness commissioned from McKinsey & Company. ASEAN members agreed to identify potential fast track sectors and, importantly, to find ways to strengthen an ASEAN monitoring system of compliance. In their determined efforts to integrate the newer members of ASEAN (Cambodia, Laos, Myanmar, and Vietnam, also known as the CLMV countries), the leaders agreed to allow the four countries tariff-free access to the more developed ASEAN markets by 2003, seven years ahead of schedule. It was also announced that the next ASEAN summit will be held in Bali, Indonesia in October 2003, perhaps out of solidarity in the fight against terrorism as well as to draw attention to the “deep concern regarding unnecessarily negative travel advisories” that have adversely affected tourism in the region. This concern helped to spawn the ASEAN Tourism Agreement signed at this summit aimed at promoting ASEAN’s many tourist destinations.

The Sixth ASEAN Plus Three meeting produced no riveting advances. For readers who have wondered where all of the economic declarations, initiatives, and discussions are headed, this summit did provide a clue, however nebulous the specifics remain. The leaders received the Final Report of the East Asia Study Group initiated by South Korea and agreed with the vision that the ASEAN Plus Three summits should evolve into “East Asian summits” and eventually into an East Asian Free Trade Area. Although the report provided concrete recommendations to move this plan forward in the short and long terms, the leaders passed on adopting specifics and instead tasked their economic ministers to formulate options for gradual formation of the free trade area. Ministers will supposedly take into account other integration efforts, such as Japan’s Initiative for Development in East Asia (IDEA), the Initiative for ASEAN Integration (IAI), and the ASEAN-China Framework Agreement (discussed below).

The ASEAN Plus Three meeting also dealt with selective political and security issues, particularly terrorism. The group agreed to a proposal by China to convene a ministerial meeting on transnational crime, and they called upon North Korea to “visibly honor its commitment” to give up its nuclear weapons programs. Security was also the order of the day when China, at its own bilateral with ASEAN, signed a watered down, non-binding “Declaration on the Conduct of Parties in the South China Sea” that was nonetheless hailed by all parties as a major confidence building measure.

The ASEAN-China summit on Nov. 4 also produced a Framework Agreement on Economic Cooperation, building on last year’s declaration and settling the disputed time frame for establishing a free trade area by 2010 and by 2015 for the newer ASEAN members. ASEAN and China also adopted a Joint Declaration on Cooperation in the Field of Non-Traditional Security Issues, with specifics to be identified later. In a

separate summit, ASEAN and Japan signed a Joint Declaration on a Comprehensive Economic Partnership which envisions a “partnership, with elements of a free-trade area” to be implemented within 10 years. Japan is already using the model of its bilateral agreement with Singapore in discussions with Thailand, the Philippines, and Vietnam, which will presumably provide the basis for a Japan-ASEAN framework agreement next year.

In contrast to Japan and China, South Korea has not pursued its own economic arrangement with ASEAN and appears of no mind to do so. Prime Minister Kim Suk-soo suggested that while South Korea was interested in establishing a free trade zone in East Asia, any deal would have to be a mid- or long-term one due to domestic concerns about agricultural and marine imports from Southeast Asia. Seoul remains active with ASEAN, however, having established the South Korea-ASEAN fund of about \$2 million aimed toward the CLMV countries. Just prior to the summit, South Korea inaugurated a high-tech training center in Phnom Penh as part of its APEC commitment to reduce the digital divide.

The “Plus Three” summit of China, Japan, and South Korea achieved another mandate to continue studying a trilateral free trade area. More notably, the first trilateral business forum was convened on Nov. 22 in Seoul, which President Kim Dae-jung had proposed during the ASEAN Plus Three summit in Vietnam in October. The forum was organized by Korea’s New Asia Economy Technology Federation, Japan’s Federation of Economic Organizations, and the China Council for the Promotion of International Trade. The meeting was attended by more than 250 business leaders and resulted in the “Seoul Declaration” calling for the formation of an East Asian free trade agreement with cooperation in seven sectors, including textiles, petrochemicals, steel, machinery, electronics, piped liquefied petroleum gas, and logistics.

All of these dialogues may seem like no more than background noise to much of the international economic community when World Trade Organization (WTO) agreements are demonstrably more effective at liberalizing markets. Yet at a recent Pacific Forum conference, it was clear among the Asians present that there is a “sense in the neighborhood” that these dialogues are making an important contribution to globalization, even though they are not yet institutionalized. It is interesting to reflect on the changes in attitudes that “allowed” the ASEAN Plus Three to be established in 1999, when in 1992 the East Asian Economic Caucus (EAEC) proposed by Malaysian Prime Minister Mahathir was promptly denounced by the U.S., politely ignored by China, and met with indifference by Japan.

The explanation from the U.S. side was that in 1992 it worried that the EAEC was an exclusive economic bloc, all too reminiscent of the 1930s when competing blocs drove the world economy into a depression spiral. By 1999, the view was that economic globalization was so pervasive that protectionist economic blocs, if attempted, could not survive. For China, the experience of the 1997-98 financial crisis was a watershed and fundamentally altered attitudes toward multilateral economic forums. A new consensus was forged, particularly around the necessity of joining the WTO, but also around the

desirability of APEC as well as ASEAN Plus Three. For Japan, support for ASEAN Plus Three also stemmed from the 1997-98 financial crisis and the new consensus that argued for active bilateral and regional economic engagement rather than sole reliance on global economic institutions. In fact, the first ASEAN Plus Three agreement – the Chiang Mai Initiative – involved currency swaps, an idea that was originally rooted in Japan’s “Asian IMF” proposal eschewed in 1998 by the U.S. and international financial institutions. Japan was well positioned for internal political reasons to enter into a regional framework like ASEAN Plus Three quite separate from whatever the U.S. thought, challenging the view that Japan was only able to join in a regional dialogue because the U.S. no longer objected.

### **East Asia Economic Forecast Seems Cautiously Optimistic**

As the new year began, the economic forecast for East Asia seemed generally (albeit cautiously) positive, with various sources predicting modest economic growth in 2003. The two external variables that could negatively affect this scenario are an unexpected downturn in the U.S. economy and an extended military conflict in Iraq that would raise oil prices and heighten economic uncertainty. The U.S. growth rate in 2003 is expected to be about 2.8 percent, rising from an estimated 2.4 percent in 2002. The World Bank estimates overall regional GDP growth is expected to ease mildly from 6.3 percent in 2002 to 6.1 percent in 2003.

The World Bank noted in its December report that economic recovery in East Asia began in late 2001 and continued to strengthen in the first half of 2002, but then slowed in the third quarter and uncertainties have increased. With the anticipated pace of global economic recovery slower than expected, demand for East Asian exports could slacken, and a recent fall in high-tech indicators suggests that recovery in this critical sector might be bumpy. With world trade and output growth stronger in 2003 than 2002, however, any slowdown in East Asia is expected to be limited, particularly as robust growth in China provides a strong market for intra-regional exports.

In 2003, Asia Pacific countries will continue to be challenged to attract foreign direct investment (FDI) due to a fall in worldwide FDI flows in 2001 and 2002. The UN Conference on Trade and Development (UNCTAD) estimated in October 2002 that global FDI flows in 2002 would decline by 27 percent to \$534 billion, about a third of the peak value recorded in 2000. The uncertain economic situation and weak stock market performance are undermining business confidence, the report noted, with a sharp impact on business expansion and cross-border mergers and acquisitions (M&As) which comprise about 80 percent of FDI flows in recent years.

The message from UNCTAD is that two consecutive years of decline in FDI flows means intensified competition for external resources; countries will need to “identify their strengths and weaknesses to target the type of FDI that both enhances their development strategies and reflects their comparative advantages.” In the Asia Pacific region, UNCTAD estimates an overall decline of 12 percent in FDI flows in 2002 following a reduction of 24 percent in 2001, largely due to declines in FDI from the United States and

Europe. Yet there are wide variations among countries. China is estimated to have attracted more than \$50 billion in 2002, setting a record for itself and surpassing inflows to the United States for the first time ever. A decline in inflows for 2002 was expected in Hong Kong, South Korea (already confirmed), Thailand, and Taiwan, while increases are expected in India, Malaysia, and the Philippines, as well as China.

The Asian Development Bank concludes that given the uncertain global economic environment, East Asian countries need to be prepared to respond with appropriate fiscal and monetary expansion should exports deteriorate, and governments should forge ahead with financial and corporate restructuring and reform in order to improve resilience to external shocks.

### **Regional Chronology October-December 2002**

**Oct. 1, 2002:** South Korean students illegally enter U.S. Embassy compound, demand apology for June accident in which two schoolgirls were killed during U.S. military exercises.

**Oct. 3-5, 2002:** Assistant Secretary of State James Kelly visits Pyongyang, North Korea.

**Oct. 4, 2002:** Yang Bin, chosen by North Korea (DPRK) to administer its special administrative region, is detained by Chinese authorities on suspicion of tax evasion.

**Oct. 5, 2002:** At Seoul press conference, Kelly describes meetings in Pyongyang as “frank” and “useful.” North Korea broadcasts accuse Kelly of being “arrogant” and “high-handed.”

**Oct. 12, 2002:** Terrorist bombing in Kuta beach, Bali, Indonesia kills 184, injures 132.

**Oct. 15, 2002:** Five Japanese abducted by North Korea arrive in Tokyo, Japan for a planned 12-day visit, but have yet to return.

**Oct. 16, 2002:** State Department reveals that Assistant Secretary Kelly accused DPRK of pursuing a clandestine uranium enrichment program and Pyongyang acknowledged this program.

**Oct. 17, 2002:** South Korean presidential candidates unanimously call on North Korea to abandon its nuclear weapons program.

**Oct. 18, 2002:** Malaysian Prime Minister Mahathir Mohamad arrives in Pakistan for talks with Pakistani leader Gen. Pervez Musharraf.

**Oct. 19, 2002:** The eighth round of North-South Korea Ministerial talks in Pyongyang concludes with an eight-point joint statement, mainly to progress various economic projects.

**Oct. 19, 2002:** U.S. Navy agrees to pay nearly \$13 million in compensation to the victims of February 2001 collision between a U.S. nuclear submarine and the Japanese fisheries training boat, *Ehime Maru*.

**Oct. 21, 2002:** Under Secretary of State John Bolton meets with Deputy Foreign Minister Georgy Mamedov in Moscow.

**Oct. 22-24, 2002:** Attorney General John Ashcroft visits Beijing and announces opening of an FBI liaison office in Beijing.

**Oct. 22-29, 2002:** Chinese President Jiang Zemin visits U.S. and Mexico.

**Oct. 23-24, 2002:** Asia Pacific Economic Cooperation (APEC) 14<sup>th</sup> Ministerial Meeting in Los Cabos, Mexico.

**Oct. 24, 2002:** China and the U.S. agree to resume military ties that have been halted since the April 2001 EP-3 “spy plane” incident.

**Oct. 24, 2002:** Philippines President Gloria Macapagal-Arroyo and Australian PM John Howard visit Hawaii, meet separately with Commander of U.S. Pacific Command Adm. Thomas Fargo.

**Oct. 25, 2002:** President Bush and President Jiang meet at Bush’s Crawford, Texas ranch for their third summit.

**Oct. 26, 2002:** Moscow theater siege by Chechen rebels on Oct. 23 ends following rescue effort by elite troops. Over 120 of 800 hostages die of gas poisoning.

**Oct. 26-27, 2002:** 10<sup>th</sup> APEC Leaders’ Meeting, Los Cabos, Mexico.

**Oct. 26, 2002:** U.S. President Bush, ROK President Kim Dae-Jung, and Japanese PM Koizumi meet at APEC Leaders’ Meeting and reaffirm their commitment to a nuclear weapons-free Korean Peninsula.

**Oct. 27, 2002:** PM Koizumi holds talks with President Jiang at APEC Leaders’ Meeting.

**Oct. 29-31, 2002:** North Korea rejects international demands to end its nuclear weapons program during normalization talks with Japan.

**Oct. 29, 2002:** President Kim visits Seattle, Washington en route from APEC meeting, meets with Washington State Gov. Gary Locke and Microsoft Chairman Bill Gates.

**Nov. 3-5, 2002:** Phnom Penh hosts annual ASEAN summit and ASEAN Plus Three and various Plus One meetings.

**Nov. 4, 2002:** The PRC signs “Declaration on the Conduct of Parties in the South China Sea” with ASEAN countries plus agreement to establish ASEAN-China free trade zone over the next decade, during ASEAN-China meeting.

**Nov. 6, 2002:** China finishes blocking the Yangtze River at the Three Gorges Dam.

**Nov. 8, 2002:** UN Security Council resolution demands unfettered access for UN weapons inspectors in Iraq.

**Nov. 8-14, 2002:** Sixteenth Party Congress in Beijing. President Jiang retires as Communist Party chief; is re-elected head of China’s Central Military Commission. The nine-member standing committee, led by new party chief Hu Jintao, includes Wu Bangguo, Wen Jiabao, Jia Qinglin, Zeng Qinghong, Huang Ju, Wu Guanzheng, Li Changchun, and Luo Gan.

**Nov. 9-13, 2002:** Assistant Secretary Kelly visits Tokyo (for TCOG meeting), Seoul, and Beijing.

**Nov. 14, 2002:** KEDO announces decision to halt future shipments of heavy fuel oil to the DPRK unless it takes verifiable steps to dismantle its uranium enrichment program.

**Nov. 20, 2002:** A South Korean warship fires two warning shots at a North Korean boat that crossed a disputed maritime border. The North Korean boat quickly retreats.

**Nov. 20, 2002:** South and North Korea agree to conduct joint land surveys of their border buffer zone as part of a project to reconnect rail and road links.

**Nov. 20, 2002:** U.S. sergeant acquitted by U.S. military tribunal of negligent homicide in June training accident.

**Nov. 22, 2002:** Second U.S. sergeant also acquitted, prompting renewed protests in South Korea.

**Nov. 22, 2002:** President Bush meets for the seventh time with Russian President Vladimir Putin, in St. Petersburg, Russia.

**Nov. 24, 2002:** A U.S. Navy destroyer visits Qingdao, China, the first port visit by a U.S. warship to China since the April 2001 EP-3 incident.

**Nov. 27, 2002:** PRC government formally arrests Yang Bin.

**Nov. 27, 2002:** Indonesia human rights court finds former East Timor militia leader of the Aitarak militia Eurico Guterres guilty of crimes against humanity during East Timor’s 1999 vote on independence and sentences him to 10 years in jail.

**Nov. 29, 2002:** Indonesia's human rights court acquits four former security officers (including Lt. Col. Endar Priyanto, former army commander for the East Timor capital Dili) of crimes against humanity in East Timor.

**Dec. 1, 2002:** Australian PM John Howard states that Australia would be prepared to launch a preemptive strike on another country as a measure of last resort to prevent terrorism.

**Dec. 1, 2002:** DPRK government announces enforced currency swap to halt use of U.S. dollars.

**Dec. 2, 2002:** PRC and Russia issue joint declaration following Beijing presidential summit urging DPRK to halt its nuclear weapons program and urging both Washington and Pyongyang to stick by the 1994 Agreed Framework.

**Dec. 5, 2002:** U.S.-ROK Security consultative meeting in Washington.

**Dec. 7, 2002:** Ma Ying-jeou, mayor of Taipei and member of the opposition Kuomintang, is re-elected with 64 percent of the vote.

**Dec. 9, 2002:** A North Korean ship carrying Scud-type missiles is intercepted by the Spanish Navy and inspected by U.S. officials; ship is subsequently released when it is revealed the missiles are destined for Yemen.

**Dec. 9-10, 2002:** PRC Gen. Xiong Guangkai, deputy chief of the People's Liberation Army, and Under Secretary of Defense for Policy Douglas Feith conducts military-to-military talks at the Pentagon.

**Dec. 9-14, 2002:** Deputy Secretary of State Richard Armitage visits Japan, Korea, China, and Australia.

**Dec. 10, 2002:** PRC defense white paper released.

**Dec. 11, 2002:** U.S. releases *National Strategy to Combat Weapons of Mass Destruction*, which threatens use of "all options" in response to WMD attack

**Dec. 12, 2002:** DPRK announces it will reactivate a nuclear power program that was suspended under the 1994 Agreed Framework in response to the U.S. decision to halt heavy fuel shipments.

**Dec. 12-17, 2002:** PACOM Commander Adm. Fargo visits China.

**Dec. 16, 2002:** U.S.-Japan Security Consultative Committee convenes. Secretary Powell and Deputy Defense Secretary Paul Wolfowitz meet with Japanese FM Kawaguchi and Japan Defense Agency chief Ishiba in Washington.

**Dec. 16, 2002:** North Korea declares that only a non-aggression pact with Washington can prevent “a catastrophic crisis of a war.”

**Dec. 16, 2002:** Secretary Powell states that the U.S. has no plans to attack the DPRK and rejects North Korea’s demands for a nonaggression treaty, insisting that the DPRK fulfill its promises to forego nuclear weapons.

**Dec. 16, 2002:** Japanese Aegis destroyer *Kirishima* leaves port in Yokosuka, Japan for deployment in the Indian Ocean. The destroyer and its crew of nearly 250 will carry out surveillance activities and protect Japanese vessels that are providing logistical support for the antiterrorism campaign.

**Dec. 19, 2002:** ROK presidential candidate Roh Moo-hyun of the ruling Millennium Democratic Party is elected, defeating Lee Hoi-chang of the opposition Grand National Party.

**Dec. 19, 2002:** Japanese abductees agree to make clear statement to Pyongyang that they are willingly staying in Japan to prompt the DPRK to send their families to Japan.

**Dec. 19, 2002:** Go Yankees! NY signs Matsui (Godzilla) Hideki.

**Dec. 20, 2002:** Australia announces it is shelving plans to restore full diplomatic links with North Korea until it honors its nuclear obligations.

**Dec. 21-25, 2002:** DPRK begins dismantling IAEA monitoring equipment at nuclear facilities in Yongbyon.

**Dec 23, 2002:** Defense Secretary Rumsfeld states U.S. is capable of dealing militarily with Iraq and North Korea simultaneously.

**Dec. 24, 2002:** China releases human rights activist Wu Xenli.

**Dec. 24, 2002:** PM Koizumi announces plans to visit Yasukuni Shrine in 2003, but does not specify a date.

**Dec. 24, 2002:** The Japanese government submits plan to PM Koizumi for an alternate nonreligious memorial for deceased war victims and participants in international peacekeeping missions.

**Dec. 27, 2002:** DPRK demands all international nuclear inspectors depart.

**Dec. 28, 2002:** U.S. official discusses “tailored containment” of North Korea, drawing ROK protests.

**Dec. 29, 2002:** PRC launches fourth unmanned Shenzhou IV space capsule in preparation for manned flight.

**Dec. 30, 2002:** Philippines President Gloria Macapagal-Arroyo announces her decision not to contest the 2004 presidential election.

**Dec. 31, 2002:** Expelled U.N. IAEA inspectors leave North Korea.

## **U.S.-Japan Relations: Vindication!**

By Brad Glosserman  
Director of Research, Pacific Forum CSIS

The alliance optimists should be permitted to gloat. This quarter vindicated their faith in the government of Prime Minister Koizumi Junichiro. Tokyo continued its support for the U.S.-led war against terrorism and even upped the ante by agreeing to send an Aegis-equipped destroyer to the Indian Ocean after a year of sometimes heated debate on the feasibility and legality of such a move. When news of North Korea's clandestine nuclear weapons development program broke, concern about a possible split between Washington and Tokyo on dealing with Pyongyang proved unfounded. The U.S. and Japan have worked closely to fashion a solution to the crisis. There has been little daylight between the two governments' positions.

Recent comments about Japanese participation in the missile defense (MD) program also comfort the alliance hawks, but the reaction they prompted reveals that over-reaching is a danger in Japan. Despite the progress of the last quarter, consensus on security issues is still elusive. A similar caution is necessary on the economic front. Japan's economy has slid again into recession and that will constrain Tokyo's efforts to share additional international economic burdens.

### **Aegis Ahoy!**

As expected, on Nov. 19, the Japanese Cabinet decided to once again extend the deadline for logistical support for the UN war against terrorism. In a significant step forward, the Japanese government decided on Dec. 4 to dispatch one of its Aegis-equipped vessels to the Indian Ocean as part of that effort. The Aegis deployment has been surrounded by controversy since it was first mooted over a year ago. Immediately after the Sept. 11, 2001 terrorist attacks, the U.S. was reported to have nudged Japan to send the high-tech destroyer; it was later alleged that Maritime Self-Defense Force officials had asked the U.S. to ask Japan to send the ship (see "All is Good, If You Don't Look too Close," *Comparative Connections*, Vol. 4, No. 2, July 2002). At one point, Tokyo seemed ready to dispatch the vessel, but clamor within the Diet, and from members of the ruling coalition in particular, forced a retreat.

While critics argued that deployment was merely an attempt to push the envelope on Japanese military activities, using an Aegis makes sense. The ship's radars are the best available, allowing for maximum protection of coalition vessels. Japanese deployment would also allow the U.S. to send one of its own Aegis-equipped destroyers elsewhere – like the Middle East in preparation for a war against Iraq. Early Japanese press reports played up the superior air conditioning of the Aegis-destroyers, implying that sailor comfort was behind the decision – an indication of just how far Japan has yet to go when thinking about national security matters. According to the official press release announcing dispatch of the *Kirishima*, “The government of Japan decided to send the Aegis-equipped vessel to utilize the ship's radar and information-processing capabilities to enhance safety during at-sea refueling activities, and to ensure the flexibility of replacement rotation by increasing the number of potential command ships for the vessels dispatched to the Indian Ocean.” The move has been greatly appreciated and warmly applauded by Washington.

If the decision makes so much sense, why the fuss? The problem is that protection afforded by the Aegis radar, which can track 200 enemy aircraft and missiles simultaneously and shoot down 10 targets at the same time, would appear to constitute “collective self defense,” which has been prohibited by the prevailing interpretation of Article 9 of the Japanese Constitution. It may sound silly, but by this logic, protecting Japanese ships and assets is OK; extending that protection to other nations' ships is not. The problem is exacerbated by the need for real-time integration of the electronics of the Aegis and the other ships it is protecting. That is especially worrisome to those who are concerned that it will completely erode the prohibition against collective self-defense and render Article 9 an empty shell. Realistic or not, the constitutional questions shrouding the issue are important ones, and have not been addressed by the government decision.

### **Shoulder to Shoulder as They Go Nose to Nose**

Japan's response to news of North Korean clandestine nuclear weapons program has been equally heartening to supporters of the alliance. Students of history expected Japan to put considerable distance between itself and the U.S. in dealing with North Korea, especially given the Bush administration's hardline approach to Pyongyang. Using the past as a guide, Tokyo should have served up equal amounts of rhetorical support for U.S. policy and hand-wringing about its possible impact as the situation developed.

Instead, Tokyo and Washington have marched pretty much in lockstep since the U.S. revealed in mid-October that North Korea had confessed to cheating on the 1994 Agreed Framework. While condemning the North Korean move, both governments have stressed the need for a diplomatic solution to the crisis, and have attempted to coordinate their diplomacy at every opportunity, both bilaterally and trilaterally within the Trilateral Coordination and Oversight Group (TCOG) process that includes South Korea.

While such coordination would seem normal – the two countries are allies – it is important to remember that the alliance almost ruptured during the first Korean Peninsula nuclear crisis nearly a decade ago. Then, the prospect of Japan refusing to help pressure

North Korea to give up its nuclear weapons development program looked like the final straw for an alliance still reeling from the Gulf War debacle. This time, the two governments have shown no signs of disagreement and have spoken with almost one voice. They have demanded that Pyongyang honor its international obligations and dismantle its nuclear weapons development program, and have stressed the need for close consultations among the TCOG governments.

This agreement should put to rest suspicions that Washington and Tokyo were divided about dealing with North Korea in the wake of Prime Minister Koizumi's historic visit to Pyongyang in September. Although both governments denied reports of a split, pundits persisted in raising the specter of a gap. At this point, the Koizumi gambit appears to have been derailed, but the resumption of a Tokyo-Pyongyang discussion has served the U.S.-Japan alliance since it gives Tokyo a way to raise security concerns with North Korea. While Pyongyang is determined to deflect that pressure, arguing that security issues are a bilateral – U.S.-North Korea – concern, it still allows Japan to fulfill some of its obligations as a partner to the U.S.

## **2+2 =1?**

An important sign of the revitalized alliance was the resumption of the U.S.-Japan Security Consultative Committee (SCC), which met in Washington on Dec. 16, 2002. The SCC is known as the “2 + 2 talks” since it includes the two countries' foreign and defense ministers, although Under Secretary of Defense Paul Wolfowitz substituted for his boss Donald Rumsfeld because the secretary had a cold. The SCC hadn't convened for two years, so the December meeting was viewed as another sign of the two nations' commitment to enhanced security cooperation.

The statement released at the end of the meeting addressed all the key issues – North Korea, missile defense, the war on terrorism, and U.S. forces in Japan – with nary a hint of discord. When questioned about possible differences in approach to the North Korean situation, Japanese Foreign Minister Kawaguchi Yoriko was explicit: “Between our two governments there is no difference, no fundamental difference of position – absolutely none in that respect.” Secretary of State Colin Powell echoed her, saying “our positions are identical.”

## **Forward Looking on Missile Defense**

The following day, Dec. 17, during a meeting with U.S. Secretary of Defense Rumsfeld, Defense Agency Director General Ishiba Shigeru said that Japan “wanted to study the [joint missile defense] program with a future move to the development/deployment in mind.” His statement sparked a tempest in Japan, where it was interpreted as step forward from the December 1998 statement by the Japanese chief Cabinet secretary, which has been the benchmark for Japanese policy. At that time, he said “the government will make a separate decision on the development and deployment stages after looking into such factors as the program's technical feasibility and Japan's future options.” MD is sensitive for two reasons: first, there are fears that it will trigger an arms race, and second, as in the

Aegis deployment, it requires the integration of U.S. and Japanese militaries and hence raises again the question of “collective self defense.”

Reportedly, Prime Minister Koizumi and Chief Cabinet Secretary Fukuda Yasuo feared that Ishiba’s comment would be considered a pledge by Tokyo. In response, the prime minister stressed the next day that he did not know Ishiba would make such a comment, and added that the decision required additional research.

### **Godzilla in Pinstripes?**

While we’re looking ahead, let’s not forget spring training. This year, Matsui Hideki will don the pinstripes and play outfield for the New York Yankees. Matsui, known as “Godzilla” in Japan, played for the Yomiuri Giants, where he had a .304 career average with 332 homers and 889 RBIs in 1,268 games. He won the RBI and home run titles three times each (1998, 2000, and 2002), the batting title once (2001) and Central League (CL) MVP twice (1996, 2000). Last year, Matsui led the CL with 50 homers and 107 RBIs and batted .334, the second highest average in the league. Let’s hope he performs better than the Yankee’s last Japanese acquisition, pitcher Irabu Hideki.

### **The Jenkins problem**

No assessment of the bilateral relationship could ever be unblemished. Fortunately, today’s concerns are all potential problems; there are no looming difficulties. Take the case of Charles Robert Jenkins, the husband of Soga Hitomi, one of the 13 Japanese who was kidnapped by North Korean agents, and who was allowed to return to Japan to visit her family. Soga, along with the other four Japanese survivors, has declared that she does not want to go back to North Korea and wants Pyongyang to allow her family to join her in Japan. The problem is that Jenkins is a U.S. Army deserter, who left his South Korean post in 1965. If he leaves North Korea he would be subject to court martial. President Bush has to pardon Jenkins, and there is no indication that the U.S. is ready to make that move, despite Japanese requests that he do so. If the North were to show some flexibility and allow the families to be reunited in Japan, the U.S. would look like the villain. Fortunately, North Korea is being obstinate and Washington has avoided the spotlight.

### **The Economy, as Always**

Japan’s economy continues to falter. The lost decade is now stretching into two, with no recovery in sight. The indicators are grim. Figures released at the end of the year show household spending fell 3.4 percent in November from a year ago; adjusting for deflation, the drop is actually 4.2 percent. Retail sales fell for the 20<sup>th</sup> consecutive month, industrial production fell for the third straight month, and even exports, the only remaining bright spot on the economic horizon, are tapering off as the U.S. economy slows. Unemployment fell in November, from 5.5 percent to 5.3 percent, but economists attribute the drop to a decline in the number of people seeking jobs, not any pick up in the economy. As 2003 began, the outlook is grim. Most forecasts are either negative or project less than 0.5 percent growth.

Faced with this dour outlook, policymakers are once again relying on exports and yen depreciation to boost the economy. In early December, Finance Minister Shiokawa Masajuro said that he thought an exchange rate of 150-160 yen to the U.S. dollar sounded right, a depreciation of about 20 percent. While he was subsequently forced to disavow that remark, two other Cabinet ministers later echoed that sentiment by noting that deflation in Japan would press the currency's value downward.

While the Bush administration continues to avoid any direct attempt to influence Japanese economic policy – believing such efforts will have no effect – that doesn't mean that Washington is not concerned. Relying on exports allows Japan to sidestep real reform, and while this administration isn't willing to push Tokyo on the economic front, decision makers believe structural change is needed. Moreover, Japanese devaluation could set off a chain reaction of competitive devaluations among other regional economies. Worse still is the chance that Japan's single-mindedness could push other Asian economies back into a hole after their heroic recoveries from the Asian financial crisis of 1997. In sum, Japan's continuing attempts to avoid hard choices will have implications for other economies. At some point, the failure to reform will become too much for Washington to ignore.

### **Background Anti-Americanism**

A confrontation over economic issues will not be pretty. One possible future is foreshadowed in the commentary that blames the U.S. for Japan's economic woes. This is admittedly a minority view, but even in the mainstream press, some analysts and politicians have fingered the U.S. A recent *Yomiuri Shimbun* article argues that Japan's problems stem from the 1985 Plaza accord, which was engineered by Washington to help the then struggling U.S. economy. Other comments are even more incendiary, asserting that the U.S. has foisted reform upon Japan to allow U.S. firms – “vultures” – to buy Japan on the cheap. (Crazy though some of these arguments are, Americans should take no comfort in their illogic; we were pretty good at blaming the Japanese for our difficulties a few decades ago.)

The economic strand of anti-Americanism is a thin one, but the danger is that it can combine with other, more traditional, strands to create a thick braid. Concerns about U.S. policy and international leadership seem to have abated in recent months; during a recent trip to Japan, no one seemed real excited about U.S. unilateralism. That could be because U.S. and Japanese policies are fairly well coordinated. If interests diverge – and a war with Iraq could be the trigger – then old concerns could re-emerge.

The U.S. military presence is another potential time bomb, and this quarter offered another reminder of how troublesome it can be. On Nov. 2, U.S. Marine Maj. Michael Brown allegedly raped a woman in Okinawa. The Okinawa police issued a warrant for Brown a month later, but the U.S. initially refused to hand him over. He was taken into custody two weeks after that, when a formal indictment was issued, as is required by the Status of Forces Agreement (SOFA).

The rape case reopened discussions over the SOFA. Okinawa Gov. Keiichi Inamine was “strongly indignant” at the decision not to hand over Brown, prompting him to call for revisions in the SOFA, rather than “improvement” in its implementation, which has been the mantra of U.S. and Japanese officials – and deflects calls for renegotiation. The subject came up at the SCC meeting and Secretary Powell reiterated the pledge that “American forces would be good neighbors, good guests in Japan, and especially in Okinawa.”

### **Ending the *Ehime Maru* Tragedy**

This quarter also witnessed, hopefully, the last chapter in the *Ehime Maru* tragedy. The *Ehime Maru* was the Japanese fisheries training vessel that sunk on Feb. 9, 2001, after colliding with a U.S. nuclear submarine off the coast of Hawaii, killing nine of the students and instructors that were onboard. In November, the U.S. Navy reached agreement on a \$13.9 million settlement with 33 of the 35 families on the ship. Negotiations are continuing with families of the other two victims.

Just as important, Scott Waddle, the captain of the *Greeneville*, who was honorably discharged after receiving a letter of reprimand from a navy court of inquiry, visited Japan in December. There, he went to the memorial to the victims at their high school and met with four of the student survivors and their families. Reaction was mixed. Some were angry that Waddle had waited 22 months after the accident to convey his apologies in person (he had already apologized through the press). Others expressed relief and a willingness to move on.

The U.S.’s handling of the *Ehime Maru* tragedy was exemplary. There were a few difficulties, but that is only natural when dealing with an accident of this magnitude. The two governments’ ability to work together and ensure that this horrible incident did not cripple the bilateral relationship is proof that the alliance has deep roots and, when properly tended, can withstand incredible strain. The events of this quarter have provided more evidence of the strength of the ties that underlie the U.S.-Japan relationship.

### **Chronology of U.S.-Japan Relations<sup>\*</sup>** **October-December 2002**

**Oct. 1, 2002:** *Bungeishunju* magazine features a 100-page issue on anti-Americanism titled “Disbelief in America.” Contributors include Tokyo Gov. Ishihara Shintaro.

**Oct. 3, 2002:** *Nihon Keizei Shimbun* reports Prime Minister Koizumi Junichiro’s Cabinet has a 61 percent approval rating after the Sept. 31 reshuffle, while Koizumi’s disapproval rate dropped to 20 percent.

**Oct. 6, 2002:** U.S. Assistant Secretary of State for East Asian and Pacific Affairs James Kelly visits Japan on his return from North Korea. Kelly meets Foreign Minister Kawaguchi Yoriko and Cabinet Secretary Fukuda Yasuo.

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<sup>\*</sup> Chronology compiled by Vasey Fellow Nakagawa Yumiko.

**Oct. 6-12, 2002:** Tokyo Gov. Ishihara visits U.S. to discuss Yokota Air Base issues including possible commercial use and the return of the base.

**Oct. 19, 2002:** Kyodo News reports that U.S. Navy and families of *Ehime Maru* victims agree to \$13 million compensation.

**Oct. 21, 2002:** U.S. Deputy Secretary of State Richard Armitage requests extension of Japanese Self-Defense Forces' logistical support to U.S. war on Afghanistan in talks with Japanese Senior Vice Foreign Minister Motegi Toshimitsu in Washington.

**Oct. 21, 2002:** Defense Agency chief Ishiba Shigeru says that he supports use of Aegis-equipped Maritime Self Defense Forces ships in the antiterror effort and a shift from "joint research" to "development" of missile defense during talks with Assistant Secretary Kelly.

**Oct. 26, 2002:** At APEC Leaders' Meeting in Los Cabos, Mexico, President Bush, PM Koizumi, and ROK President Kim Dae-jung meet and issue a joint statement on North Korea policy.

**Oct. 29, 2002:** *Yomiuri* reports that Koizumi Cabinet support rate remains high at 65.9 percent and the disapproval rate is 23.9 percent.

**Oct. 29-31, 2002:** North Korea-Japan normalization talks resume in Kuala Lumpur.

**Oct. 29, 2002:** *Nihon Keizai* reports that about 200 people living near Futenma marine air station in Okinawa filed suit to stop night flights by helicopters, and demand ¥300 million in compensation.

**Oct. 30, 2002:** U.S. State Department spokesman Richard Boucher notes Japan's efforts to bring nuclear issues into normalization talks with North Korea.

**Oct. 31, 2002:** U.S. Army shows reluctance to accede to Japan's request to pardon Sgt. Charles Jenkins, husband of abductee Soga Hitomi, who deserted from the U.S. Army in 1965.

**Nov. 1, 2002:** Japan's top baseball player Matsui Hideki announces that he will join the U.S. major leagues as a free agent.

**Nov. 2, 3, 2002:** U.S. Under Secretary of Defense Douglas Feith meets Defense Agency head Ishiba and Vice Foreign Minister Takeuchi Yukio in Japan.

**Nov. 9, 2002:** Trilateral Coordination and Oversight Group (TCOG) meets in Tokyo. U.S. Assistant Secretary Kelly, Asian and Oceania Affairs Bureau Director General Tanaka Hitoshi, and ROK Deputy Minister of Foreign Affairs and Trade Lee Tae-shik discuss fuel oil shipments for North Korea.

**Nov. 12-22, 2002:** U.S. and Japan hold bilateral exercises off Kyushu, Japan.

**Nov. 14, 2002:** KEDO decides to continue oil shipments for North Korea for this month, but announces the suspension of shipments from December unless North Korea stops its nuclear weapons program.

**Nov. 18, 2002:** Two bombs explode near Camp Zama, Japan.

**Nov. 19, 2002:** Japanese Cabinet decides to extend Japan's SDF logistical support for the U.S. war on Afghanistan until May 19, 2003.

**Nov. 20, 2002:** The Seattle Mariners and the Oakland Athletics announce their 2003 opening game will be held in Tokyo.

**Nov. 21, 2002:** *Yomiuri* and *Nihon Keizai* report that the Bush administration sent a formal request to the Japanese government to cooperate in the U.S.-led war on Iraq.

**Nov. 13, 2002:** Agriculture Ministry's Fisheries Agency, the Foreign Ministry, and the Shimane and Tottori prefecture governments request that the U.S. Navy cancel scheduled drills, saying it might disturb crab fishing.

**Nov. 27, 2002:** Japanese Deputy Cabinet Secretary Abe Shinzo is reported to have told Soga Hitomi, an abducted Japanese, that talks between Tokyo and Washington on the status of her husband Charles Jenkins are in the "delicate" stage. Japanese Foreign Ministry spokesman urges the U.S. government to "consider special treatment" of Jenkins.

**Dec. 1, 2002:** Japanese Finance Minister Shiokawa Masajuro says the yen is over evaluated and an exchange rate between 150 to 160 to the dollar "should be appropriate."

**Dec. 3, 2002:** Okinawa police issue warrant for U.S. Marine Maj. Michael Brown for an alleged rape on Nov. 2.

**Dec. 4, 2002:** Defense Agency chief Ishiba announces Japan's dispatch of Aegis-equipped naval vessels to Indian Ocean in mid-December.

**Dec. 4, 2002:** Deputy Secretary of State Richard Armitage and White House spokesman Fisher say "the U.S. government appreciates Japan's Aegis-equipped vessel dispatch."

**Dec 4, 2002:** Japanese Prime Minister Koizumi Junichiro calls on the U.S. military to take steps to crack down on crimes by servicemen.

**Dec. 5, 2002:** *Yomiuri* reports that Japanese government is planning to provide economic and humanitarian assistance to Iraq after Saddam Hussein is overthrown.

**Dec. 5, 2002:** U.S. Embassy in Tokyo reveals that the U.S. government has refused to hand over Maj. Brown.

**Dec. 6, 2002:** Finance Minister Shiokawa clarifies statement of five days earlier, stating that yen exchange value should be “evaluated on the basis of its purchasing-power parity.”

**Dec. 8, 2002:** Defense Agency chief Ishiba hints at possible dispatch of Japanese troops to help Iraq’s reconstruction.

**Dec. 8-10, 2002:** Deputy Secretary of State Armitage meets Chief Cabinet Secretary Fukuda, FM Kawaguchi, and Defense Agency chief Ishiba to discuss Japan’s assistance in a U.S. war against Iraq.

**Dec. 15, 2002:** Former captain of the *USS Greeneville* Scott Waddle visits Uwajima to apologize to *Ehime Maru* victims and their families.

**Dec. 16, 2002:** Aegis-equipped *Kirishima* departs from Yokosuka to the Indian Ocean.

**Dec. 16, 2002:** FM Kawaguchi and Defense Agency chief Ishiba meet Secretary of State Colin Powell and Deputy Defense Secretary Paul Wolfowitz (substituting for a sick Donald Rumsfeld) at the U.S.-Japan Security Consultative Committee, the “2-+-2” meeting in Washington.

**Dec. 19, 2002:** Rape suspect Maj. Michael Brown is taken into custody in Naha.

**Dec. 19, 2002:** Japanese abductees agree to make clear statement to Pyongyang that they are willingly staying in Japan to prompt the DPRK to send their families to Japan.

**Dec. 19, 2002:** New York Yankees reach preliminary agreement on a \$21 million, three-year contract with former Yomiuri Giants slugger Matsui Hideki.



U.S.-China Relations:

## Sustaining Cooperation: Security Matters Take Center Stage

by Bonnie S. Glaser  
Consultant on Asian Affairs

This quarter opened with summitry as Presidents George W. Bush and Jiang Zemin held their third meeting at Bush's ranch in Crawford, Texas. Their discussion and subsequent U.S.-Chinese consultations covered a broad range of issues, but security matters received special attention as North Korea acknowledged a previously unknown uranium-enrichment program and the Bush administration stepped up its efforts to disarm Iraq. Beijing issued new export control regulations for all major categories of weapons of mass destruction (WMD), bringing China into closer adherence with international nonproliferation export control standards. Bilateral human rights talks took place for the first time in over a year and produced an agreement by China to invite UN investigators into the country to examine allegations that it jails people without due process, restricts freedom of religion, and allows torture in its prisons. High-level military contacts also resumed with the convening of the fifth Defense Consultative Talks and a visit to China by Commander, U.S. Pacific Command Adm. Thomas Fargo.

### **Texan Barbecue and Strategic Dialogue: the Crawford Summit**

On the eve of the Crawford summit, Secretary of State Colin Powell set a positive tone for the third meeting between Presidents Bush and Jiang. In an interview with Hong Kong Phoenix TV, Powell declared, "Nobody in the administration sees China as an enemy. We see China as a friend now." Powell expressed his appreciation to the Chinese leadership and the Chinese people for their support since Sept. 11, 2001. "It is quite possible for our two nations with different political systems and different beliefs to cooperate, to narrow differences, to support one another," he maintained.

Following the four-hour summit, which included a tour of the ranch and a lunch catered by one of Bush's favorite barbecue restaurants, President Bush joined in painting a predominantly rosy picture of China-U.S. relations. At the post-summit press conference, Bush said the U.S. was "building a relationship with China that is candid, constructive, and cooperative." He characterized his personal relations with Jiang Zemin and the bilateral relationship as "strong." Moreover, Bush termed the U.S. and China as "allies in the fight against global terror."

Jiang added to the chorus of accolades for the increasingly cooperative relationship between Beijing and Washington. "The prospect for cooperation between us has become broader rather than narrower," Jiang maintained. He called on the two countries to expand exchanges in economic, trade, cultural, educational, and other fields. "We should step up dialogue and coordination on major international and regional issues, and constantly move our constructive and cooperative relationship forward," the Chinese president asserted.

The summit meeting had initially been planned as a largely ceremonial farewell visit for Jiang, who relinquishes the presidency to Hu Jintao at the National People's Congress next spring, but turned into a fruitful strategic dialogue on how to disarm President Saddam Hussein of Iraq and manage the nuclear crisis on the Korean Peninsula. On North Korea, the two leaders pledged to work together to persuade Pyongyang to dismantle its nuclear weapons program. Jiang told Bush that he was "completely in the dark" regarding North Korea's secret uranium enrichment program and stressed the need for a peaceful resolution of the problem. Jiang further underscored the importance of preserving a nuclear-free Korean Peninsula, but stopped short of making a commitment to use China's influence with Pyongyang to bring about a diplomatic solution to the crisis.

The two presidents also had a thorough discussion of the situation in Iraq. Both expressed support for Iraq's strict compliance with UN Security Council resolutions. A senior Bush administration official who provided a briefing on the meeting maintained that the U.S. and China "have common ground to work." President Bush urged Jiang to back a new Security Council resolution demanding Iraq completely disarm itself of weapons of mass destruction. In early November, China joined the other members of the UN Security Council in approving a resolution demanding unfettered access for UN inspectors to search for weapons of mass destruction in Iraq. The Chinese, along with the Russians and the French, harbored concerns about a unilateral U.S. military strike against Iraq under the guise of United Nations approval. Nevertheless, Beijing worked closely with the other UNSC members to craft compromise language. China's decision to vote in favor of the resolution, rather than abstain, provided evidence of China's determination to strengthen its ties with the United States and boost its image as a responsible world player.

Initial reports of the leaders' exchange on Taiwan suggested little more than a reiteration of previous policy statements. In the press conference, Bush noted he had repeated to Jiang that his administration's "one China" policy, based on the three China-U.S. joint communiqués and the Taiwan Relations Act, remains unchanged. He urged dialogue between the mainland and Taiwan and stressed the imperative of peacefully resolving their differences. Answering a question posed by a reporter from an official Chinese TV station, Bush added, "we do not support [Taiwan] independence." According to accounts of the private meeting in the Chinese press, Jiang told Bush that Taiwan independence activities constitute the greatest threat to stability in the region and to the development of China-U.S. relations, and demanded that the U.S. side scrupulously abide by the "one China" policy and the joint bilateral communiqués and play a constructive role in China's pursuit of reunification.

Chinese press reports later revealed that President Bush had told Jiang privately that he “opposed” Taiwan independence, suggesting greater convergence between the Chinese and U.S. positions than had existed previously. Beijing interpreted the tougher wording as proof of Washington’s assessment that Taiwan President Chen Shui-bian’s “one country on each side” statement last August was provocative and destabilizing. Additional details on the two leaders’ discussion of Taiwan became known weeks later when Chen Chien-jen, the head of the Taipei Economic and Cultural Representative Office in Washington D.C., told Taiwan lawmakers that Jiang Zemin had offered to withdraw China’s short-range mobile ballistic missiles facing Taiwan in exchange for a reduction in the quality and quantity of U.S. arms sales to the island.

U.S. officials at first denied that Jiang was tabling a serious proposal, but acknowledged it was genuine after Jiang and other Chinese leaders reiterated the offer in informal talks with a delegation led by former Defense Secretary William J. Perry in November. A Chinese official told the *Washington Post* that the missile offer “created new space for cooperation” between Washington and Beijing, and was part of a series of Chinese moves designed to “further stabilize” China-U.S. relations. But Bush administration officials dismissed the proposal as a “non-starter” and urged China to direct its initiatives to Taiwan rather than to the United States. Some American scholars and former Clinton administration officials viewed the proposal differently, however. They maintained that although China’s offer was unacceptable on its face since mobile missiles constitute only one of several possible threats to Taiwan and can be easily relocated, the U.S. should nevertheless explore the opportunity presented by China’s proposal to engage in a dialogue aimed at reversing the trend toward militarization of cross-Strait relations.

The summit provided an occasion for several pronouncements on future Sino-U.S. exchanges and consultations. Bush announced that Vice President Richard Cheney would visit Beijing in late spring. A senior U.S. administration official stated that regular high-level visits “add tremendously to the mutual understanding and the ability to work together” and described Cheney’s upcoming visit as “one more important step” aimed not only at “keeping this relationship healthy and strong,” but actually “deepening” ties. The establishment of a new vice-ministerial forum on security issues with a specific focus on nonproliferation was also announced. On the U.S. side, the talks will be led by Under Secretary of State for International Security Affairs John Bolton and are planned to be convened on a regular basis, perhaps twice a year. Chinese and U.S. leaders also agreed to step up military exchanges, which were strictly curtailed after the collision of a Chinese fighter jet and a U.S. surveillance plane in April last year. Jiang Zemin informed President Bush of China’s decision to join the Container Security Initiative, a worldwide effort to provide greater protection for maritime container shipping.

### **China Issues New Export Control Regulations**

In August and October 2002, China issued comprehensive new export control regulations that cover missile technology, chemical weapons precursors and technology, and biological agents. The Chinese government also amended the regulations controlling exports of military products. The new regulations were issued on the eve of Jiang’s visit

to the United States. Bush administration officials had sent clear signals to China that improvement in China's nonproliferation behavior was a precondition for better bilateral relations.

The release of the new regulations was undoubtedly timed to create a positive atmosphere ahead of the summit. More importantly, however, their formulation and publication demonstrate Beijing's resolve to cooperate with Washington in the war on terror to bolster bilateral China-U.S. ties. In addition, the judgments underpinning the regulations reflect heightened Chinese awareness of the dangers to China's security created by the spread of WMD and their delivery systems in the wake of the 2001 terrorist attacks. Taken together, the new regulations and their corresponding control lists constitute a nascent domestic export control system that covers all major categories of weapons of mass destruction. The new regulations bring China into closer adherence with international nonproliferation export control standards, although China remains outside key multilateral export control groups such as the Australia Group, the Missile Technology Control Regime, and the Nuclear Suppliers Group.

Having laws and regulations in place doesn't necessarily mean that there will be no proliferation in the future, but it does mean that the central government is in a better position to control and, if necessary, punish violators. Whether China's export controls will ultimately be effective in halting exports of Chinese technology that can be used to produce WMD and associated means of delivery will depend largely on the government's capacity and resolve to implement and enforce the new regulations. It therefore remains to be seen if nonproliferation can be moved to the positive side of the ledger in Sino-U.S. relations.

U.S. officials welcomed the promulgation of new export control regulations by China, but maintained that the Chinese leadership had not yet done enough to warrant lifting sanctions such as the ban on the launch of U.S. commercial satellites from Chinese boosters. Beijing was eager to have President Bush agree to remove those sanctions in response to China's concerted effort to address U.S. concerns and as a gesture of good will to Jiang, who, following the summit, would imminently step down as general secretary of the Chinese Communist Party and relinquish the presidency next spring. A senior U.S. official indicated that progress in obtaining Chinese cooperation in nonproliferation remained uneven. "We continue to see activities (that) suggest Chinese entities are exporting missile-related technologies to countries like Pakistan or Iran or Libya," he added, without going into detail.

### **High-Level Military Exchanges Resume**

After a two-year hiatus, China and the U.S. resumed high-level military exchanges in December in accordance with the consensus reached between Presidents Jiang and Bush at Crawford. The fifth round of Defense Consultative Talks (DCT) was convened in Washington D.C. with People's Liberation Army (PLA) Gen. Xiong Guangkai leading the Chinese delegation and Under Secretary of Defense Douglas Feith heading up the U.S. delegation. According to Feith, the purpose of the talks was to provide an

opportunity to review a broad range of issues and “see where we have strategic matters that we can benefit from discussing together.” Subjects discussed included Taiwan, Iraq, terrorism, nonproliferation, China’s military modernization, and North Korea’s nuclear weapons program. In a press conference following the DCT, Feith described the discussion as “a lively exchange back and forth ... not a stilted meeting where people just read talking points.”

Unlike past sessions of the DCT, the U.S. and Chinese sides did not agree on an agenda for military-to-military exchanges for the coming year. In response to a Pentagon request, the Chinese tabled a list of proposals for exchanges between the two militaries, which was welcomed by the U.S. side, although the U.S. maintained that it would take time to review them. In the meantime and perhaps indefinitely, Secretary Donald Rumsfeld’s policy of reviewing proposed exchanges on a case-by-case basis remains in effect. U.S. officials told their Chinese counterparts that the political will exists on the U.S. side to conduct military-to-military exchanges with China on the precondition that they are structured properly and serve common interests. From the U.S. perspective, according to Pentagon officials, the principal interest is in reducing the risks of mistake, miscalculation, and misunderstanding. During the discussions, U.S. officials also presented their concerns about China’s lack of reciprocity and transparency in past U.S.-Chinese military exchanges.

Despite unconfirmed media reports that the Bush Pentagon did not treat Gen. Xiong and his delegation as warmly as the Clinton Pentagon, the Chinese side played up the positive aspects of the visit and the importance of the resumption of high-level Sino-U.S. military exchanges. In a press conference restricted to mainland Chinese reporters at the end of two days of meetings, Xiong emphasized that China “has all along adopted a positive attitude toward developing Sino-U.S. bilateral state and military relations and will continue to conduct exchanges with the U.S. military on the principle of mutual respect, mutual benefit, increased understanding, and making external military exchanges subordinate to bilateral relations and serve bilateral relations.” He indicated that the Chinese side hopes to work jointly with the U.S. side “to remove various kinds of interference and obstacles in the course of developing bilateral military relations, promote improvement and development of bilateral military relations, and contribute toward further deepening the bilateral constructive cooperative relationship.”

During his visit, Xiong met with Deputy Secretary of Defense Paul Wolfowitz (Secretary of Defense Rumsfeld was on an overseas tour) and National Security Adviser Condoleezza Rice. Xiong also attended a luncheon with American scholars sponsored by the Brookings Institution and the Carnegie Foundation for International Peace where he summarized China’s new security concept and answered questions on many topics relating to U.S. and Chinese security. He presented U.S. officials and scholars with copies of Beijing’s third defense white paper, which was officially released on the day that Gen. Xiong and his delegation arrived in Washington D.C. Entitled, “China’s National Defense in 2002,” the white paper contains slick color photos and is divided into seven sections that discuss China’s security environment, national defense policy, the structure of the armed forces, national defense building, armed forces building,

international security cooperation, arms control, and disarmament. The document contains somewhat more information than previous Chinese defense white papers and marks a small, but important step toward greater transparency.

On the heels of the DCT, Commander, U.S. Pacific Command Adm. Thomas Fargo toured China, making stops in Beijing, Chengdu, Nanjing, Ningbo, and Shanghai. In China's capital, Fargo met with Liang Guanglie, the newly appointed chief of general staff of the PLA, Vice Foreign Minister Li Zhaoxing and with Xiong Guangkai. He also met with commanders of the Chengdu Military Region and the Nanjing Military Region, the commander of the East China Sea Fleet, the commander of the PLA Navy, and the commander of the PLA Shanghai Garrison. While visiting Shanghai, Adm. Fargo delivered a speech at Fudan University in which he discussed Iraq, North Korea, U.S.-PRC military cooperation, Taiwan, and other issues. Fargo expressed his hope that his China visit would further promote China-U.S. military exchanges and considerably reduce misunderstanding. He cited counterterrorism, Iraq, and North Korea's WMD programs as opportunities where the two countries can work together to promote peace and stability.

Other lower-level China-U.S. military exchanges that took place during this quarter included an October visit to China by U.S. National Defense University delegation headed by Navy Vice Admiral and NDU President Paul Gaffney, and a November tour of several U.S. military universities and installations by a Capstone delegation from China's National Defense University. A meeting of the Sino-U.S. Military Maritime-Air Safety working group, a subgroup of the Military Maritime Consultative Agreement, was held in Qingdao in early December.

### **Human Rights Talks Restart and Show Promise**

A U.S. delegation led by Lorne Craner, assistant secretary of state for democracy, human rights, and labor, arrived in Beijing in early December to restart the official dialogue with China on human rights. Craner was accompanied by Assistant Attorney General Ralph F. Boyd and John Hanford, the U.S. ambassador for international religious freedom. Their Chinese interlocutors included Li Baodong, head of the Foreign Ministry's International Department; Nan Ying, a chief judge at the Supreme Court; and Du Zhongxing, a ranking Justice Ministry official. The Bush administration agreed to hold the talks only after Beijing released a handful of political prisoners on a U.S. list and pledged that the discussions would be fruitful.

The most significant result of the two-day session was an agreement by China to unconditionally invite UN investigators into the country to explore allegations that it jails people without due process, restricts freedom of religion, and allows torture in its prisons. U.S. officials expressed confidence that China would follow through on its promise, although they acknowledged that Beijing had prevented visits by UN observers in the past by insisting on restrictions that were deemed unacceptable. Craner hailed the Chinese government's decision and suggested that it is one of several signs that Beijing is taking seriously the need to improve its human rights record. During the talks, Chinese

officials acknowledged their human rights practices fall short of international standards and appeared more willing to listen to criticism and suggestions than in previous sessions.

China's Foreign Ministry spokesman confirmed that Beijing had invited UN human rights experts to report on the state of torture, arbitrary arrests, and religious freedom, but did not corroborate the U.S. assertion that the invitations were unconditional and would be effective immediately. "We have on various occasions invited the UN rapporteurs on torture, arbitrary detention, and religious freedom," the Chinese spokesman Liu Jianchao told a regular briefing, adding, "we invite them to visit China again at a time that's appropriate for both sides."

As part of the Bush administration results-oriented approach to the human rights dialogue with China, Craner presented the Chinese side with a new list of 230 prisoners whom Washington believes are being unjustly incarcerated. He highlighted several priority cases, including Rebiya Kadeer, an ethnic Uighur businesswoman from the northwest region of Xinjiang who was sentenced to eight years in prison for having sent newspaper articles to friends living abroad, and Xu Wenli, co-founder of the banned China Democracy Party who spent more than 16 of the last 21 years in prison. One week after Craner's return from China, Beijing released Xu Wenli, sending him to exile and medical treatment in the United States. The release was a clear signal of China's strong desire to sustain the forward momentum in relations with the U.S.

After meetings in Beijing, the delegation led by Craner traveled to Xinjiang for talks with officials from the Bureau of Religious Affairs. In addition to urging Kadeer's release, Craner passed on a message from President Bush that "no nation can use the war on terror as an excuse to repress its minorities." In a speech to students at Xinjiang University, Craner stressed that "security and respect for human rights are not mutually exclusive."

### **The Sixteenth Party Congress**

The Sixteenth Party Congress, held Nov. 8-14 in Beijing and followed immediately by the First Plenary Session of the new Sixteenth Central Committee on Nov. 15, provided a peaceful transition to a new leadership, headed by Hu Jintao. The outcome of the congress was an overwhelming victory for Jiang Zemin, as he witnessed his doctrine of the "Three Represents" (that the CCP represents the advanced forces of production, advanced culture, and the interests of the majority of the Chinese people) enshrined in the party charter, the Politburo Standing Committee packed with his close supporters, and the powerful Central Military Commission retained in his own hands.

In the realm of foreign policy, it remains uncertain whether the new party General Secretary Hu will defer important decisions to his predecessor or seek to exert his own influence. It is as yet unknown who will head the leadership small groups responsible for forging a policy consensus on finance and economics, Taiwan, foreign affairs, and national security. It is unlikely, however, that Hu or other members of the new leadership will seek to fundamentally alter the course of Chinese policy toward the outside world.

All the senior leaders agree that foreign policy is intended primarily to create a favorable international environment for continued economic growth. In practice, this means seeking good relations with the United States while enhancing China's global clout and maintaining pressure on Taiwan to renounce independence and reunite with the mainland.

### **Security Issues Assume Center Stage**

A palpable feature of China-U.S. relations this quarter was increased coordination and cooperation on security matters. U.S. officials made a flurry of visits and phone calls to Beijing to consult with their Chinese counterparts about disarming Iraq of its weapons of mass destruction, shutting down North Korea's nuclear programs, and combating international terrorism.

While Jiang Zemin was visiting the United States, Attorney General John Ashcroft was in China announcing the opening of an FBI liaison office in Beijing to advance China-U.S. cooperation in the war on terror as well as against money laundering and people smuggling. Washington had long sought a base for the FBI in Beijing, but the Chinese did not grant approval until the second Bush-Jiang summit last February. Assistant Secretary of State for East Asia James Kelly traveled to China twice during the quarter to obtain Beijing's support for a coordinated response to North Korea's admission that it was engaged in a covert uranium enrichment program. In mid-December, Deputy Secretary of State Richard Armitage stopped in China for two days, his last destination on a whirlwind Asia tour aimed at drumming up support for a possible U.S.-led attack on Iraq. Armitage also conferred with Chinese officials on the best means to denuclearize North Korea. Secretary of State Powell made several phone calls to Chinese Foreign Minister Tang Jiaxuan to brief him on developments regarding Iraq and North Korea and to elicit Chinese views and support for U.S. positions.

Just a few months shy of two years after the collision between a Chinese fighter jet and a U.S. surveillance plane, China-U.S. relations have become remarkably stable. Beijing is making a good faith effort to satisfy U.S. concerns and is determined to avert a confrontation with Washington. The Bush administration is crediting China with making progress in a number of areas and is pleased with Chinese cooperation on a range of important security issues. The two countries are coordinating effectively on an ever-growing list of common concerns, including terrorism, regional security, international crime, narcotics control, weapons proliferation, and trade.

Both sides know that real strains and suspicions persist, but they have opted to play down their disagreements, especially in public. China still feels deeply uncomfortable with Washington's unilateral approach to foreign affairs. It is nervous about the Bush administration's intimate relationship with Taiwan and worried about possible U.S. actions to destabilize and topple Kim Jong-il's regime in North Korea. China is also concerned about the ramifications of U.S. missile defense deployments scheduled to begin next year. The United States remains troubled by China's military buildup against Taiwan and wary of its intentions. Many in the Bush administration anticipate renewed Chinese efforts to weaken American alliances, especially in Asia, as Beijing's economic

and political clout increases. And President Bush no doubt continues to find China's repression of dissent and intolerance of religious freedom distasteful. Nevertheless, both the U.S. and China recognize that they need each other, at least for the time being, and the shared desire to stabilize and improve relations is unmistakable.

### **Chronology of U.S.-China Relations October-December 2002**

**Oct. 2, 2002:** The Congressional Executive Commission on China releases its annual report on human rights and the rule of law in China.

**Oct. 7, 2002:** The Department of State's Bureau of Democracy, Human Rights, and Labor releases the 2002 Report on International Religious Freedom. The Chinese government is criticized for harassing and repressing unregistered religious groups and mistreating Falungong adherents.

**Oct. 10, 2002:** U.S. Navy Vice Adm. Paul Gaffney, president of the U.S. National Defense University, heading a delegation of seven officers and academics from NDU, meets Chinese Defense Minister Chi Haotian during a tour of Beijing, Xian, Hangzhou, and Shanghai.

**Oct. 14, 2002:** The China-U.S. Symposium on Intellectual Property Rights (IPR) Law Enforcement opens in Wuhan. The symposium is sponsored by the State IPR Bureau in conjunction with the U.S. Department of Commerce and the U.S. Commission of Patents and Trademarks.

**Oct. 17, 2002:** China issues new export control regulations governing the export of Dual-Use Biological Agents and Related Equipment and Technologies.

**Oct. 18, 2002:** U.S. Under Secretary of State John Bolton and Assistant Secretary of State James Kelly hold consultations with counterparts in Beijing on North Korea's nuclear weapons program.

**Oct. 18, 2002:** U.S. Secretary of State Colin Powell is interviewed by Hong Kong-based Phoenix TV on the eve of President Jiang Zemin's arrival in the United States.

**Oct. 18, 2002:** A symposium of Chinese and American World War II veterans is held in Washington, D.C.

**Oct. 19, 2002:** Beijing issues new regulations entitled "Administrative Rules on the Export Control of Relevant Chemicals and Related Equipment and Technologies."

**Oct. 20, 2002:** China issues new regulations governing the export of military equipment, special production facilities, and materials, technologies, and services for military purposes.

**Oct. 21, 2002:** U.S. Commerce Secretary Don Evans and Chinese State Development Planning Commission Minister Zeng Peiyan witness the signing of Sino-U.S. commercial cooperative agreements in New York City on projects in petrochemicals, telecommunications, energy, and other sectors.

**Oct. 22, 2002:** President Jiang arrives in the United States for a four-day visit to Chicago, Houston, San Francisco, and Texas.

**Oct. 22-24, 2002:** U.S. Attorney General John Ashcroft visits China for talks with PRC officials on law enforcement in the war on terror and announces the opening of an FBI liaison office in Beijing.

**Oct. 24, 2002:** A State Department spokesman announces that the next round of the China Human Rights Dialogue will be held the week of Dec. 16.

**Oct. 25, 2002:** President Jiang Zemin visits President Bush's ranch in Crawford, Texas, marking the third summit between the two leaders. They hold a joint press conference following their talks.

**Oct. 29-30, 2002:** The First Sino-U.S. Narcotics Control Strategic Intelligence Sharing Conference is held in accordance with agreements China and the United States reached at a meeting on law enforcement cooperation in Washington, D.C. during March 2002.

**Nov. 8, 2002:** China votes in favor of U.S.-backed resolution demanding unfettered access for UN inspectors in Iraq.

**Nov. 12, 2002:** Assistant Secretary of State James Kelly makes his second trip to China in a month for consultations on matters related to the Korean Peninsula as well as other regional and bilateral issues.

**Nov. 14, 2002:** Liu Jieyi, director general of the Department of Arms Control and Disarmament, Ministry of Foreign Affairs, delivers the luncheon keynote address at the Carnegie International Non-Proliferation Conference in Washington, D.C.

**Nov. 15, 2002:** The U.S. congratulates Hu Jintao on becoming Chinese Communist Party general secretary and declares that it looks forward to working with the new leadership in Beijing.

**Nov. 16, 2002:** China's Foreign Ministry spokesman "resolutely objects" to the Taiwan-related provisions in the U.S. defense authorization bill for fiscal year 2003, claiming that they "wantonly interfere in the PRC's internal affairs."

**Nov. 21, 2002:** U.S. Secretary of State Powell briefs Chinese Foreign Minister Tang Jiaxuan by phone on the situation in Iraq.

**Nov. 22, 2002:** The *USS Constellation* aircraft carrier and six other warships in its battle group arrive in Hong Kong for a routine port call.

**Nov. 24, 2002:** The *USS Paul F. Foster* makes a port call at China's northern port city of Qingdao, the first visit by a U.S. ship to a mainland China port since the collision between a U.S. Navy EP-3 surveillance plane and a Chinese fighter on April 1, 2001.

**Nov. 25, 2002:** China declines to join the International Code of Conduct Against Ballistic Missile Proliferation (ICOC), an international pact to prevent proliferation of ballistic missiles adopted by 85 nations at an international conference in The Hague.

**Nov. 29, 2002:** A Capstone Delegation of the People's Liberation Army National Defense University leaves to visit U.S. forces and military universities.

**Nov. 29, 2002:** The U.S. aircraft carrier *Kitty Hawk* and its two support ships arrive in Hong Kong for a routine port call.

**Dec. 4-6, 2002:** The second meeting of the China-U.S. Military Maritime-Air Safety working group is held in Qingdao within the framework of the Military Maritime Consultation Agreement.

**Dec. 7, 2002:** Long Yongtu, Chinese vice minister of foreign trade and economic cooperation, visits Washington, D.C.

**Dec. 9-10, 2002:** Senior level U.S.-China defense talks resume with the convening of the fifth Defense Consultative Talks in Washington, D.C. Deputy Chief of the PLA General Staff Gen. Xiong Guangkai conducts the DCT with Under Secretary of Defense for Policy Douglas Feith.

**Dec. 10, 2002:** U.S. Secretary of Agriculture Ann M. Veneman and Minister of Science and Technology Xu Guanhua sign a Protocol on Cooperation in Agricultural Science and Technology. The protocol expands current areas of cooperation between the United States and China and encourages further cooperation in the areas of agricultural biology and the agricultural environment.

**Dec. 12-17, 2002:** Commander, U.S. Pacific Command Adm. Fargo visits Beijing, Chengdu, Nanjing, Shanghai, and Ningbo.

**Dec. 11, 2002:** Office of the U.S. Trade Representative releases the 2002 Report to Congress on China's WTO Compliance.

**Dec. 11, 2002:** U.S. Commerce Secretary Don Evans and Chinese Minister of Science and Technology Xu Guanhua sign a Protocol Agreement on Cooperation in Civilian Industrial Technology and Scientific and Technical Information Policy. The agreement will create new opportunities for technology-based entities by facilitating technology partnerships between the United States and China.

**Dec. 11, 2002:** Deputy Under Secretary of State Richard Armitage arrives in Beijing for talks with Chinese officials on Iraq as part of a four-nation Asia tour.

**Dec. 16-17, 2002:** China and the United States hold the 13th Sino-U.S. dialogue on human rights in Beijing. The last round took place in Washington, D.C. in Oct. 2001. The delegation also visits the Xinjiang Uighur Autonomous Region.

**Dec. 21, 2002:** Secretary of State Powell calls Chinese Foreign Minister Tang as well as his counterparts in South Korea, Russia, Japan, France, the United Kingdom, and IAEA, to discuss the pending crisis on the Korean Peninsula as North Korea moves to dismantle surveillance gear and restart its nuclear reactors.

**Dec. 24, 2002:** China releases Xu Wenli, its most prominent pro-democracy prisoner, sending him to exile and medical treatment in the United States.

## U.S.-Korea Relations: Trials, Tribulations, Threats, and Tirades

by Ralph A. Cossa  
President, Pacific Forum CSIS

This quarter will likely go on record as one of the most contentious and troubling in U.S.-Korea (North and South) relations – at least until next quarter, which promises to be even more challenging. Assistant Secretary of State James Kelly’s long-awaited visit to Pyongyang began a steady decline in U.S.-DPRK relations after Pyongyang reportedly responded to Kelly’s allegations of North Korean cheating on its nuclear promises by defiantly acknowledging that it had been “compelled” by Washington to begin a uranium enrichment program to defend itself after being branded a member of the “axis of evil” by President Bush. To make matters worse, Pyongyang threatened to restart its frozen nuclear reactor and began removing monitoring devices and seals from its reprocessing and other nuclear facilities in a blatant attempt to force the Bush administration to the negotiating table.

Meanwhile, growing anti-Americanism in the South, spurred by a tragic military training accident last June that took the lives of two South Korean teenage girls, continued to steam roll as the U.S. military (rightfully) refused to turn the two soldiers involved over to South Korean courts, trying and acquitting both before a military tribunal on charges of negligent homicide. Ruling party presidential candidate Roh Moo-hyun successfully rode the ensuing anti-American bandwagon to a close victory over opposition party candidate Lee Hoi-Chang, who was widely perceived (and labeled) as Washington’s preferred choice. By quarter’s end, outgoing President Kim Dae-jung and President-elect Roh were echoing Washington’s call for immediate North Korea compliance with its nuclear obligations, but both were becoming increasingly critical of Washington’s steadfast refusal to enter into negotiations with the North, ensuring a difficult diplomatic road ahead.

### **Secretary Kelly’s Ill-fated Visit**

The long-awaited first high-level meeting between North Korea and the Bush administration finally occurred on Oct. 3-5 when Assistant Secretary of State for East Asian and Pacific Affairs James Kelly traveled to Pyongyang as President Bush’s special envoy. This visit, shortly after the announced resumption of South-North Ministerial Talks and a dramatic (and, at the time, seemingly successful) meeting in Pyongyang between North Korean leader Kim Jong-il and Japanese Prime Minister Koizumi Junichiro, was seen by many as a potential first step toward finally getting U.S.-DPRK

relations on the right track after a difficult beginning. These hopes were quickly dashed, however, as a growing dispute between Pyongyang and Tokyo over the fate of Japanese citizens abducted by North Korea two decades ago undermined that leg of Pyongyang's triangular diplomacy.

At first, U.S. accounts of the meeting were subdued, if not evasive. Upon departing Pyongyang, Secretary Kelly immediately went to Seoul and Tokyo to debrief Washington's Trilateral Coordination and Oversight Group (TCOG) partners on his meeting. At an Oct. 5 press conference in Seoul, he described the talks as "frank, befitting the seriousness of our differences," but added that "they were useful too." Kelly told reporters that he had "explained how comprehensive efforts by North Korea to address our concerns could lead to an improvement in U.S.-DPRK relations." While he took no questions at his Seoul press conference and cancelled a press conference in Tokyo, a State Department spokesman subsequently noted that these concerns covered "a full range of issues, including weapons of mass destruction, missile-development programs, missile exports, North Korea's threatening conventional force posture, human rights failings, and the dire humanitarian situation."

The North, as is its habit, was considerably less circumspect in describing the meeting. Pyongyang condemned Kelly's "arrogant attitude," declaring that the trip confirms that "the Bush administration is pursuing not a policy of dialogue but a hardline policy of hostility to bring the DPRK to its knees by force and high-handed practices." What actually transpired at the meeting was not disclosed, however.

What happened next was truly amazing. For the next 10 days, details regarding the Kelly meeting actually remained secret. Rumors were running rampant, however, ranging from optimistic scenarios about an emerging "grand bargain" to allegations that the U.S. was about to abandon the 1994 Agreed Framework (under which Pyongyang was receiving heavy fuel oil and light water reactors in exchange for freezing its suspected nuclear weapons program). Finally, on Oct. 16, Washington revealed that Kelly, based on conclusive evidence, had accused Pyongyang of embarking on a secret uranium enrichment program in direct violation of its denuclearization pledges to Washington, Seoul, Tokyo, the International Atomic Energy Agency (IAEA), and the international community writ large.

According to Kelly, the North at first vigorously denied this accusation but, in a startling about face the next morning, First Deputy Foreign Minister Kang Sok-Ju defiantly acknowledged to him that the North had indeed embarked on such a program, which Kang claimed it had a right and a compelling need to do, given Washington's branding of North Korea as part of an "axis of evil." (Subsequently, Washington's "preemptive nuclear attack strategy" has been cited as another motivating factor.) Washington remains unmoved and unconvinced, especially since the uranium enrichment program apparently began during the Clinton administration, at a time when Pyongyang was actively attempting to seduce Washington with promises of historic breakthroughs if President Clinton would only pay a visit to Pyongyang. (Recall that it was Pyongyang's

refusal to provide specifics or to make significant concessions on missile-related issues that caused Clinton to decide not to go.)

### **Neither Confirm Nor Deny?**

Pyongyang initially (and uncharacteristically) had little to say about Kelly's rendition of the meeting. Spinmeisters in the South began speculating, however, that Kelly may have "misunderstood" the North's message. Pyongyang subsequently began playing this same tune, claiming that it had merely stated it was "entitled" to possess nuclear weapons – conveniently not mentioning that it had given up this entitlement when it signed the Nuclear Non-Proliferation Treaty (NPT). In the meantime, it remains publicly evasive about whether or not it actually has a clandestine uranium enrichment program.

In my own private discussions with North Korean interlocutors, another version of the conversation between Assistant Secretary Kelly and Minister Kang has emerged. In response to a comment about Kang's "confession," I was told "the DPRK has not acknowledged having a nuclear weapons program. Kelly accused us and we asked for proof and he provided none. Kelly was told by Minister Kang that the DPRK was entitled to possess nuclear and more powerful weapons to defend itself. Kelly asked if this meant that DPRK was admitting it had a nuclear weapons program, but Minister Kang, pursuing a 'neither confirm nor deny' policy, said it's up to you [Kelly] to judge based on my [Kang's] comments." This version is now also making its way into diplomatic conversations, even though it has been refuted by Secretary Kelly and other members of his team, who had no doubt what they heard: an admission that North Korea had a clandestine uranium enrichment program.

It should be noted that, contrary to some erroneous reporting, Minister Kang did not admit, nor has Pyongyang ever officially acknowledged, that the North actually possesses nuclear weapons and those knowledgeable about the uranium enrichment facility indicate it is several years away from producing weapons-grade material. Nonetheless, the uranium enrichment program violates the 1994 U.S.-DPRK Agreed Framework – at least in spirit, although Washington argues convincingly that it violates the letter of the agreement as well – not to mention the NPT, the IAEA Safeguards Agreement, the 1992 South-North Joint Denuclearization Agreement, and the Pyongyang Declaration signed only a month before during Prime Minister Koizumi's visit.

Washington's response has been clear, consistent, and unyielding: there will be no new negotiations between Washington and Pyongyang until the North lives up to its previous agreements. While Washington claims it was previously willing to take a "bold approach" in its dealings with the North, all this has been put on hold until the North declares (and demonstrates) its willingness to give up its various nuclear weapons programs.

The international community has echoed these demands. Along the sidelines of the Oct. 26-27 Asia Pacific Economic Cooperation (APEC) Leaders' Meeting in Los Cabos, Mexico, President Bush, President Kim Dae-jung, and Prime Minister Koizumi signed a

joint declaration calling on North Korea to dismantle its nuclear weapons program “in a prompt and verifiable manner and to come into full compliance with all its international commitments.” (It also reiterated President Bush’s February 2002 statement that “the U.S. has no intention of invading North Korea.”) The assembled APEC heads of state also issued a rare political statement calling on the DPRK to “visibly honor its commitment to give up nuclear weapons programs.” In addition, the Korean Peninsula Energy Development Organization (KEDO) Executive Committee, comprised of representatives from the ROK, Japan, U.S., and European Union, decided on Nov. 14 to “suspend” heavy fuel oil deliveries to the North to “condemn North Korea’s pursuit of a nuclear weapons program.” While an October shipment already en route to Pyongyang had been allowed to proceed, future shipments would depend on “concrete and credible actions to dismantle completely [Pyongyang’s] highly-enriched uranium program.” Pyongyang’s protests over this decision seemed somewhat ironic, given its earlier assertion to Secretary Kelly that the Agreed Framework had already been “nullified.” (Interestingly enough, KEDO construction activity at the light-water reactor site at Kumho continues, despite the nuclear stand-off, no doubt much to the relief of the large Uzbek construction crew.)

### **Drama on the High Seas**

Just when it appeared relations between the U.S. and North Korea could not get worse, a North Korean merchant ship, *So San*, flying no flag and with its markings masked, was stopped in the Indian Ocean on Dec. 9 by a Spanish ship participating in a UN-sanctioned multinational force to prevent the flow of weapons to al-Qaeda or Iraq. U.S. intelligence assets had reportedly been tracking the ship since it left port in North Korea and provided the tip-off to the Spanish ship which then conducted the maritime intercept. A U.S. inspection team subsequently found 15 North Korean surface-to-surface missiles, reportedly hidden under bags of concrete, that had not been declared as cargo on the ship’s manifest.

A potential crisis was averted, however, when the government of Yemen acknowledged that it was the owner and intended recipient of the missiles. As a White House spokesman subsequently explained, “There is no provision under international law prohibiting Yemen from accepting delivery of missiles from North Korea. While there is authority to stop and search, in this instance there is no clear authority to seize the shipment of Scud missiles from North Korea to Yemen. Therefore, the merchant vessel is being released.” On Dec. 11, the ship and its cargo were released and permitted to continue to Yemen, which pledged to maintain tight control over this inventory.

To an informed observer, the system worked exactly as it should. A suspicious ship was stopped, as it turned out with good cause. Once the destination of its cargo was confirmed and was deemed legal, the ship continued on its way. Everyone acted in accordance with the law; everyone, that is, except the North Koreans, who have yet to explain why their ship was operating without a flag and why the cargo was not declared. Nonetheless, Pyongyang has demanded unspecified compensation for Washington’s act of “piracy” and “reckless state-sponsored terrorism.”

## **DPRK Threats and Tirades, in Search of a Crisis**

Some (myself included) have speculated that North Korea may have actually been trying to create a crisis by sending an unflagged, unmarked ship into a sensitive, heavily patrolled area where it knew it would be stopped and searched, and that Kim Jong-il might have been disappointed, perhaps even frustrated, that Washington did not take the bait. Perhaps not! But, within days, Pyongyang choose to generate a new, and not so easily resolved or avoided, crisis. On Dec. 12, Pyongyang announced that it intended to immediately restart its nuclear reactor at Yongbyon. The specified (implausible) reason was to produce electricity to compensate for the fuel oil suspension. This action alone would not have been overly troublesome, provided that IAEA safeguards remained in place. However, concurrent with this announcement, Pyongyang instructed the IAEA in writing to remove all its seals and monitoring cameras aimed at ensuring that the reactor operated in accordance with NPT safeguard procedures; an action subsequently described by IAEA Director General Mohamed ElBaradei as “nuclear brinkmanship.”

Conventional wisdom argued that Pyongyang was creating a fuss in order to force the Bush administration into new negotiations and this certainly appears to be the case. But the timing of this escalation, one week before South Korea’s presidential elections, hardly appeared coincidental. At a minimum, Pyongyang would have factored the election into its timing. More likely, it represented a heavy-handed attempt to influence the outcome.

North Korea no doubt recognized that ROK-U.S. relations were under considerable strain, exacerbated by the continued fallout over June’s tragic military training accident (in which two South Korean teenagers were killed). Creating a crisis just before the election also helped to fuel growing discontent among many Koreans over Washington’s hardline policy toward the North. This created a “win-win” situation for Pyongyang. Either Washington came to the table (where Pyongyang hoped to once again get rewarded for its bad behavior) or its refusal continued to feed anti-Americanism in the South. It is impossible to assess what role, if any, these actions played in Roh Moo-hyun’s narrow victory over the seemingly more pro-U.S. opposition Grand National Party candidate Lee Hoi-chang, but the North is likely to perceive that its actions did make a difference.

Any hopes that North Korea would moderate its actions after the elections were rapidly erased. Over the Christmas holidays, as many around the world were praying for peace, North Koreans were physically dismantling IAEA monitoring devices and expelling IAEA inspectors from the country. Most troubling was a report from the IAEA on Dec. 23 stating that Pyongyang was reopening its reprocessing facility. Without monitoring devices in place, the IAEA said it would be unable to assure that plutonium was not being extracted and diverted for weapons purposes. IAEA Director ElBaradei warned that the deteriorating situation raised “grave nonproliferation concerns.” Then again, that was Pyongyang’s intention, reinforced by its assertion that only direct negotiations and a nonaggression pact between Washington and Pyongyang would avert a “catastrophic crisis of a war.”

## **Anti-Americanism Continues to Rise**

As noted, suspicions regarding U.S. motives in confronting Pyongyang on its nuclear weapons program – for some reason, the North’s motives seem to be questioned less frequently – and the continued U.S. refusal to yield to what Washington called North Korean “blackmail” helped raise anti-American sentiments to new heights in the South. Even without the North’s largely self-generated crisis, however, this would have been a rough quarter for U.S.-ROK relations.

As laid out by Donald Gross last quarter [in “After the Koizumi-Kim Summit, Nothing is the Same,” *Comparative Connections*, Vol. 4, No. 3, Oct. 2000], anti-U.S. protests, including break-ins at U.S. military facilities, were spiraling in the wake of the June 2002 military training accident. South Korean protesters demanded that the soldiers involved, two U.S. Army sergeants, be turned over to ROK civil authorities for trial, even though the ROK-U.S. Status of Forces Agreement (SOFA) clearly specifies that incidents occurring in the course of the performance of military duty would be handled by military authorities. Some ROK officials made things worse by seemingly endorsing protester demands, rather than explaining that, had the driver of the vehicle during the military training exercise been South Korean, he too would have been tried in a (ROK) military court and not turned over to civilian authorities. Ironically, even as ROK officials were demanding that the SOFA with Washington be renegotiated, similar SOFAs were being negotiated to protect ROK peacekeeping forces operating overseas. The ROK media also helped to sensationalize the incident and its aftermath, paying little or no attention to U.S. attempts to apologize, provide compensation, or otherwise address the problem.

The U.S. military, no doubt proceeding with the best of intentions, made matters considerably worse, first by refusing to discuss possible SOFA revisions and, more importantly, through the highly publicized individual trials of the military vehicle commander, Sgt. Fernando Nino, and the vehicle driver, Sgt. Mark Waller. On Nov. 20 and 22, respectively, both were found not guilty, further inflaming ROK sensitivities, especially since no one else in the military chain of command above the two young sergeants seemed to have been held accountable. This prompted additional peaceful and not-so-peaceful protests and heightened demands – from the ROK government as well as the general public and media – for SOFA revisions. On Dec. 10, in a belated attempt to defuse the situation (and hopefully make it less of a campaign issue), the U.S. reversed course and agreed to new negotiations aimed at modifying the ROK-U.S. SOFA, something even the most conservative of the presidential candidates had been demanding.

## **ROK Election Sends Washington a Wake-up Call**

Allowing anti-American sentiment to fester was a convenient, and as it turns out, successful tactic during the presidential elections. It no doubt served the interests and ambitions of the ruling Millennium Democratic Party’s candidate, now President-elect Roh Moo-hyun. But, it is important not to read too much into the anti-American factor in the election, just as it would provide false reassurance to dismiss it completely.

Roh Moo-hyun did not run on an anti-American platform *per se*. He portrayed himself, first and foremost, as a political and economic reformer. Early in the campaign he reversed positions held during his more radical youth, announcing instead that he now supported the ROK-U.S. alliance and the continued presence of U.S. military forces on the Peninsula. He did, however, gain points among an increasingly nationalistic electorate (and especially with the 40-something and under crowd) with his statements that he would not “kowtow” to Washington and would demand a more “equal” relationship with Seoul taking the lead in dealing with the North. He was also an outspoken supporter of President Kim’s Sunshine Policy of engagement with the North, arguing that his more conservative opponent’s hardline views (which closely paralleled the Bush administration’s) could lead to disaster. “Inter-Korean peace and cooperation is not a matter of choice,” he said the day before the election, “The survival of 70 million people is at stake.”

He also stated that, in the event of conflict between North Korea and the U.S. – “if the North and the United States go to the extreme” – the proper role for the ROK should be to “mediate the possible quarrel” and that he would “call for concessions from both sides so the nuclear issue can be resolved peacefully.” This was interpreted and widely reported as a declaration of neutrality in a conflict (rather than backing an ally that had spent the last 50 years defending the ROK); *The Washington Times* interpretation read, “We should proudly say we will not side with either North Korea or the United States.” This statement is cited as prompting Roh’s alliance partner, National Alliance 21 chairman Chung Mong-joon (who had withdrawn his own candidacy in support of Roh) to withdraw his support at the 11<sup>th</sup> hour (although cynics also cited indications that Roh appeared to be renegeing on a pledge to support Chung five years hence). Despite this election eve controversy, Roh managed to win the presidency with 48.9 percent of the vote (2.3 percent more than Lee Hoi-chang, who subsequently retired from politics after his second unsuccessful bid for the presidency).

After the election, President-elect Roh was quick to send positive, although not necessarily conciliatory, messages to Washington, pledging to “closely cooperate” with Washington in handling the North Korean nuclear issue, while still asserting that relations between the two allies must “mature and advance.” He also repeated his call for SOFA revisions. President Bush immediately called to congratulate the president-elect and Roh’s office reported that the two “agreed to work closely together for peace on the Korean Peninsula and strengthen the South Korea-U.S. alliance.”

While neither the election of Roh Moo-hyun nor the current wave of anti-American feelings are likely to put the U.S.-ROK alliance at serious risk, they should serve as a wake-up call for Washington. For the second time in recent months, a ruling party candidate riding an anti-American bandwagon has won a democratic election in a nation formally aligned with the United States. The Korean and German experiences send a clear signal, reinforced in recent global opinion polls, that the Bush administration’s premature fixation with Iraq and its overall hardline image when it comes to dealing with friends and potential adversaries alike, are not serving America’s broader national security interests. Those most closely associated with this approach – Vice President

Richard Cheney and Defense Secretary Donald Rumsfeld most readily come to mind, along with selected members of the U.S. Congress (they, and you, know who they are) – might want to reflect on its consequences. Washington must also do a better job in explaining its objectives and in reaching out to President-elect Roh and those who are not convinced that Korea's future is inextricably linked to continued close security cooperation with Washington.

### **The Bumpy Road Ahead**

By quarter's end, outgoing President Kim Dae-jung and President-elect Roh were still echoing Washington's call for immediate North Korea compliance with its nuclear obligations, as was the international community in general. Following news that the North was removing IAEA monitoring equipment, President Kim announced that his government would "never go along with the North Korean's nuclear weapons development," once again demanding that the North abandon its nuclear and weapons of mass destruction programs. President-elect Roh subsequently warned Pyongyang that continued defiance of IAEA safeguards would negatively affect inter-Korean exchanges. He also called on anti-U.S. protesters to exercise "self-restraint."

Nonetheless, both President Kim and President-elect Roh, the ROK media, and public in general, were becoming increasingly critical of Washington's steadfast refusal to enter into negotiations with the North. This was especially true after a senior Bush administration official was quoted, on Dec. 28, as saying that Washington was considering a policy of "tailored containment" against the North in the belief that growing isolation, including the threat of economic sanctions (presumably approved by the UN), was the best way to force Pyongyang to give up its nuclear ambitions. "I am skeptical whether so-called 'tailored containment' reportedly being considered by the United States is an effective means to control or impose surrender on North Korea," Roh told reporters on New Year's Eve. "Success or failure of a U.S. policy toward North Korea isn't too big a deal to the American people, but it is a life-or-death matter for South Koreans. Therefore, any U.S. move should fully consider South Korea's opinion."

As the quarter drew to a close, the State Department – despite holding firm to a "no negotiations" policy – still seemed to be holding the door at least slightly open for some dialogue with the North. As late as Dec. 30, Secretary Powell was explaining (on NBC's *Meet the Press*) that the U.S. was "looking for ways to communicate with the North Koreans so some sense can prevail." That same day he mentioned (on CNN's *Late Edition*) that "there are ways for them to talk to us. We know how to get in touch with them." The subtle difference between *talking to* as opposed to *negotiating with* the DPRK may provide Washington with some breathing room in its dialogue with the South. Nonetheless, as the New Year began, the term most frequently coming from South Korean lips was "compromise"; a word few in Washington (or, for that matter, Pyongyang) seemed prepared to utter. This guarantees a difficult diplomatic road ahead.

## **Chronology of U.S.-Korea Relations October-December 2002**

**Oct. 1, 2002:** South Korean students illegally enter U.S. Embassy compound and demand an apology for June accident in which two schoolgirls were killed during U.S. military exercises.

**Oct 3-5, 2002:** Assistant Secretary of State for East Asia and Pacific Affairs James Kelly visits Pyongyang, North Korea.

**Oct. 5, 2002:** At Seoul press conference, Kelly describes meetings in Pyongyang as “frank” and “useful.” Meanwhile, North Korea broadcasts accuse Kelly of being “arrogant” and “high-handed” and condemn Bush’s “hard-line policy of hostility.”

**Oct. 16, 2002:** State Department reveals that Assistant Secretary Kelly accused North Korea of building a clandestine uranium enrichment facility and North Korea acknowledged this secret nuclear weapons program.

**Oct. 17, 2002:** South Korean presidential candidates unanimously call on North Korea to abandon its nuclear weapons program.

**Oct. 19, 2002:** Secretary Kelly visits Seoul following talks in Beijing on North Korea nuclear issue.

**Oct. 24, 2002:** Secretary of State Colin Powell meets South Korean Foreign Minister Choi Sung-hong in Los Cabos, Mexico on the sidelines of annual Asia-Pacific Economic Cooperation (APEC) Ministerial Meeting.

**Oct. 26, 2002:** U.S. President George W. Bush, ROK President Kim Dae-jung, and Japanese Prime Minister Koizumi Junichiro meet prior to the APEC Leaders’ Meeting in Los Cabos and reaffirm their commitment to a nuclear weapons-free Korean Peninsula.

**Oct. 29, 2002:** North Korea rejects international demands to end its nuclear weapons program on first day of talks aimed at normalizing relations with Japan.

**Oct. 29, 2002:** President Kim Dae-jung visits Seattle, meets with Washington State Gov. Gary Locke and Microsoft Chairman Bill Gates.

**Nov. 9, 2002:** Secretary Kelly attends Trilateral Coordination and Oversight Group meeting in Tokyo, meets with ROK Deputy Foreign Minister Lee Tae-sik.

**Nov. 11, 2002:** Secretary Kelly visits Seoul to discuss North Korea nuclear issue.

**Nov 14, 2002:** Korean Peninsula Energy Development Organization announces suspension of heavy fuel oil deliveries pending “concrete and credible actions” by DPRK to dismantle uranium enrichment program.

**Nov. 20, 2002:** A South Korean warship fires warning shots at a North Korean Navy boat in South Korean waters.

**Nov. 20, 2002:** A U.S. military court acquits U.S. Sgt. Fernando Nino of negligent homicide in the June 13 deaths of two South Korean schoolgirls. Sgt. Nino was the track commander of the vehicle involved in the accident.

**Nov. 22, 2002:** The North's Democratic Front for the Reunification of the Fatherland (DFRF) calls on South Koreans to join the North and "shatter the nuclear fuss made by the U.S."

**Nov. 22, 2002:** A U.S. military court also acquits vehicle driver Sgt. Mark Walker of negligent homicide.

**Nov. 25, 2002:** South Korean activists throw firebombs into a U.S. military support post, Camp Gray, in southwestern Seoul, in protest of U.S. soldiers' acquittal.

**Nov. 25, 2002:** Chung Mong-joon, liberal party candidate and Korean World Cup soccer football chief withdraws his candidacy for the presidency; joins forces with ruling party candidate Roh Moo-hyun.

**Nov. 26, 2002:** South Korean activists illegally enter U.S. Army base in Uijongbu, north of the capital Seoul, to protest the acquittal of two U.S. soldiers in June 13 accident that killed two South Korean school girls.

**Nov. 27, 2002:** U.S. Ambassador Thomas Hubbard delivers apology from President Bush to the families of South Korean schoolgirls killed by U.S. military vehicle.

**Nov. 27, 2002:** A DPRK Education Ministry spokesman incites South Koreans to a "sacred war" against the United States over June accident.

**Dec. 1, 2002:** The United Nations Command (UNC) agrees to let Southern tourists cross the DMZ without prior approval, ending a dispute that was delaying cross-border links.

**Dec. 3, 2002:** President Kim calls for revisions to the Status of Forces Agreement (SOFA) with the U.S. military.

**Dec. 5, 2002:** ROK Defense Minister Lee Jun meets U.S. Secretary of Defense Donald Rumsfeld in Washington. D.C.

**Dec. 8, 2002:** North/South Korea agree to second cross-border road to help build an industrial park in Kaesong, North Korea.

**Dec. 9, 2002:** A North Korean ship carrying Scud-type missiles is intercepted by the Spanish Navy and inspected by U.S. officials; ship is subsequently released when it is revealed the missiles are destined for Yemen.

**Dec. 10, 2002:** President Kim meets with U.S. Deputy Secretary of State Richard Armitage in Seoul. Armitage issues apology for the deaths of the teenagers in June and announces the U.S. and South Korea will review the SOFA.

**Dec. 11, 2002:** South Korea's Deputy Foreign Minister Lee Tae-sik, U.S. Deputy Ambassador Evans Revere and 8th U.S. Army Commander Charles Campbell meet and announce agreement to form a committee to review the U.S.-Korea SOFA.

**Dec. 11, 2002:** In Seoul, U.S. Army Staff Sgt. Ronnie D. Kirby is convicted by South Korea's Supreme Court of severely injuring a pedestrian in Osan City (south of Seoul) in a motor vehicle accident on July 1, 2001.

**Dec. 12, 2002:** The U.S. military command announces it will surrender Sgt. Kirby to South Korean authorities.

**Dec. 12, 2002:** North Korea announces plans to immediately reactivate Yongbyon reactor; calls on International Atomic Energy Agency to remove monitoring devices.

**Dec. 16, 2002:** North Korea declares that only a non-aggression pact with Washington can prevent "a catastrophic crisis of a war."

**Dec. 16-18, 2002:** South Korean Red Cross officials meet North Korean officials during talks to establish a permanent reunion center for families separated by the 1950-53 Korean War.

**Dec. 19, 2002:** DPRK demands compensation for U.S. piracy and "reckless state-sponsored terrorism" over ship seizure.

**Dec. 19, 2002:** Roh Moo-hyun, the ruling Millennium Democratic Party (MDP) candidate, is elected president with 48.9 percent of the vote, defeating Lee Hoi-chang of the Grand National Party (GNP), who won 46.6 percent, and several other candidates.

**Dec. 20, 2002:** President Bush calls to congratulate President-elect Roh; the two "agreed to work closely together for peace on the Korean Peninsula and strengthen the South Korea-U.S. alliance."

**Dec. 20, 2002:** In his first post-victory speech, President-elect Roh says the ROK-U.S. alliance "must mature and advance in the 21st century."

**Dec. 21-25, 2002:** North Korea begins to physically dismantle IAEA monitoring devices; IAEA inspectors ordered to depart North Korea.

**Dec. 22-23, 2002:** Secretary Powell speaks to his counterparts in Britain, China, South Korea, Japan, and Russia to emphasize need for "a peaceful resolution," without yielding to North Korean "blackmail."

**Dec. 23, 2002:** President-elect Roh meets with President Kim to discuss North Korea.

**Dec. 23, 2002:** IAEA reports that North Korea has begun to reopen its reprocessing plant. Without monitoring devices, it will be impossible to tell if plutonium is being diverted for weapons purposes.

**Dec. 23, 2002:** Secretary Rumsfeld states that the U.S. is capable of dealing militarily with Iraq and North Korea at the same time if necessary.

**Dec 26, 2002:** IAEA Director ElBaradei accuses Pyongyang of “nuclear brinkmanship.”

**Dec. 26, 2002:** President Kim, at special Cabinet meeting, states “we can never go along with North Korea’s nuclear weapons development,” saying standoff should be resolved through dialogue.

**Dec. 26, 2002:** Russia calls on North Korea to cooperate with the IAEA.

**Dec. 27, 2002:** President-elect Roh warns that continued Northern nuclear defiance would negatively affect inter-Korean exchanges.

**Dec. 27, 2002:** President-elect Roh warns the DPRK that Seoul’s position could harden if Pyongyang ignored international concerns over its nuclear weapons program.

**Dec. 28, 2002:** U.S. official discusses policy of “tailored containment,” including possible economic sanctions, to force North Korea to give up its nuclear programs.

**Dec. 30, 2002:** President Kim rejects “tailored containment,” stating that “pressure and isolation have never been successful with Communist countries.”

**Dec. 30, 2002:** Secretary Powell says the U.S. is “looking for ways to communicate with the North Koreans so some sense can prevail,” seemingly making a distinction between *talking to* as opposed to *negotiating with* Pyongyang.

**Dec. 31, 2002:** President-elect Roh says he is “skeptical” of the U.S. approach to the North, and insists that “any U.S. move should fully consider South Korea’s opinion.

**Dec. 31, 2002:** Expelled IAEA inspectors depart North Korea.

**Dec. 31, 2002:** President Bush reaffirms his belief that North Korean program can be stopped “peacefully, through diplomacy,” asserting that “this is not a military showdown, this is a diplomatic showdown.”

## U.S.-Russia Relations: A Continued Emphasis on Geo-strategy

by Joseph Ferguson  
Director, Northeast Asia Studies  
National Bureau of Asian Research

After a difficult summer, Moscow and Washington returned to focus on certain large-picture issues that have served to bring the two nations together over the past 18 months. The two issues giving positive momentum to the relationship are the war on terrorism and, increasingly, energy cooperation. Irritants in the relationship remain, and these include the war in Chechnya and Russia's relations with Iran and Iraq. Even these two issues, however, have become less divisive. The hostage crisis in Moscow in late October caused many in the West to look with slightly more sympathy on Russia's dilemma with Chechnya. In the Middle East, Russia has moved closer to U.S. positions, and now backs a U.S.-authored UN resolution threatening the use of force in the event of Iraqi noncompliance.

Other issues of contention that have been major irritants in the past have receded even further into the background, including NATO expansion and arms control. In November, the latest round of NATO expansion included the three former Soviet Baltic republics. And in December, the United States announced that it would begin construction on the first phase of a national missile defense system, with the abrogation of the Anti-Ballistic Missile (ABM) Treaty having become final. The November summit meeting between Presidents George Bush and Vladimir Putin in St. Petersburg on the heels of the NATO Prague summit highlighted the goodwill pervading the relationship. In East Asia, Russia continues to back the United States in insisting on the cessation of the North Korean nuclear program. China continues to worry many in Russia, and this concern continues to be reflected in the popular press. With an eye to China and the uncertainty in Korea, Russia supports the U.S. in East Asia and continues to flirt with Japan, although no substantive progress could actually be discerned in relations between Moscow and Tokyo.

### **Putting Energy in the Relationship**

One of the most interesting events of the fall was the convening of the U.S.-Russia Commercial Energy Summit in Houston, Texas in early October. Nothing of the kind had ever been held, and it highlighted the intense interest in both countries in uniting their respective energy complexes. Russian oil companies desperately want to become major suppliers for the United States, while the U.S. government and U.S. energy firms are

interested in supply diversification, and also in new, underdeveloped markets. The summit boasted a blue-ribbon guest list, including U.S. Commerce Secretary Donald Evans and Energy Secretary Spencer Abraham, Russian Energy Minister Igor Yusufov and Economic Development and Trade Minister German Gref, and a plethora of heavy-hitting Russian oil executives, including Yukos head Mikhail Khodorkovsky and Tyumen Oil Company (TNK) President Semen Kukes.

Both nations are concerned about the global energy situation, and the desire for cooperation stems from the worsening political situation in the Middle East. War with Iraq appears imminent. Russian companies (most of them energy firms) that have contracts in Iraq want to be assured that these contracts will be honored, when and if a new regime is in place in Baghdad. Since the beginning of the 1990s, the United States has relied less and less on Middle Eastern sources of petroleum as a percentage of oil imports; given continued instability and the war on terrorism, U.S. government and industry leaders wish to diversify import sources even more. Russia is seen as the next great source of oil imports. In the eyes of many, Russia's importance as an oil supplier has grown because of increasing economic and political instability in South America. Secretary of Commerce Evans stated, "Russia is, and will continue to be, a growing important supplier of world crude...it is important Russia play a strategic role in diversity of the supply of world oil."

Some U.S. companies are apparently interested in helping Russia to redevelop the port in Murmansk as an oil export terminal by linking it with pipelines from Western Siberian oil fields. Nevertheless, most U.S. firms continue to be wary about investing in Russia and they want protection from unexpected changes in tax codes and regulatory policies before they invest there. The Russian oil industry reportedly needs close to \$10 billion of investment annually for a number of years to meet its infrastructure and modernization goals.

### **Friendship is Never Free**

Also related to trade and investment issues is the consensus among Russian political elites that Russia should reap economic rewards for its support of the United States' Iraq policy. Russian lawmakers seek two things in particular: repeal of the Jackson-Vanik amendment and Russian entry to the World Trade Organization (WTO). "We really would like to see some reciprocal steps," Dmitri Rogozin, an ally of Putin's and chairman of the International Affairs Committee in the Russian State Duma, said in an interview with the *Washington Post*. Apart from the hardliners, many groups in Russia are apparently aware of the strategic necessity of allying with the United States, and have become less vocal about demanding U.S. reciprocation. Andrei Piontkovsky, a noted analyst in Moscow and the director of the Center for Strategic Research, echoes this silent majority and (with an eye to East Asia) he notes that, "Russia and the U.S. must not squander their chance to cooperate on energy and Pacific Rim politics...The future of Northeast Asia and the global energy infrastructure are spheres in which the interests of Russia and the United States coincide; they, too, can become the basis for a long-term pragmatic alliance."

Cooperation between Moscow and Washington in the war on terrorism and in Afghanistan has been great and continues. Reports in October that Moscow had allowed rail shipments of U.S. war material through Russia into Central Asia gave a good picture of the extent of this cooperation, as did the Russian reoccupation of a former Soviet air base in Kyrgyzstan in December. Additionally, the U.S. State Department recently announced that it was looking at including Chechen groups in its list of foreign terrorist organizations.

The growing strategic cooperation between Moscow and Washington leaves some U.S. allies in Europe uneasy. A November article in the *Wall Street Journal* discussed the growing rift between the United States and Russia on one hand, and the European Union on the other. Mikhail Margelov, chairman of the Foreign Affairs Committee of the Russian Parliament's Upper House (the Federation Council), expressed this sentiment with the following statement: "Over the last two years, Russia and the U.S. have learned how to agree, or at least how to agree to disagree...we haven't reached that point with the EU yet." While Russia and the EU feud over Kaliningrad, Chechnya, and immigration issues, the United States has begun to show more support for Russia on the diplomatic stage. Several U.S. NATO allies, Germany among them, have voiced displeasure at U.S. actions toward Iraq. This has not been lost on policymakers in Moscow who are eager to cement even closer ties to the United States. One editorial in the *Nezavisimaya Gazeta* suggested that, "The United States and Russia may finally unite – with Russia as subordinate partner."

### **Irritants Remain**

Nevertheless, problems do remain in the U.S.-Russia partnership. The U.S. State Department still badgers Russia over human rights issues, and the Chechen morass continues to fester, and, if it continues on interminably, U.S. officials will be forced to take a harsher line toward Russia. The Russian government also recently announced that it was ending its association with the U.S. Peace Corps, partly out of concern that U.S. citizens in Russia's outer regions could be gathering the wrong sort of information. This suggests that some Cold War hangups do remain.

The situation in the Middle East is another complicating factor. Although it is expected that Russia will eventually agree to whatever actions the United States takes in Iraq, points of disagreement do exist. One major point of contention has been Russian cooperation in Iran's nuclear research program. John Bolton, U.S. under secretary of state for arms control and international security, expressed this anxiety: "We remain very concerned that the nuclear and missile program of Iran and others, including Syria, continue to receive the benefits of Russian technology and expertise." The United States is also concerned that Russian economic ties with Iraq could bolster the Iraqi economy. Russia is owed approximately \$8 billion in debt by Iraq. Russian officials have sought reassurance that were the Iraqi regime to tumble, Russian debt would be recouped. But both sides have indicated that agreements could be reached in Iraq and Iran. "If the

Russians end their sensitive cooperation with Iran, we have indicated we would be prepared to favorably consider...arrangements potentially worth over \$10 billion to Moscow,” said one U.S. State Department official.

### **Successful Summitry Helps**

At their one-day summit meeting in late November in St. Petersburg, the seventh such meeting between the two leaders, both Bush and Putin went out of their way to express their support for one another and for their respective nation’s policies. Although the hostage crisis in Moscow was clearly the direct result of the Chechnya conflict, George Bush stated his support for Putin: “Some people are attempting to blame Vladimir, but it is the terrorists that ought to be blamed for everything.” The Russian press was less harsh about NATO expansion than might be expected. Most of the major dailies downplayed the most recent inclusion of the former Soviet Baltic republics. The *Nezavisimaya Gazeta* argued that NATO will be busy “digesting its newest members for the next several decades.” First Deputy Chief of Staff of the Russian Armed Forces Col. Gen. Yuri Baluyevsky was quoted in another daily saying that NATO was now simply “ungovernable.” *Moskovsky Komsomolets* questioned whether the United States even needed NATO anymore.

### **Putin Looks for a Role in Asia**

In East Asia, Russia looks for a role in order to halt the political marginalization that has kept it from influencing Northeast Asian affairs for the past decade. Former President Boris Yeltsin played the China card (after unsuccessful attempts at playing a South Korean and then a Japanese card) for the last two of his years in office. Recognizing that Russia had perhaps overplayed the China card, Putin moved to re-emphasize Russia’s relationship with Japan, North Korea, and South Korea. Furthermore, Putin has shown his support for U.S. policy in several areas, including on the Korean Peninsula where he has urged Kim Jong-Il and North Korea to give up their nuclear program. During Putin’s December visit to Beijing, he spent much of his time justifying to Chinese leaders his pro-U.S. stance on major policy issues, according to the *South China Morning Post*. In Putin’s words, it would be “absolutely counter-productive” to seek confrontation with the United States.

Putin has also looked to reinvigorate relations with Tokyo, albeit with little success thus far. In October, Japanese Foreign Minister Kawaguchi Yoriko visited Moscow and met with the Russian president. Putin told her that Russia sought expanded cooperation with Japan, but was not prepared to contemplate a reversion of any territory to Japan. Kawaguchi and her Russian counterpart Igor Ivanov, however, pledged that the two nations would cooperate in the war on terrorism, and to help resolve the impasse on the Korean Peninsula.

The two nations have also stepped up their cooperation in the energy sector. Japanese companies have tentatively agreed to invest in a pipeline project linking Siberian oil and gas fields with Russia’s Pacific ports. Japan has also promised to help develop and fund

a pipeline linking natural gas fields in northern Sakhalin to a liquification plant in southern Sakhalin, located next to an ice-free shipping terminal where the gas can easily be loaded onto tankers and exported. Not coincidentally, Japan is the largest importer of liquefied natural gas in the world. U.S. companies are also getting in on the act. Exxon-Mobil is hoping to develop a pipeline linking Japan and Sakhalin that would be capable of delivering 800 million cubic feet of gas daily to Japan. Japan's prime minister is due to visit Tokyo and Khabarovsk in the first half of January. Japan is obviously interested in Russian energy sources, but cooperation can only go as far as the political situation allows at home in both countries. The political scandal in Japan this past year involving Legislator Suzuki Muneo has left the Koizumi Cabinet hesitant to push the agenda with Russia, but as the Russian on-line daily *Gazeta.ru* reported, the Japanese leadership hopes to trade energy and economic development for the disputed islands. The Russians are unlikely to agree, as foreign companies from Britain, China, India, South Korea, and the United States are prepared to help Russia develop its energy infrastructure in Eastern Siberia and Sakhalin, decreasing any leverage Japan might have.

U.S.-Russian relations continue to develop positively, as has been the trend since Sept. 11, 2001. There are still major points of contention and any number of events could push the two nations further apart. But as long as the focus remains on strategic issues, such as the war on terrorism and energy cooperation, and as long as Vladimir Putin remains politically strong inside Russia, relations can be expected to continue on a positive course. But nothing is a given.

### **Chronology of U.S.-Russia Relations October-December 2002**

**Oct. 1-2, 2002:** The U.S.-Russia Commercial Energy Summit, the first of its kind, is held in Houston, Texas. The summit boasted a blue-ribbon guest list, including U.S. Commerce Secretary Donald Evans and Energy Secretary Spencer Abraham, Russian Energy Minister Igor Yusufov and Economic Development and Trade Minister German Gref, and a plethora of heavy-hitting Russian oil executives, including Yukos head Mikhail Khodorkovsky and Tyumen Oil Company (TNK) President Semen Kukes.

**Oct. 1, 2002:** Russian Deputy Foreign Minister Georgy Mamedov, Deputy Chief of the General Staff Col. Gen. Yuri Baluyevsky and head of the nuclear munitions department of the Nuclear Energy Ministry Nikolai Voloshin inform deputies at the closed sitting of the Duma Defense and International Affairs Committee that the Russian leadership views the Strategic Arms Reductions Treaty (START II) as "a new treaty of friendship and cooperation between Russia and the USA."

**Oct. 3, 2002:** Addressing the U.S.-Russia Business Council in Washington, Secretary of State Colin Powell outlines the U.S. vision of "a robust commercial relationship between Russia and the United States and a dynamic Russia occupying a leading place in the global economy."

**Oct. 4, 2002:** Russian President Vladimir Putin revokes the special status of U.S.-funded Radio Liberty. Radio Liberty has long been critical of the Kremlin in its reporting of the conflict in Chechnya.

**Oct. 4, 2002:** Speaking at the annual meeting of the American-Russian Business Council (ARBC) in Washington, Russian Minister for Economic Development and Trade German Gref says that Russia regards the United States as its key trade partner.

**Oct. 9, 2002:** Speaking to the U.S. Senate Foreign Relations Committee, John Bolton, under secretary for arms control and international security, warns that Moscow's continued support of Iran and Syria's nuclear and missile program and poor coordination within the Russian government worry Washington and may undermine future bilateral cooperation and a global nonproliferation initiative.

**Oct. 10, 2002:** Alfa-Eco, a subsidiary of Alfa Bank, one of Russia's largest private banks and a regular buyer of Iraqi oil, announces one of the largest oil supply deals in the history of Iraq's oil-for-food program, as Baghdad moves to reinforce commercial links with Moscow. It is announced that Alfa-Eco clinched a deal for 20 million barrels, one of the largest under the six-year UN-supervised humanitarian scheme.

**Oct. 12, 2002:** Foreign Minister Kawaguchi Yoriko arrives in Russia for talks with her counterpart, Igor Ivanov, and Russian President Putin in an effort to kick-start stalled negotiations on Tokyo-Moscow relations.

**Oct. 19, 2002:** Fearing disruption to oil supplies in the event of a U.S.-led war on Iraq, Nippon Oil Corp. announces that it will begin importing crude oil from the Russian interior. The move represents the first import of crude oil from Russia's deep inland by a major Japanese oil firm since 1978.

**Oct. 22, 2002:** Russia rejects the first U.S. draft resolution on Iraq, dealing a sharp blow to U.S. efforts to gain UN backing for the automatic use of force if weapons inspectors are thwarted by Baghdad. In an official statement Russian FM Ivanov says the U.S. document does not meet Russian criteria.

**Oct. 23, 2002:** Several hundred hostages are taken at a Moscow theater by Chechen separatists. The separatists demand an immediate end to the hostilities in Chechnya and a withdrawal of Russian forces.

**Nov. 2, 2002:** In a dramatic rescue attempt, a large number (over 120) of the hostages held by Chechen separatists at the Moscow theater succumb to a knockout gas pumped into the theater by Russian special forces. All of the separatists are killed.

**Nov. 9, 2002:** In a reversal, Russia says that it supports a second U.S.-draft UN resolution on Iraq after a clause envisaging automatic use of force has been removed. The issue had been a key sticking point between Moscow and Washington. The UN Security Council then unanimously approves the draft resolution giving Iraq a last chance to eliminate weapons of mass destruction or face “serious consequences.”

**Nov. 9, 2002:** It is announced that during the first nine months of 2002, Russia invested \$8.4 billion in the U.S. economy. This is 10 times as much as U.S. investments in Russia over the reported period, which amounted to \$841 million.

**Nov. 21-22, 2002:** At a NATO summit in Prague, the alliance formally extends invitations to three former Soviet Baltic states – Estonia, Latvia, and Lithuania – and to four former Soviet-bloc countries, Slovenia, Slovakia, Bulgaria, and Romania.

**Nov. 22, 2002:** President George W. Bush meets with Putin in St. Petersburg for a one-day summit. Bush states that “NATO’s expansion is in Russia’s best interest.” Bush says that an expanded NATO will bring a guarantee of stability to Russia’s border. This is the seventh meeting between Bush and Putin.

**Dec. 17, 2002:** Russia’s Atomic Energy Ministry brushes aside Secretary of State Powell’s latest accusations concerning Moscow’s nuclear cooperation with Iran. The statement says that Washington has shown no proof that Russia is assisting Iran’s military program.

**Dec. 18, 2002:** Russia expresses regret over the U.S. decision to begin deploying strategic interceptors to defend the United States from missile attack. An official Russian statement says that the move will destabilize the international security system and lead to a new arms race.

**Dec. 19, 2002:** Japanese Prime Minister Koizumi Junichiro and visiting Russian FM Igor Ivanov agree to sign an action plan featuring broad cooperation measures when Koizumi visits Russia in early 2003.

**Dec. 27, 2002:** Moscow officially informs Washington of its intention to withdraw from the agreement on Peace Corps activities on Russian territory.



## U.S.-Southeast Asia Relations: *After Bali, Before Iraq*

by Richard W. Baker  
Adjunct Senior Fellow, East-West Center

What a difference a day can make – in this case, Oct. 12, 2002. The terrorist bomb that exploded in a tourist-filled nightclub in Bali, killing nearly 200 people, triggered a significant change both in the political equation in Indonesia and in the overall tenor of U.S. relations with Southeast Asian states.

Bali served to crystallize and energize an emerging regional consensus on the need to counter international terrorism, and on the desirability of closer cooperation both with the United States and among the states of the region to meet this challenge. However, the Bali bombing did not completely transform the landscape. Numerous contentious issues – domestic, bilateral, and multilateral – remained, and the U.S. attack on Iraq widely expected for early 2003 contained the potential for serious strains and even anti-American violence.

### **Indonesia: A Galvanizing Event**

The Bali bombing had somewhat the same effect on the Indonesian government as the Sept. 11, 2001 attacks had in the United States – dramatically bringing home the reality and immediacy of international terrorism. The bombing forced the government of President Megawati Sukarnoputri, previously paralyzed by denial and political infighting, to openly acknowledge for the first time an Indonesian link with the al-Qaeda led terrorist network and to launch a serious effort to deal with the problem.

The Megawati government quickly welcomed outside assistance in the investigation, including aid from U.S. and Australian agencies. Intense detective work rapidly led to the arrests of a number of suspects, most of whom had links to the Islamic radical Jemaah Islamiyah group. The government also issued a decree putting into effect the terms of an antiterrorism law that had been stalled in the Parliament for months. Among other provisions, the decree empowers the government to detain suspected terrorists – a power given to the Malaysian and Singapore governments by their colonial-era Internal Security Acts but that had been abandoned by the Indonesians in the first flush of reform measures following the fall of former President Suharto in 1998. One of the first uses of the decree was to detain Muslim cleric and teacher Abu Bakar Bashir, believed to be the founder and spiritual leader of Jemaah Islamiyah.

The Bali incident also had a palliative effect on other internal security problems in Indonesia. The two principal Islamic militia groups – Laskar Jihad and the Islamic Defenders Front – disbanded in the aftermath of Bali, apparently voluntarily but clearly motivated at least in part by a desire to avoid being labeled as responsible for Bali. The new atmosphere probably also contributed to the signing of a peace agreement with the Aceh secessionist movement in December, opening the possibility of a permanent resolution of that decades-old conflict.

However, even with the boost to antiterrorism collaboration triggered by Bali, U.S.-Indonesian security cooperation continues to be highly constrained. On the U.S. side, Congressionally imposed restrictions based on human rights abuses tightly limit dealings with the Indonesian military. Of the \$47 million antiterrorism assistance package announced by Secretary of State Colin Powell on his visit to Jakarta at the end of July, only some \$4 million was directed to the military (and only for training), with the bulk going to the police and intelligence organizations. (Further limiting the impact of the U.S. assistance package, little of the \$47 million was actually new money, and very little had actually reached the Indonesian government by year end.) More acquittals of military officers charged with atrocities in East Timor, and persistent reports of military complicity in the murder of two U.S. citizens at a mining complex in Irian Jaya (now Papua) were reminders of the complexity and intractability of human rights issues, despite the mutual interest in cooperation against terrorism.

For its part, sentiment in Indonesia continues to be highly sensitive to any suggestions of outside pressure or intervention. This was illustrated in early December by the response on the part of Armed Forces Chief Gen. Endriartono Sutarto to a statement by Australian Prime Minister John Howard that Australia might strike preemptively against terrorists in the region; Sutarto stated that Indonesia would regard any such strike as an act of war.

Even if the Indonesian government can successfully crack down on internationally linked terrorist networks, the country is still plagued by a series of other daunting issues. There are grave uncertainties over the prospects for implementation of the Aceh peace agreement, with the constant danger of breakdown in the fragile ceasefire. Both foreign monitoring and substantial economic assistance seem critical to a durable settlement. At the center, Megawati's Cabinet is plagued by strong policy and personality differences, including on critical areas of economic and security policy, and President Megawati herself is reticent and reluctant to give decisive direction. Policymaking is further complicated by intense jockeying for position in advance of the 2004 Indonesian presidential and parliamentary elections.

### **East Timor: Haunted by the Past**

In the newest state of the region, East Timor, the euphoria of the launching of an independent government in May gave way by the end of the year to a renewed consciousness of the difficulty of creating a viable, stable nation. Political differences became more visible among the elite, accompanied by signs of restiveness on the part of the population, particularly the youth. Nobel Peace Prize winner Bishop Carlos Belo, a

major force in East Timor's independence struggle and (with President Xanana Gusmao) in establishing the new nation's identity, in late November suddenly announced his resignation. Shortly thereafter, a massive student riot broke out, in which five people were reported killed and the prime minister's house burned, leading to the declaration of a state of emergency. Ironically, these events occurred just as the United States was closing down its military Support Group, set up in early 2000 to provide infrastructure repair and humanitarian assistance (continued assistance and military cooperation is to be coordinated through the U.S. Embassy in Dili).

The new round of violence in East Timor did not appear to immediately presage a general breakdown, or a return of a substantial foreign presence. But it did serve as a reminder of the continuing volatility and of the long way yet to go in establishing a self-sustaining nation-state in the former colony, as well as the country's continuing dependence on external support.

### **Singapore, Malaysia, Philippines: Consolidating Cooperation**

Indonesia's three northern neighbors and ASEAN co-founders have all been at the forefront of efforts to stem the terrorist threat in Southeast Asia, and all have been cooperating closely with the United States, in different ways based on their particular circumstances and the history of the relationships. The quarter saw further development of this cooperation in all three cases.

After Indonesia, the Philippines was the major regional target of terrorist actions during the quarter. A series of bombing incidents occurred in the southern Philippines and Manila, and other threats were deemed sufficiently serious that several diplomatic missions closed for a time in late November. Due both to these conditions and to the initiative of President Gloria Macapagal-Arroyo, Philippine-U.S. antiterrorism cooperation remains the most intense and active of all the Southeast Asian states. Of the approximately 1,500 U.S. troops deployed earlier in the year (officially for joint training) to support the Armed Forces of the Philippines (AFP) campaign against the Abu Sayyaf group in the southern islands, more than half stayed after the nominal end of the exercise in July and were expected to remain indefinitely. A five-year logistics agreement was signed in November, and President Bush announced the U.S. intention to provide additional military sales financing to the Philippines. However, President Macapagal-Arroyo's advocacy of closer defense ties, including a resumed U.S. military presence, remained highly controversial within the Philippines, and her announcement at the end of the year that she would not run for reelection in 2004 underlined her political weakness (though ironically in the short run it may have strengthened her hand over her bickering opponents).

U.S. relations with Malaysia and Singapore during the quarter proceeded more smoothly. At the annual APEC Leaders' Meeting in October President Bush asked that Malaysia consider hosting a regional counterterrorism center. Singapore hosted a major regional meeting on regional cooperation on terrorism and other transnational issues, and the U.S. and Singapore neared conclusion of negotiations for a free-trade agreement. (At the

APEC Leaders' Meeting Bush also announced that the U.S. wished to negotiate both bilateral and regional free-trade arrangements with the Southeast Asian countries; Malaysia and the Philippines as well as Thailand reportedly have expressed interest.)

### **Mainland Southeast Asia: Kaleidoscope**

None of the five northern tier ASEAN states – Burma, Thailand, Laos, Cambodia, and Vietnam – are on the front line of the post-Sept. 11 counterterrorism campaign. All, however, have joined the regional consensus calling for greater vigilance and cooperation. At the same time, each country has unique domestic circumstances as well as relations with the United States.

Thailand maintains cooperative but relatively low-profile security relations with the United States, but its own major security concerns in recent years have focused on its land border with Burma and its sea border with Cambodia, and prominently include drug smuggling, cross-border crime and insurgency, and piracy. Apparently in response to a series of attacks on police and soldiers in Muslim-dominated southern Thailand during 2002 – possibly linked to international terror networks – the Thai government announced in late November that the annual U.S.-Thai “Cobra Gold” defense exercises, including an antiterrorism component, would be extended to cover the southern region. However, reflecting the sensitivity of the issue in Thailand, the defense spokesman insisted that the expansion was not related to the U.S. campaign against the al-Qaeda network. Thai officials also denied reports (attributed to statements by suspects apprehended in Indonesia) that the Bali bombings had been planned at a meeting in Thailand.

U.S.-Burma relations remain limited due to longstanding human rights and democracy issues, but the Burmese military regime has continued its efforts to cultivate better relations with the international community. Australia's foreign minister and the UN envoy to Burma made visits during the quarter. Both called on opposition National League for Democracy (NLD) leader Aung San Suu Kyi, and the junta released a number of prisoners including several NLD members in advance of the UN visit. Military leader Gen. Than Shwe visited western neighbor Bangladesh and discussed establishing road links between the two countries. The death of former dictator Ne Win offered closure on that chapter in Burma's domestic politics, but the upholding of death sentences against four of his relatives for treason provided a reminder of the many open wounds that remain.

Cambodia, like Burma, is primarily preoccupied with enhancing internal stability and with restoring respect on the part of the outside world after a long period of chaos and human rights violations. U.S. relations are normal if not close, but human rights and democracy issues remain major factors in the dialogue. The quarter saw some progress on one of the major outstanding issues – prosecution of Khmer Rouge (KR) personnel responsible for human rights crimes. In late December, a Cambodian court convicted a former KR commander for the murder of three tourists in 1994, and the government announced its intention to reopen negotiations with the United Nations over the establishment of an international tribunal to investigate the atrocities of the 1970s.

## **Regional Institutions and Terrorism: Shifting into Second**

The terrorism issue has given a new sense of mission to the major regional institutions of Southeast Asia – ASEAN and its related consultative arrangements as well as the broader ASEAN Regional Forum and APEC. The Sept. 11, 2001 attacks in the United States stimulated a series of declarations and consultations over the succeeding year. But the Bali bombing, as a major terrorist attack in Southeast Asia, gave a strong further impetus to the emerging regional consensus and support for joint action.

Bali dramatically underlined the timeliness of the calls for cooperation against terrorism in the ASEAN Ministerial Joint Communiqué and the ASEAN-U.S. Joint Declaration issued at the Brunei meetings in July. The APEC leaders at their annual summit in late October further reinforced this attitude. Cooperation against terrorism was the principal focus of discussion at the annual ASEAN Summit meeting in Phnom Penh in November, producing both a new Declaration on Terrorism and the signing by Malaysia, the Philippines, Indonesia, Cambodia, and Thailand of an agreement on enhanced antiterrorism cooperation including intelligence sharing and border control.

At the operational level, the Bali attacks were reported to have led to significant cooperation among the Southeast Asian police and intelligence agencies in tracking down the perpetrators. Other concrete steps now in train include a proposal – made by President Bush at the October APEC summit – that Malaysia host a new regional counterterrorism training center.

However, the limits on the spirit of cooperation and the continuing sensitivities of the antiterrorism campaign were also amply demonstrated during the quarter. The ASEAN leaders at their November summit unanimously condemned travel advisories issued following the Bali bombings by the United States and other Western governments warning their citizens against visiting various tourist destinations in Southeast Asia. Continuing impatience in the West at the pace of the ASEAN process was illustrated by the December complaint by former U.S. Pacific Commander Adm. Dennis Blair in Singapore that ASEAN and the ARF were moving too slowly in developing effective mechanisms – moving “from summits to secretariats” – to counter regional security threats.

### **A Delicate New Year**

If the broad trend in Southeast Asia of the last quarter of 2002 was the solidifying of a consensus on the need to fight international terrorism, and a related boost to U.S.-Southeast Asia cooperation, the major question as the region enters 2003 is whether the new consensus and cooperation would last.

All of the region’s countries continue to face a series of major challenges. All have unresolved domestic ethnic or religious issues. Their economies have not yet completely recovered from the effects of the 1997 crisis, and further recovery is hampered by continuing economic stasis in Japan and the uncertainty of the U.S. economy. Economic

problems have complicated inter-state relations, particularly over (often illegal) foreign workers such as the million-plus Indonesian and Filipino workers in Malaysia. The resulting tensions are even further exacerbated by domestic political competition, especially in the Philippines and Indonesia, which have recently undergone significant political liberalization and where opposition voices are strident and traditions of accommodation and restraint not well established. In both of these countries, and some others, relations with the U.S. are a sensitive domestic issue.

Most pointedly, the issue of Iraq clouds the whole regional atmosphere. While there is general anticipation in Southeast Asia – as most of the rest of the world – that the United States will launch an attack on Iraq early in the New Year designed to remove Saddam Hussein and replace his regime, there is little active support in the region for this action – whether formally endorsed by the United Nations or not. There is also widespread concern over the possible consequences of an attack on Iraq – on the Middle East including the Arab-Israel conflict, and on U.S. relations with Islamic countries generally, including the major Islamic countries of the region, Malaysia and Indonesia.

Thus, at the start of 2003 it is simply impossible to predict whether the tragedy of Bali will ultimately be seen as having catalyzed a new stage in regional cooperation or will be marked as just one more of a series of human catastrophes punctuating the region's turbulent history.

### **Chronology of U.S.-Southeast Asia Relations October-December 2002**

**Oct. 3, 2002:** Australia's Foreign Minister (FM) Alexander Downer visits Burma and meets with the ruling military junta and later with pro-democracy leader Aung San Suu Kyi.

**Oct. 3, 2002:** Soldiers from Australia's elite Special Air Service are accused of having carried out illegal executions during UN operations in East Timor.

**Oct. 10, 2002:** A bomb explodes in a crowded bus station in the southern Philippines, killing at least eight people and wounding 19 others in Kidapawan City, in North Cotabato province, Philippines.

**Oct. 10, 2002:** Malaysian Prime Minister Mahathir bin Mohamad initiates bankruptcy proceedings against former deputy PM Anwar Ibrahim, who is currently serving a 15-year sentence for abuse of power and sex offenses.

**Oct. 10, 2002:** Burmese military junta releases 31 prisoners, including seven members of the opposition National League for Democracy (NLD), one month before the United Nations human rights envoy visits.

**Oct. 11-26, 2002:** Six hundred U.S. soldiers participate in the U.S.-Philippines joint military exercise "Talon-Vision 2" in Luzon, Philippines.

**Oct. 12, 2002:** Terrorist bombing in Kuta Beach, Bali, kills 184, injures 132.

**Oct. 18, 2002:** Bomb on bus kills three people in Manila, Philippines.

**Oct. 26-27, 2002:** APEC Leaders' Statement on Fighting Terrorism and Promoting Growth is issued. President Bush issues request to Malaysian Deputy Prime Minister Abdullah Badawi that Malaysia host a regional counterterrorism training center.

**Nov. 1-3, 2002:** Senior military leaders from 22 countries meet in Singapore to discuss regional cooperation on issues such as terrorism and drug trafficking.

**Nov. 4, 2002:** ASEAN-China meeting in Cambodia; China signs a nonbinding South China Sea Code of Conduct. Thailand's Foreign Minister Surakiart Sathirathai signs agreement calling for joint combat against terrorism and other transnational crimes between Indonesia, Malaysia, the Philippines, and Cambodia.

**Nov. 5, 2002:** The government of the Malaysian state of Kedah announces it will install video cameras and recording devices in mosques to deter political sermons.

**Nov. 12-17, 2002:** UN envoy to Burma Razali Ismail meets Burma's top leader Gen. Than Shwe and NLD leader Aung San Suu Kyi during a five-day visit.

**Nov. 14, 2002:** Philippines officials arrest suspected member of Abu Sayyaf whom they believe responsible for bombings in Zamboanga City in the southern Philippines.

**Nov. 20, 2002:** U.S. Trade Representative Robert B. Zoellick announces the U.S. and Singapore have nearly completed negotiations for a free trade agreement.

**Nov. 21, 2002:** The U.S. and the Philippine sign the Mutual Logistics Support Agreement, a five-year military logistics agreement in Manila.

**Nov. 23, 2002:** President Bush pledges to work with the U.S. Congress for an additional \$10 million in Foreign Military Financing (FMF) of U.S. Department of Defense goods and services to the Philippines.

**Nov. 26, 2002:** Malaysian authorities arrest four suspected members of Islamic militant group Jemaah Islamiyah.

**Nov. 27, 2002:** Former pro-Jakarta militia leader Eurico Guterres is found guilty of crimes against humanity during a 1999 massacre in East Timor and is sentenced to 10 years in prison for an attack on the home of a pro-independence campaigner in which 12 people were killed.

**Nov. 28, 2002:** Bishop Carlos Ximenes Belo of East Timor, a Nobel peace laureate, announces his resignation.

**Nov. 28, 2002:** Canada, Australia, and the European Union (EU) close diplomatic missions in the Philippines indefinitely after receiving information about imminent attacks.

**Nov. 29, 2002:** Indonesia's human rights court acquits four former security officers (including Lt. Col. Endar Priyanto, former army commander for the East Timor capital Dili) of crimes against humanity in East Timor.

**Dec. 1, 2002:** Australian PM John Howard states in interview that Australia would be prepared to launch a preemptive strike on another country as a measure of last resort to fight terrorism.

**Dec. 3, 2002:** Japan, the U.S., EU, and the World Bank host Aceh reconstruction conference in Tokyo.

**Dec. 4, 2002:** East Timor declares a state of emergency after a massive student riot in which approximately five people were killed and the prime minister's house was destroyed in a fire.

**Dec. 4, 2002:** PM Mahathir and Indonesian military chief Gen. Endriartono Sutarto separately warn that any preemptive strike by Australian forces against terrorists on their soil would be perceived as an act of war.

**Dec. 5, 2002:** Ne Win, the former military dictator of Burma, dies while under house arrest in Rangoon at the age of 91.

**Dec. 9, 2002:** Retired U.S. Pacific Command Chief Admiral Dennis Blair suggests that ASEAN and ASEAN Regional Forum should "move from summits to secretariats, from talk to permanent and competent staffs," at an Asia-Pacific security conference in Singapore.

**Dec. 17-18, 2002:** Burma's military ruler, Gen. Than Shwe, visits Bangladeshi Prime Minister Khaleda Zia, in Dhaka, Bangladesh. The two agree to consider establishing direct road links.

**Dec. 20, 2002:** The Canadian government announces it will reopen on Dec. 30 its embassy in the Philippines that has been closed since November.

**Dec. 23, 2002:** A Cambodian court convicts and sentences former Khmer Rouge commander Sam Bith to life in prison for the July 1994 abduction and murder of three tourists.

**Dec. 24, 2002:** Myanmar's Supreme Court upholds the Sept. 2002 death sentences against relatives of the late former dictator Ne Win (his son-in-law, Aye Zaw Win, and three grandsons: Aye Ne Win, Kyaw Ne Win and Zwe Ne Win ) for treason and attempting to overthrow the government.

**Dec. 24, 2002:** A bomb explodes in Cotabato, Philippines outside the home of the mayor of a small town, killing him and 12 other people.

**Dec. 24, 2002:** The Cambodian government announces a delegation will be sent to New York in January 2003 to restart negotiations to establish an international tribunal to investigate the Khmer Rouge regime's crimes against humanity during the late 1970s.

**Dec. 30, 2002:** Philippines President Gloria Macapagal-Arroyo announces her decision not to contest the 2004 presidential election.



## China – Southeast Asia Relations: China Caps a Year of Gains

by Lyall Breckon  
Senior Analyst, CNA Center for Strategic Studies

China capped a year of significant gains in relations with its Southeast Asian neighbors with a series of summit-level agreements with ASEAN in November, dealing with trade, investment, infrastructure, and security issues. Responding to increasing ASEAN concerns that China's success in attracting foreign investment, at their expense, will keep their economies depressed, Beijing promised early trade liberalization measures, and agreed with ASEAN on a framework for negotiating the world's largest free trade agreement (FTA). A long road remains, however, and Southeast Asian countries are realizing that a China-ASEAN FTA will require painful structural adjustments on their part. After several years of stalemate, China and ASEAN also agreed on a pledge of restraint in the South China Sea, although its provisions are vaguer than ASEAN wanted. A separate summit of the six Mekong states led to agreement on accelerating transportation and energy programs in the Mekong subregion. China committed to expand agricultural cooperation with ASEAN, to increase cooperation on "nontraditional" security issues, including narcotics and terrorism, and to sign on to ASEAN's regional nuclear weapons free zone.

With world attention centered on Iraq, the Middle East, North Korea, and other hot spots, and much of China's energy going into multilateral diplomacy during the quarter, bilateral relations with Southeast Asia proceeded less eventfully. Border demarcation with Vietnam remains difficult. Taiwan continued to seek ways to expand economic, and where possible political, relations in Southeast Asia during the quarter, but had to backtrack quickly when news broke that President Chen Shui-bian was planning a visit to Yogyakarta in Indonesia in December.

### **New Agreements Bind ASEAN More Closely to China**

The centerpiece of the Phnom Penh summits Nov. 3-4 was the signing of a "Framework Agreement on Comprehensive Economic Cooperation Between the ASEAN Nations and the People's Republic of China," setting concrete goals for establishing a China-ASEAN

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\* CNA Corporation is a non-profit research and analysis organization. The opinions expressed in this article are those of the author.

FTA, and offering specific early benefits that could boost ASEAN agricultural exports to China as soon as next year. The document commits the parties to begin negotiations on an FTA by early 2003, with the goal of completing the agreement by 2004 and establishing the FTA for trade in goods for the original six ASEAN countries by 2010 and by 2015 for newer ASEAN members with less developed economies. Tariffs on some agricultural imports and food items will be reduced by January 2004, as an “early harvest” step before other reciprocal tariff reductions take place.

Many ASEAN observers are enthusiastic about the potential benefits of an FTA with China. Officials in Indonesia believe that country could increase its revenues by as much as \$110 million in the first year of “early harvest” cuts. But other observers worry that the flow of cheap Chinese consumer goods into ASEAN markets, already displacing local manufactures, is likely to swell to a flood as tariffs are reduced or eliminated, imposing at least temporary hardship and requiring painful and politically sensitive structural adjustments. China’s own exports of food products are increasing. For instance, *Xinhua* reported in November that for the first time since 1949, China had exported quality wheat to a foreign buyer – Indonesia – and that improvements in Chinese agriculture would make possible rapid increases in grain exports to Southeast Asia, among other markets.

U.S. business analysts conclude that a China-ASEAN FTA will benefit the United States by giving a boost to the ASEAN economies; by forcing economic reforms on the ASEAN states that they might otherwise be slow to make; and by creating new export opportunities for U.S. companies, including companies manufacturing in Southeast Asia for export.

In addition to the Framework Agreement, Chinese Minister of Trade Shi Guangsheng signed a separate document establishing a zero tariff in January 2004 on certain imports from ASEAN’s poorest members, Cambodia, Laos, and Burma.

### **The Competition: Less to Offer**

In comparison with China’s initiatives, ASEAN’s other summit partners in Phnom Penh had less to offer.

- Japanese Prime Minister Koizumi Junichiro signed a joint declaration with ASEAN on comprehensive economic partnership, including “a possible free trade area” within 10 years. Ambitious macro goals for expanding trade were set, although there were no details as to how they would be achieved. Agricultural issues were not mentioned in the ASEAN-Japan joint declaration, in contrast to China’s promises in this important area for ASEAN.
- South Korea discussed but failed to reach agreement on an FTA document of its own with ASEAN at the Phnom Penh summit, even though the grouping has become one of the ROK’s top five trade partners.

- India and ASEAN signed a joint statement in which they undertook to set up a task force to draft an economic cooperation agreement, and India agreed to consider preferential tariff treatment for the poorer ASEAN members. Despite its reference to “a dynamic surge of ASEAN-India cooperation,” however, the statement tended to highlight how little, comparatively, India has to offer at present in response to ASEAN’s major concerns.

### **Declaration on the Conduct of Parties in the South China Sea**

A second China-ASEAN agreement emerging from the Phnom Penh summit, on restraint and confidence building in the South China Sea, is a positive step in terms of atmospherics. Depending on how it is carried out, it could help reduce the chance that territorial disputes in the Spratly Islands could trigger armed conflict. It is, however, a watered-down, nonbinding compromise that falls short of the “Code of Conduct” that the concerned ASEAN members have sought for the past several years. The declaration reaffirms freedom of navigation and overflight, and commits the parties to resolve disputes peacefully, and to exercise self-restraint. At Vietnam’s urging, an ASEAN draft code had called for specific inclusion of the Paracel Islands, but China, which has occupied all the Paracels since 1974, rejected a reference to them, and the declaration defines no specific zone for its provisions. There is no commitment in the declaration that the parties will not build new structures on islets and reefs, as ASEAN wanted. The agreement to “refrain from action of inhabiting presently uninhabited islands, reefs,” etc. goes some way toward this goal, however.

Efforts by China to use the declaration to limit military exercises and other activities in the area of the Spratlys failed, but ASEAN did agree to a provision on voluntary prior notification of “joint/combined” military exercises in the South China Sea. Despite its voluntary nature, this provision – which implicitly includes exercises with non-ASEAN partners – comes close to the kind of naval confidence-building measure that some outside powers, including the United States, have opposed in the past. And even this mild reference to exercises and other military activities could give China a foothold to argue for more restrictive provisions in a future Code of Conduct.

### **Joint Declaration on Cooperation in Nontraditional Security Issues**

A third China-ASEAN agreement pledged to strengthen cooperation on counter-narcotics, human trafficking, piracy at sea, counterterrorism, arms trafficking, economic crimes, and cyber-crime. Narcotics appeared to be the priority focus of this declaration, based on the ravages caused by heroin-based drugs and methamphetamines in southern China and the bordering ASEAN region. No specific new measures were proposed, apart from setting up ad hoc working groups “in relevant fields,” but the declaration offers an additional avenue for encouraging regional cooperation in counterterrorism.

## **Mekong River Development: Big Plans, but White Water May Lie Ahead**

Taking the opportunity offered by their presence in Phnom Penh, heads of government of the Greater Mekong Subregion (GMS) countries – China, Burma, Thailand, Laos, Cambodia, and Vietnam – held a summit the day before the ASEAN Phnom Penh sessions. This separate summit, marking the 10th anniversary of an Asian Development Bank initiative to encourage cooperative development along the Mekong, is likely to boost efforts already underway to exploit the great river for trade. GMS summit participants signed a memorandum of understanding on cross-border transport and travel, and agreed to establish a regional electric power grid, building on the extensive hydroelectric projects in place or planned by riverine states.

Rapid development of Mekong energy, transportation, and other projects, however, often at China's initiative or with Chinese funding, is generating mounting popular protests downstream, especially in Thailand. Thai opponents of headlong Mekong development insist that the eight dams built or planned by China in Yunnan province will "kill" the river by destroying its natural wonders, damaging riverine fisheries on which local populations depend, and increasing the likelihood of devastating floods during years of heavy rains. Communities in northern Thailand have sought an end to Chinese-aided efforts to open the river to deeper-draft ships by dynamiting rapids and dredging new channels.

## **Taiwan: Still Seeking to Go South**

Spurred by China's ASEAN summit successes, Taiwan was at pains during the quarter to reiterate its "Go South" policy of expanding economic relations with ASEAN countries and pushing, where potential openings appear, for at least the appearance of political relations as well. Taiwan officials announced that the government had deliberately decided to increase the proportion of its overseas investment going to Southeast Asia to avoid overdependence on its extensive investment on the mainland. How far this declaratory policy is likely to go may be questionable, however, given that private investment flows will tend to go where the prospects are most profitable.

Following the Phnom Penh China-ASEAN summit, Taiwan reportedly offered to establish its own free trade area with ASEAN. Economic Minister Lin Yi-fu led trade and investment missions to Malaysia, Thailand, and the Philippines during the quarter, meeting with counterpart Cabinet-level officials. In other high-level visits to the region, Minister for Overseas Chinese Affairs Chang Fu-mei visited Manila Nov. 27-30, inaugurating a trade exhibition and asking Philippine citizens of Chinese descent to encourage democratization on the mainland in order to help achieve a peaceful cross-strait settlement. Chairwoman Chen Chu of Taiwan's Cabinet-level Council for Labor Affairs was invited by Thailand to visit Bangkok for the signing of a new agreement on Thai workers in Taiwan, ending a spat that began earlier this year when Bangkok revoked a visa for Chen under Chinese pressure, prompting Taiwan to halt the hiring of new Thai workers in retaliation.

In at least one case, however, Taiwan apparently overreached and had to pull back. Press reports from Indonesia Dec. 14, citing a provincial official, announced that Taiwan President Chen Shui-bian would visit Yogyakarta, in central Java, with a large business delegation the following week. Beijing immediately threatened that for Chen to enter Indonesia “in any capacity” would not be in Indonesia’s interest. Chen’s chief of staff told Taiwan’s press agency Dec. 15 that Chen had in fact cancelled overseas travel plans after “some uncertainties” came up.

### **Vietnam: Border Issues still Sensitive**

Hanoi continued to pursue cooperative relations with Beijing during the quarter. There were no reports of further steps to demarcate the land border with China, however, possibly due in part to the reported domestic unpopularity of the 1999 land border agreement. China announced it was removing or destroying remaining minefields along its side of the border to make way for crossing points and boundary markers, a task it said would take three years. The Guangxi regional government announced it was building a thousand kilometer “tourist belt” to encourage the growing cross-border tourism. Informal cross-border trade is expanding as well, although not always with stabilizing consequences. Hundreds of smugglers and local villagers on the Vietnamese side reportedly attacked border guards who were attempting to control illegal goods in late September, requiring police reinforcements to quell the protests.

Vietnam and China held talks on their disputed maritime borders Nov. 12-14, in an effort to gain momentum on this difficult issue from the Nov. 4 China-ASEAN Declaration on the South China Sea. Good intentions, but no concrete progress, were reported from the session.

### **China and Cambodia**

The ASEAN summit meetings in Phnom Penh gave Beijing an opportunity to highlight its unstinting support for Cambodia, and for Hun Sen’s government. Premier Zhu Rongji met with King Norodom Sihanouk in Beijing Oct. 8, prior to the summit, and praised Cambodia’s stability, and pledged even deeper cooperation with Cambodia in future. Zhu announced in Phnom Penh that China had decided to write off all Cambodian debts to China that had matured, and would provide 100 million renminbi in additional loans and grants.

### **Implications for the United States**

China’s growing economic power, based on its sustained high growth rate, its ability to attract most of Asia’s new foreign direct investment, and its capacity to produce and export most manufactured goods for less than other Asian countries, is allowing it to set Southeast Asia’s economic agenda. The United States is not absent from the equation, however.

China's cooperation with the United States on counterterrorism, its potential role in helping defuse North Korea's latest nuclear weapons challenge, the resumption of U.S.-China military relations, and the increased attention Washington is paying to Southeast Asia all contribute to ASEAN's confidence in dealing with China. Some in Beijing appear to acknowledge this. An October 2002 study of current and future China-ASEAN relations by a well-connected Beijing think tank concludes that as those relations deepen, China should respect U.S. interests in Southeast Asia and support ASEAN-U.S. cooperation in areas like counterterrorism. If views like this are reflected in China's ongoing dialogue with Southeast Asia, they could signal a promising shift in Beijing's regional policies toward a more confident stance and a broader perspective.

The question remains, however, whether the growing integration of Southeast Asian economies with that of China will give Beijing a dominant role in political and security affairs in the region. Strong bilateral ties with the United States can strengthen ASEAN members who are inclined to preserve ASEAN's autonomy, as could a deeper and more sustained U.S. involvement with ASEAN as an organization. China's goal may or may not be political domination of the region, but for the United States to cede leadership in multilateralism in Southeast Asia to Beijing would make such an outcome more likely.

### **Chronology of China-Southeast Asia Relations October-December 2002**

**Oct. 1, 2002:** The central banks of China and Malaysia sign a currency swap agreement, under which China will loan Malaysia up to \$1.5 billion in a payment crisis as part of the "Chiang Mai Initiative," agreed in the early stages of the Asian economic crisis, intended to create a network of currency swap agreements among Asian nations.

**Oct. 4, 2002:** The Philippines releases 122 Chinese fishermen detained six months earlier for poaching in Manila's claimed exclusive economic zone (EEZ) near Palawan. The fishermen had pled guilty and agreed to pay fines. Another 38 fishermen await trial.

**Oct. 4, 2002:** Hanoi National University opens a center for Chinese studies, to organize research and conferences on Vietnam-China cooperation, and train students in the Chinese language. China has offered a \$2.4 million grant to Vietnam to send students to China for study in a variety of fields.

**Oct. 11, 2002:** Laos signs on to a Thai-Chinese project for a 700 km. road network that will link Thailand with Kunming, in southern China, expected to open within five years. The Asian Development Bank and the Chinese government are helping finance the Lao portion of the route.

**Oct. 14, 2002:** The Chinese Foreign Ministry strongly condemns the Oct. 12 terrorist bombings in Bali, Indonesia. China offers \$100,000 in aid for the victims, including two Chinese nationals who were slightly wounded.

**Oct. 15, 2002:** Thai Princess Maha Chakri Sirindhorn, making her 15<sup>th</sup> visit to China,

meets with Standing Committee Chairman Li Peng. Li notes that China and Thailand are “good neighbors, good friends, and good relatives,” and says that the royal family of Thailand has played an irreplaceable role in advancing bilateral relations.

**Oct. 15, 2002:** Wei Jianxing, a member of the Chinese Communist Party (CCP) Politburo Standing Committee, meets in Beijing with Jose Maria Dos Reis, deputy secretary general of the Independent East Timor Revolutionary Front (Fretilin). Dos Reis tells Wei that his party’s choice of China for its first overseas visit since independence signals the party’s commitment to developing bilateral and party-to-party relations.

**Oct. 15-22, 2002:** Lt. Gen. Le Van Dung, director of the General Political Department of the Vietnam People’s Army, holds talk with Senior Lt. Gen. Yu Yongbo, his People’s Liberation Army (PLA) counterpart. They agree to increase the frequency of exchanges and to enhance cooperation between their two departments.

**Oct. 23, 2002:** Gen. Endriartono Sutarto, commander of the Indonesia National Military (TNI), welcomes a proposal by China’s ambassador to Indonesia to set up an exchange program between the PLA and the TNI.

**Oct. 24, 2002:** Zeng Qinghong, a senior CCP official, meeting with a visiting Singaporean People’s Action Party (PAP) delegation, tells his guests that the CCP has benefited from the opportunity to learn from the PAP’s experience in party and national government.

**Oct. 26, 2002:** A Yunnan province economic official, meeting with ASEAN counterparts in Kunming, reportedly proposes that Yunnan should become a demonstration zone for the future ASEAN-China FTA, with Kunming as a financial and information center covering south China and all of ASEAN.

**Oct. 29, 2002:** China, Thailand, Laos, and Burma agree to increase joint patrols against narcotics trafficking along the upper Mekong River, beginning with a joint survey of drug smuggling routes.

**Oct. 29, 2002:** China’s Defense Minister Chi Haotian tells visiting senior Cambodian army commanders that the bilateral friendship forged by King Norodom Sihanouk and three generations of Chinese leaders is a model for state-to-state relations, and expresses gratitude for Cambodia’s support for China’s policies on Taiwan, Tibet, and the Falungong sect banned in China.

**Oct. 30, 2002:** Chinese media report that Beijing, pleased with the success of its first Peace Corps-like program that sent five volunteers to work in Laos, will expand the program to more than 10 additional nations, including Burma. The program also envisages foreign volunteers coming to work in northwestern China.

**Nov. 1, 2002:** Officials in Xishuangbanna region in Yunnan province announce the expansion of port services and transportation routes into Laos and Thailand. (Coincidentally, on Nov. 2, Vietnamese officials announce that Lao Cai, adjacent to Yunnan province, will become a “border gate” for trade with China, with a new international trade center, an industrial center for export goods, and preferential tax and regulatory measures for new trade entities.)

**Nov. 4, 2002:** Chinese business analysts report that China’s currency, the renminbi, is increasingly accepted as hard currency in neighboring countries including Vietnam, Malaysia, and Singapore, and is used to settle accounts in much of China’s southern border trade. China has, however, indicated no plans to make the renminbi fully convertible.

**Nov. 4-5, 2002:** ASEAN Plus Three and ASEAN-China summits held in Phnom Penh.

**Nov. 5, 2002:** In response to the ASEAN-China Declaration on Conduct in the South China Sea, Taiwan’s Foreign Ministry declares Republic of China sovereignty over the Spratly, Paracel, and Pratas islands and the Macclesfield Bank, and protests Taiwan’s exclusion from the declaration. (The basis for Taiwan’s current claim to South China Sea islands is not clear, since the ROC government in Taiwan no longer claims to be the government of all of China.)

**Nov. 8, 2002:** The Communist Party of Vietnam sends a congratulatory message to the Chinese Communist Party on the opening of its 16th National Congress, noting (without evident irony) that “the Vietnamese people and the Chinese people have been bound by time-honored traditional friendship and solidarity ... by generations after generations.”

**Nov. 15, 2002:** Chinese state corporations sign an agreement with the Philippine National Railways to finance and carry out the rehabilitation of 400 km. of railroads in northern Luzon, adding to earlier Chinese railway construction commitments.

**Nov. 21, 2002:** Vietnamese cyber-dissident Le Chi Quang is sentenced to four years in prison for disseminating antigovernment views, including criticism of Vietnam’s 1999 land border agreement with China.

**Nov. 27, 2002:** Singapore Prime Minister Goh Chok Tong states that relations among the major powers in Asia are stable, and he does not foresee serious problems between China and the U.S. in the next 5 to 10 years. Goh asserts that China’s growth will have a positive impact on Singapore and the region at large, if the Southeast Asian countries respond the right way.

**Dec. 5, 2002:** Meeting with Thura Shwe Mann, Burmese army chief of staff, in Beijing, Vice Chairman of China’s Central Military Commission Cao Gangchuan and PLA Chief of General Staff Liang Guanglie pledge that cooperation between the two nations’ armies will increase.

**Dec. 6, 2002:** China joins Thailand, Vietnam, India, and Pakistan in establishing an information exchange system in rice trade, centered in Thailand, to enable the five countries, responsible together for 70 percent of the world's rice exports, to maintain market stability and protect farm incomes by setting prices jointly.

**Dec. 16, 2002:** Jose Ramos Horta, foreign minister of East Timor, calls on Chinese Foreign Minister Tang Jiaxuan during his visit to Beijing. Tang recalls that China was the first nation to establish diplomatic relations with East Timor after independence, and states that a solid political foundation has been set. Horta says East Timor attaches great importance to its relations with China, pledges to continue its "one China" policy, and hopes for cooperation in infrastructure construction, health care, natural oil and gas exploration, and in agriculture.



## China-Taiwan Relations: Is China's Flexibility Tactical or Significant?

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

In recent months, Beijing has taken a number of steps that show greater flexibility on issues related to Taiwan. Beijing has said that cross-Strait transportation does not have to be called "domestic"; it has agreed to a proposal from opposition members in Taipei to permit charter flights and given up its initial request that some of the charter flights be flown by PRC airlines; and, in his meeting with President George W. Bush in Crawford, President Jiang Zemin indicated that China might reduce missile deployments opposite Taiwan if U.S. arms sales were reduced. A key question is whether these and other moves are just tactical maneuvers or a significant adjustment in Beijing's approach to cross-Strait relations. Beijing's moves represent a challenge for the Chen Shui-bian administration in Taiwan but present opportunities that Taipei and Washington should consider seriously.

### **New Moves by Beijing**

This quarter has seen a remarkable number of instances in which Beijing has adopted a more flexible or less confrontational approach on issues relating to Taiwan. The first was on the issue of air routes between the mainland and Taiwan. On Oct. 17, Vice Premier Qian Qichen told a visiting Taipei editor that as cross-Strait economic issues should be separated from politics, these air routes could be called "cross-Strait" routes. As noted in last quarter's report, Beijing's willingness to drop its insistence that these air routes be treated as "domestic," a term that the Taiwanese government saw as an indirect way to obtain its acceptance of the "one China" principle, would be a key indicator of whether Beijing would be willing to put politics aside and actively promote economic ties. That Qian's announcement of this adjustment in Beijing's position came on the eve of the 16th Party Congress is an indication that consensus exists within the PRC leadership on this approach.

The Taiwan section of President Jiang's report to the 16th Party Congress on Nov. 8 sounded a noticeably soft tone. This was reflected in the absence of threatening language and in the emphasis on economic ties. Jiang's report wrote into party policy the more flexible three-part definition of "one China" first voiced by Vice Premier Qian in the summer of 2000. It expanded on China's position that anything could be discussed once

Taipei accepts “one China” by specifying that Taiwan’s international status and its representation in international social and economic forums were among topics that Beijing would discuss. (Although the report did not restate the standard language that the PRC is the sole legal government of China, this language predictably was included in the Dec. 2 Jiang Zemin-Vladimir Putin Communiqué, indicating that the omission was not significant.)

On Oct. 25, Presidents Bush and Jiang met at Bush’s ranch in Crawford, Texas. From a Taiwan perspective, the meeting was most important because Bush mentioned at the press conference that the U.S. does not support independence for Taiwan, a position that other administration officials had voiced but had not been mentioned publicly by the president before. About a month after the meeting, the press began to report that at Crawford Jiang had mentioned briefly that if the U.S. was willing to restrain its sale of advanced arms to Taiwan, Beijing would be willing to reduce its missile deployments opposite Taiwan. Just how this idea was phrased has not been made public. Nevertheless, Jiang’s suggestion is the first indication that Beijing might be willing to countenance reductions of its missile deployments opposite Taiwan.

In late October, Kuomintang (KMT) Legislator Chang Hsiao-yan proposed that direct charter flights be arranged to fly Taiwanese home from Shanghai for the Chinese New Year next Feb. 1. Not surprisingly, Beijing publicly welcomed this proposal but tacked on a proviso – that PRC airlines should participate. When Taipei balked at PRC airlines participating, Chang traveled to China and won Beijing’s agreement that on this first occasion only Taiwan airlines would participate. When Taipei then added the proviso that the flights could not be direct but must land briefly in either Hong Kong or Macau, Beijing reluctantly agreed to this as well. This was remarkable because it means China is agreeing to allow Taiwan airlines to transport passengers from one city in the PRC (Hong Kong) to another (Shanghai) and in the process to compete with scheduled flights by PRC airlines. There are still details to be worked out, and the charters may in the end not take place, but the flexibility Beijing has shown is noteworthy.

In December, Beijing agreed to a first consultation in Geneva between the World Trade Organization (WTO) representatives of Beijing and Taipei. In one sense, this should be considered only normal as Beijing had invoked safeguards measures against steel imports from Taiwan and this action requires consultations under WTO rules. However, since the PRC and Taiwan joined the WTO last year, Beijing had been stating that it was inappropriate for cross-Strait economic issues to be dealt with via the WTO. Although Beijing’s approach came in a way that Taipei interpreted as denigrating the status of its WTO delegation, Taipei welcomed Beijing’s willingness to hold consultations between their WTO delegations.

### **What Does This Mean?**

These examples of PRC flexibility occurred after Taiwanese President Chen Shui-bian’s statement in August that there is “one country on each side” of the Strait. As noted previously, (“Chen Muddies Cross-Strait Waters,” *Comparative Connections*, Vol. 4, No.

3, October 2002) most PRC observers have interpreted these remarks as proving Chen's true colors as a "separatist." PRC propaganda has since likened Chen to former President Lee Teng-hui, and some recent PRC visitors to Washington have characterized Chen, like Lee, as a "trouble maker." Why then is Beijing prepared to show new flexibility in dealing with Taiwan?

### **Interpreting Moves on Three Links**

Beijing's motives related to the three links may be merely tactical – to exploit differences between Chen and the opposition. United front efforts to appeal to Chen's domestic opponents have been a staple element in Beijing's approach for the past two years. That KMT member Chang Hsiao-yan was the proponent of charter flights provided Beijing an opportunity to play on these inter-party differences. In turn, Beijing's flexibility on air routes has elicited pressure on the Chen administration from elements in the Democratic Progressive Party (DPP) and Taiwan Solidarity Union (TSU) who see Beijing's moves as a trap to ensnare Taiwan in closer ties with the mainland.

Beijing's actions may, however, reflect a more significant adjustment in Beijing's approach toward Taiwan. Beijing is now evincing greater self-confidence. In part, this confidence reflects a view, shared by many in the mainland and Taiwan, that long-term trends are favorable to the PRC; that time is on Beijing's side in dealing with Taiwan. This confidence also appears to reflect the improvement of U.S.-China relations this year, symbolized by President Jiang's October visit to Crawford, and Beijing's belief that the Bush administration will cooperate in checking Taiwan independence. In a seemingly inconsistent twist, Beijing is at the same time concerned about the Chen administration's continuing efforts to promote a separate Taiwanese identity and sees closer economic and social ties as the best means to counter these efforts and to promote eventual reunification. A recent visitor to China came away with the impression that Taiwan experts now understand better that the Taiwan public's preference for the status quo constrains Chen from provocative actions and that it is therefore in Beijing's interest to appeal more positively to the Taiwan public. As Jiang said in his 16th Party Congress report, "Taiwan separatist forces are unpopular ... We place our hopes on the people of Taiwan." Qian's flexibility on these issues is also consistent with the emphasis on expanding economic ties that has been apparent since his Jan. 22, 2002 Chinese New Year address. Chinese representatives have indicated that a new consensus was reached this summer within the Beijing leadership to do more to strengthen economic ties with Taiwan and that it has been decided to proceed with this policy despite Chen's August statement.

### **What of Jiang's Arms for Missiles Idea?**

In mid-November, when Taipei's Washington Representative Chen Chien-jen was back in Taipei on consultation, he stated that President Jiang had made a proposal in Crawford offering to reduce Chinese missiles aimed at Taiwan if the U.S. would reduce arms sales to Taiwan. At about the same time, former Defense Secretary William Perry heard a similar idea from Jiang and from other senior civilian and military leaders in Beijing. A

senior PRC official who was present said Jiang's proposal was that if the U.S. agreed to reduce its arms sales and eventually end them, China would consider adjusting its military deployments opposite Taiwan. U.S. officials have declined to confirm reports about the Crawford exchanges. As there is no authoritative written record, it is not clear exactly what has been proposed, but the general impression is that some "missiles for arms reductions" concept has been floated.

Here, too, Beijing's motives are subject to various interpretations. It is possible that this proposal is just a tactical effort to turn the frequently stated U.S. position – that if China continues to deploy missiles, the U.S. will have no choice but to provide more advanced defensive systems to Taiwan – around to put the ball in the U.S. court: if the U.S. stops providing advanced arms, then China can reduce its missiles. On the surface, the proposal makes Beijing appear more flexible and this appearance may have been its purpose. Perhaps Beijing's purpose is to create anxiety in Taipei that the U.S. might cut a deal behind its back to limit arms sales. If so, the tactic has worked because the story has aroused considerable concern in Taipei. The fact that Beijing has never before been willing to countenance limitations on its military modernization or on its use of force against Taiwan raises questions about the sincerity of the proposal.

However, that the proposal was made privately at the highest level and that Beijing maintained its confidentiality for almost a month may be an indication that the proposal should be taken seriously. Why might Beijing now be reconsidering its policies on military deployments opposite Taiwan? Experts in the PRC widely believe that the military balance is tipping inexorably in Beijing's favor. With confidence that its broad-based military modernization program is and will continue to intimidate Taiwan, Beijing may believe that there is little marginal benefit from additional deployments opposite Taiwan. Some in Beijing are aware that the missile deployments are alienating opinion in Taiwan in a way that is undermining united front efforts to appeal to opinion on Taiwan and isolate Chen. Since October, President Chen has orchestrated a major campaign against Chinese missile deployments in order to gain support at home and abroad. If there is a new awareness that additional missile deployments are not useful and possibly counterproductive, a proposal to get something in return for limiting them would be understandable.

### **Reactions in Taipei and Washington**

The leak of the "missiles for arms" idea elicited a prompt negative reaction in Taipei from Foreign Minister Eugene Chien who described the idea as a "ploy" which is both "unreasonable and unfair." Even with an administration in Washington that is firmly committed to the Taiwan Relations Act (TRA) and former President Ronald Reagan's six assurances, there is an almost visceral fear in Taiwan that Washington might cut a deal with Beijing behind its back. Nevertheless, some in Taipei are considering the implications of the proposal. For example, DPP Legislator Lee Wen-chung said in a *Taipei Times* commentary that Taipei should develop a response to the proposal lest it be left on the sidelines.

U.S. government officials have thus far evinced no interest in the proposal. The State Department's press guidance did not go beyond repeating that U.S. arms sales would be guided by the TRA. One unnamed senior U.S. official told the press that the issues involved were ones that should be addressed between Beijing and Taipei. Given the other urgent international priorities of the Bush administration, whether Jiang's proposal will get serious consideration is uncertain.

### **Economic Ties Expanding**

Economic ties have continued to expand rapidly. Beijing's Taiwan Affairs Office (TAO) put total trade in the first three quarters at \$32 billion. Taiwan's Board of Foreign Trade (BOFT) reported that cross-Strait trade in the first 10 months of 2002 grew by 34.5 percent to reach \$33 billion. BOFT said Taiwan's 10-month exports were \$26.67 billion and account for 24.9 percent of Taiwan's total exports, confirming the mainland as Taiwan's largest export market. Both Beijing and Taipei expect cross-Strait trade to exceed \$40 billion in 2003.

Taiwan's Ministry of Economic Affairs investment statistics, which are indicative of trends, show Taiwan investment in the PRC up 35 percent during January through November 2003. In sharp contrast, Taiwan's overall outward investment, excluding that to the PRC, fell 25 percent in the same period. This quarter, Taiwan's largest chip maker, Taiwan Semiconductor Manufacturing Company applied for approval in Taipei for a near \$1 billion investment in an eight-inch wafer plant in Shanghai, the first application under Taipei's new policy on such investments.

### **Policy Implications**

Beijing appears to have made a significant adjustment toward a more flexible approach to promoting the three links and cross-Strait economic ties. It seems significant that this policy is being pursued even after Chen's "one country on each side" statement. This shift represents an opportunity for Taiwan, but it is a personal challenge for President Chen because of the contradictory domestic pressures he is under on cross-Strait issues.

Jiang's arms-for-missiles proposal is not workable as proposed, in part because it does not include a role for Taiwan. Nevertheless, the kernel of the idea deserves serious consideration. For Washington, whose basic interest is in a peaceful resolution of cross-Strait issues, the possibility of limiting an unproductive cross-Strait arms race should be seen as in its interest. In Taiwan, those who are deeply concerned about PRC missiles or who believe longer-term trends are gradually tipping the military balance in Beijing's favor should see that reducing the military threat and reducing the role of military factors in cross-Strait relations is in Taipei's interest. However, for its part, Beijing should understand that it is politically impossible for this or any other U.S. administration to limit arms sales to Taiwan without the involvement of Taiwan in the discussions and without a real reduction in the military threat to Taiwan.

## **Chronology of China-Taiwan Relations October-December 2002**

**Oct. 1, 2002:** Premier Zhu Rongji's National Day speech repeats policy and calls Taiwan's President Chen Shui-bian a separatist.

**Oct. 3, 2002:** Premier Yu Shyi-kun orders formation of center to coordinate Taiwan's nongovernmental organization diplomacy.

**Oct. 10, 2002:** President Chen's National Day message launches campaign for withdrawal of PRC missiles opposite Taiwan.

**Oct. 17, 2002:** Chinese Vice Premier Qian Qichen proposes use of term "cross-Strait" for air routes.

**Oct. 19, 2002:** President Chen welcomes Qian's remarks.

**Oct. 21, 2002:** U.S. International Trade Commission publishes report on U.S.-Taiwan Free Trade Agreement implications.

**Oct. 25, 2002:** Presidents Bush and Jiang meet in Crawford, Texas.

**Oct. 28, 2002:** Taiwan Legislator Chang Hsiao-yan proposes direct charter flights for next Lunar New Year.

**Oct. 29, 2002:** PRC spouses living in Taiwan demonstrate against proposed new regulations on work eligibility.

**Oct. 30, 2002:** Taiwan Semiconductor Manufacturing Company announces plans for \$1 billion investment in PRC.

**Nov. 3, 2002:** Taiwan protests PRC spy ship intrusion into territorial waters east of Taiwan.

**Nov. 8, 2002:** President Jiang's Party Congress report adopts softer tone on Taiwan issues.

**Nov. 12, 2002:** Executive Yuan (EY) endorses charter flights that are "indirect."

**Nov. 14, 2002:** Japan denies former Taiwanese President Lee Teng-hui visa to visit Japan.

**Nov. 15, 2002:** Taiwan World Trade Organization (WTO) delegation requests consultations with PRC on steel safeguards.

**Nov. 19, 2002:** Former President Lee calls for new constitution for Taiwan.

**Nov. 21, 2002:** Taiwan's Washington Representative Chen Chien-jen tells legislature that Jiang proposed to Bush a deal on missile and arms sales reductions.

**Nov. 22, 2002:** President Jiang meets former Defense Secretary William Perry, mentions missile-arms sales idea.

**Nov. 22, 2002:** Taiwan's Foreign Minister Eugene Chien says this proposed deal is an "unfair" "ploy."

**Nov. 27, 2002:** Beijing official says PRC can accept indirect charter flights.

**Dec. 2, 2002:** Beijing publishes new regulations easing restrictions on Taiwan reporters.

**Dec. 4, 2002:** EY formally approves indirect charter flights proposal.

**Dec. 5, 2002:** Press reports PRC WTO delegation proposes steel safeguards talks.

**Dec. 6, 2002:** Unnamed U.S. official says "missiles for arms sales" deal is "unthinkable."

**Dec. 7, 2002:** Taipei Mayor Ma Ying-jeou wins re-election decisively.

**Dec. 9, 2002:** Taipei releases human rights report asserting relations with PRC cannot improve until China democratizes.

**Dec. 10, 2002:** PRC 2002 Defense White Paper continues softer tone on Taiwan.

**Dec. 11, 2002:** U.S.-PRC Defense Consultative Talks in Washington.

**Dec. 12, 2002:** PRC and Taiwan WTO delegations hold first consultations on steel safeguards.

**Dec. 14, 2002:** Chen cancels plans to visit Indonesia after press leak and PRC protest.

**Dec. 18, 2002:** Unnamed U.S. official tells press Taipei and Beijing should negotiate on arms.

**Dec. 19, 2002:** U.S.-Taiwan Business Council urges faster opening of cross-Strait economic ties.

**Dec. 29, 2002:** *People's Daily* reports PRC has accepted charter flight applications from three Taiwan airlines.

**Dec. 30, 2002:** Taiwan Vice President Annette Lu urges caution in responding to PRC pressure to open direct travel.



## North Korea-South Korea Relations: Nuclear Shadow Over Sunshine

by Aidan Foster-Carter  
Leeds University, UK

The final quarter of 2002 was one of uncertainty in inter-Korean relations. At one level, it all looked very positive. Unlike the stop-go of the past, North and South Koreans met regularly, both officially at government level and in a variety of private or quasi-civilian milieux. (The gray area between the two, as ever, remained key: in one sense, on the Northern side, no one who gets to meet Southerners is ever really non-official.) Moreover, these three months saw several promising initiatives. Pyongyang formally designated two separate areas adjoining the demilitarized zone (DMZ) – Kaesong, north of Seoul, and the established Mt. Kumgang resort on the east coast – as special economic zones for South Korean business, while a high-powered delegation, including Kim Jong-il's brother-in-law and two ministers, spent a week visiting the cream of South Korean industry. Overall, Seoul's Unification Ministry called 2002 the best year ever for inter-Korean contacts since these began on a regular basis in 1989.

Yet there were also negatives, both intrinsic and “noises off.” Some of these encounters were brief, formalistic, or limited. Family reunions, never remotely adequate to meet demand, may have stalled for now. Although road and rail links made great strides, with de-mining of two trans-DMZ corridors completed by December, Pyongyang's refusal to admit the authority of the United Nations Command (UNC) meant that by year's end a land route to Mt. Kumgang had not yet opened, nor had groundbreaking for the Kaesong industrial complex taken place. To Seoul's puzzled disappointment, the North continued to stall even on basic rules for inter-Korean business agreed in outline two years ago, suggesting a lingering lack of commitment.

Over all this, for most of the quarter, loomed a nuclear cloud which by year's end had become a full-blown storm. While the ongoing North Korean nuclear crisis *per se* is beyond the scope of this article, going forward its shadow cannot be avoided. On Dec. 19 South Korean voters narrowly elected a new president, Roh Moo-hyun, who is both committed to continue Kim Dae-jung's Sunshine Policy and not minded to meekly follow a U.S. lead. It remains to be seen if Southern aid and other contact with the North will continue unconditionally, or even expand – possibly as part of an eventual package deal to settle the nuclear issue – or whether, on the contrary, rising tensions will see such projects as KEDO's light water reactor (LWR) construction at Kumho, whose status as of now is in limbo, suspended or abandoned.

## Good Sports?

For a brief fortnight in early October, before the U.S. revealed that North Korea had admitted to a new covert nuclear program, the inter-Korean mood was festive. As noted in our last issue, the 14<sup>th</sup> Asian Games, held in Pusan from Sept. 29 through Oct. 14, brought the first DPRK team ever to attend an international sports meet in the ROK. Pyongyang's 161 athletes, plus 150 backup staff and 291 supporters, were also much the largest Northern group to come south so far. They performed creditably, finishing ninth out of the 44 competing nations with nine gold medals, 11 silver, and 13 bronzes. But Southern observers claim that DPRK media never mentioned any Northern losses. (Perhaps that may explain one phrase in the joint New Year editorial, published as usual on Jan. 1 by Pyongyang's three main dailies: "A very bright prospect is in store for the DPRK, that has adorned its flag with great victories only.")

South Korean media were just as interested in the off-pitch action. The Northern supporters – who won local plaudits for cheering all Korean competitors, whether from North or South – were almost all attractive young women: cheerleaders in colorful costumes, and a brass band. Southern males duly drooled: the proverb *nam nam puk yo* (southern man, northern woman) was much quoted, while older men found the Northern style of feminine beauty nostalgically quaint. A survey by a matchmaking firm found 64 percent of young men ready to take a Northern bride, while most Southern young women (56 percent) spurned Northern men. But this was all in the mind: no one got near. The Seoul press blamed the National Intelligence Service (NIS)'s zealous minders: "they follow North Koreans even to the bathroom," snorted the *JoongAng Ilbo*'s sports editor. So the cheering squad gave no interviews, and retreated each evening to the ship that had brought them to Pusan: to be seasick with the strain and swell, rumor had it.

## Pusan Warms to Northern Visitors

Still, this radically new image of North Korea was a great propaganda success. The North's news agency KCNA, picking its 10 "big events" of 2002, cited as number nine: "The Pyongyang beauty cheering group attended the 14th Asian Games, raising 'Pyongyang wind.'" (sic) What they meant was illustrated by the *JoongAng*'s Sohn Jang-hwan: "It was a reunified Korea. In Pusan, North and South no longer existed as a separate nation. They were one. Local citizens shouted cheers and applauded for both the South and North Korean athletes ... The unity here was as blazing as a furnace and as well mixed as a bowl of *bibimbap*."

Sports writers are not known for understatement. But as in the soccer World Cup fervor a few months earlier, such temporary passions can have lasting significance. South Korea's second city, a stronghold of the conservative opposition which criticizes "Sunshine" as appeasement, palpably warmed to the Northern visitors. Two months later, enough Pusanites voted for the ruling Millennium Democratic Party (a lost cause in the southeast, hitherto) to help narrowly elect the MDP's Roh Moo-hyun – a local lad, admittedly – as the ROK's next president.

Perhaps all Korea was exhausted by this effort, for the quarter's only other sporting event was a Northern taekwondo team's visit to the South in late October: reciprocating a Southern team that went north a month earlier. Cultural exchanges too were less than brisk, but civic groups continued what is becoming a regular pattern of interaction. October saw meetings of women and students at Mt. Kungang, while a Catholic delegation visited Pyongyang, followed in late November by a large group from Cheju island, which has sent carrots and tangerines as aid.

### **Official Meetings: Mixed Results**

Meanwhile, several channels of government-level meetings made some progress. The eighth round of ministerial talks, held in Pyongyang Oct. 19-22, was inevitably overshadowed by the nuclear revelation a few days earlier. It ended with an eight-point joint press statement that included a pledge to "actively cooperate with each other to resolve nuclear and all other issues through dialogue." Otherwise it mainly reprised themes from the seventh round held in Seoul in August, including road and rail links, the proposed Kaesong industrial complex, family reunions, and maritime and fishing cooperation. Separate follow-up meetings were agreed for most of these, with the next full ministerial talks expected in Seoul in mid-January 2003.

Subsequent working meetings, starting just a week later, brought mixed results. A fifth round of Red Cross talks, held at Mt. Kungang, to Seoul's chagrin failed to agree on a next round of family reunions, or indeed much else. With less than 1 percent of separated families having yet had the chance even of brief limited one-off reunions, South Korea is anxious to accelerate the program before this aging group dies off. Thus, it had yielded to North Korea's insistence on Kungang as sole meeting site – despite itself preferring Seoul and Pyongyang as at the outset, and ultimately wanting freer arrangements, including visits to hometowns. The two had also agreed to build a permanent meeting hall at Kungang, but argued about its size. North Korea wants a massive structure of 66,000 sq. meters; the South, which is paying for it, reckons a ninth of that (7,600 sq. meters) will suffice. A later Red Cross meeting, in December, in principle agreed to hold a sixth round of reunions around the Lunar New Year (Feb. 1, 2003).

### **Pyongyang Stonewalls on Abductions**

This stalling signals Pyongyang's annoyance at a new issue tabled by Seoul, which is now seeking information on South Koreans abducted to or missing in the North since the 1950-53 Korean War. North Korea has always denied that any such persons exist, despite irrefutable evidence that thousands were kidnapped. The Sunshine Policy's preference to play down this and all human rights issues (refugees being another) was countered, at last, by a backlash after Japan's Prime Minister Koizumi Junichiro, in his summit with Kim Jong-il in September, won from the Dear Leader the startling confession (and an apology) that North Korea had indeed, as it had long denied, kidnapped Japanese citizens. That prompted relatives' groups in Seoul to upbraid their own government for not prioritizing abductions, as Tokyo has consistently done.

Yet especially now that what had looked a breakthrough with Japan is mired in recrimination, North Korea may well continue to brazen this one out, giving Seoul the unenviable choice of dropping the subject, or jeopardizing even the limited reunions so far permitted. For its part, Pyongyang no doubt fears that revealing the full plight of abducted Southerners – the lowest of the low, often exiled to work in remote mines for half a century – would provoke outrage in South Korea, and perhaps even prove destabilizing in the North. On the humanitarian front, North Korea clearly does not want any real reunification, but fears it as a Pandora’s box. The kind of large-scale almost free movement that now obtains (at least in one direction) between Taiwan and China, after barely a decade of contacts, remains for Koreans a distant dream.

### **Kim Jong-il’s Right-hand Man Visits Seoul**

Economic contacts, by contrast, achieved somewhat more. Two meetings in Pyongyang in early November saw nothing concrete fixed for flood control on the Imjin river, but brought an agreement to break ground at the long-delayed Kaesong industrial complex in December and sort out the practicalities, including its official designation as a special economic zone.

Meanwhile, another much postponed plan in the other direction finally came about. A North Korean “study tour” of Southern industrial sites had been mooted ever since the June 2000 summit, but like much else had not happened. Now it did, on a grander scale than Seoul had dared hope. The 18-strong delegation included the chemical industry minister, the head of the State Planning Commission – and above all Jang Song-thaek, Kim Jong-il’s brother-in-law and right-hand man. While not nominally in charge, Jang’s status was clear: his colleagues humbly drew back if he walked past, and when one day he overslept none dared to wake him.

This elite group was given a royal tour of *chaebol* showpieces: Samsung Electronics, Hyundai Motor, POSCO steel, and many more. Ironically the National Intelligence Service (NIS), dedicated for decades to stop North Korea acquiring inside information on the South, was now instructed to ensure the visitors got all the blueprints and other data they required. Perhaps to avoid any hint of supplicant status, the group went on similarly to tour Singapore, Malaysia, and Indonesia. On their return, if able to disclose in full honesty (as Jang, at least, could), they must have confirmed not only South Korea’s incomparable contrast to their own crumbling rustbelt, but also its lead over at least two of those three Southeast Asian nations. One hopes this will be food for positive thought.

The business theme continued with a third session of the Committee for Promoting Economic Cooperation (CPEC) in Pyongyang in early November. This produced a six-point agreement, mostly recapitulating familiar ground: road-rail links, Kaesong, fisheries, maritime passage, and so on. Yet an old agenda item, in theory agreed at the first CPEC meeting two years ago, still remained unratified, covering four fundamental areas: investment protection, prevention of double taxation, settlement of accounts, and dispute procedures. Exactly what is holding up implementation on this is not clear, but

follow-up talks in December again failed to clinch it. That after all this time the North still hesitates on even the most elementary building blocks of business is dismaying, and again a stark contrast to the pragmatism across the Taiwan Strait.

### **Pyongyang Decrees Two New Special Zones**

Pyongyang did, however, keep its promise to formalize the status of both the established Mt. Kumgang tourist zone and the planned Kaesong industrial area. Both were officially gazetted in late November, albeit in leisurely fashion: for Kumgang, the actual decree had apparently been passed more than a month previously. Still, this at least means that would-be investors have more to go on, at least on paper, than is the norm in North Korea. It also means that the DPRK now has four separate special economic zones: one at each corner, and as their names suggest each somewhat differently conceived. The oldest, the Rajin-Sonbong Economic and Trade Zone (the word “free” was swiftly dropped) in the northeast, established in 1991, has had little impact due to its remoteness, poor infrastructure, and excessive regulation; although it was the first place where the DPRK *won* was allowed to float. It was also largely closed to South Korean firms. By contrast, the Sinuiju Special Administrative Region in the northwest, declared in September, proclaimed astonishing freedoms – but was promptly squashed when a furious Beijing arrested its first CEO, the flamboyant Dutch-Chinese billionaire Yang Bin.

After this, both the Mt. Kumgang Tourist Zone and the Kaesong Industrial Zone seem more promising. The former in essence ratifies the new reality established over the past four years, making this resort (firmly fenced off from the rest of the country) a virtual Hyundai enclave – though the new law is careful to assert DPRK sovereignty, which for Sinuiju was on paper to be largely relaxed. Sovereignty is similarly asserted over Kaesong, which by contrast is so far no more than a site and a dream. Its location, abutting the DMZ not far from Seoul, suggests it could be a dual growth pole – cross-border, and for its own hinterland – just as Shenzhen has become vis-à-vis Hong Kong. But after lengthy delays, many in Seoul are skeptical; the more so, given signs that North Korea may set wages and rents higher than established competing zones in China and Vietnam. A more realistic stance will be needed if small labor-intensive Southern firms are to be persuaded to take the risk and relocate to such an unknown quantity.

### **Cross-Border Links: Pyongyang Plays Politics**

The key precondition for Kaesong to fly, of course, is something which not long ago would have been unthinkable, and which remains momentous: breaching the hitherto impassable DMZ, still the world’s most heavily armed frontier. Here the past quarter saw real progress on the ground, yet also delays. As a result, hopes of both ground-breaking at Kaesong and an east coast land route to Mt. Kumgang opening by the end of 2002 were not fulfilled, even though mine-clearing on both the western and eastern corridors was completed in December, after the South sent heavy equipment to supplement the KPA’s primitive manual tools.

The trouble is that Pyongyang cannot resist playing politics. In line with its longstanding and largely successful campaign to bypass and render impotent the formal institutions of the 1953 Armistice, it has adamantly refused to allow any role to the United Nations Command (UNC). For its part, the UNC – in practice, the USFK – has bent over backward not to obstruct this project: it was quick to cede rights over the two corridors to the ROK Army. Yet the UNC has duties it cannot simply disown, and even yielding on one detail after another – such as lists of names of those crossing the DMZ – is being relentlessly harried by a North whose blatant aim is to drive a wedge between South Korea and its U.S. ally.

### **Koreans Unite – Against Uncle Sam?**

But this challenge comes, of course, at a time when the strains on the U.S.-ROK alliance have never been greater. A tornado of public anger at the deaths of two girls crushed by a USFK vehicle – a proxy, surely, for growing unease at the Bush administration’s hardline stance on North Korea – was a key factor in the comeback of the populist ruling party candidate Roh Moo-hyun, who had earlier been written off, to win the Dec. 19 presidential election. The U.S.-ROK relationship as such is outside this article’s scope. But Roh is committed to continue Sunshine, and proud of never having visited the U.S. (he will go early next year).

North Korea’s current nuclear defiance thus raises the stakes and puts the allies in a difficult bind – though Pyongyang, unobvious as ever, goes over the top in recent claims that the divide on the Peninsula is now between all Koreans, North and South, and the U.S. They wish. But Roh is on a fast learning curve, and provided the U.S. sticks (even post-Iraq) to its professed preference for a diplomatic solution, this distinctly dodgy Korean unity can be headed off – or remain rhetorical, as in sentiment on both sides of the DMZ that a new James Bond film, *Die Another Day*, insults Koreans. Despite some cultural insensitivity in the movie, this bespeaks an ostrich-like denial by young “progressive” opinion in South Korea of the harsh realities of the Northern regime and the real threats it still poses, not least to them. To say this is neither to attack Sunshine, nor to deny that, in the final analysis, the Korean question is for Koreans to settle. But that needs cold hard reason, not a cocktail of grudge and sentimental illusions.

### **Peak Year for Interaction**

The turn of the year is also a time to take the longer view. South Korea’s Unification Ministry on Jan. 2 tallied North-South interaction in 2002 overall as the most intensive ever since regular contacts started, haltingly, in 1989. Of a cumulative 39,433 South Koreans who have gone North since 1989 – excluding tourists to Mt. Kumgang, whose total since tours began in 1998 has just passed the half million mark – almost one-third did so in 2002. By category, the largest group (31 percent) were technicians and others involved in KEDO’s light water reactors at Kumho, followed by non-Kumgang tourism (24 percent). Aid workers made up 11 percent, business 9 percent, and family reunions a mere 5 percent. Travel in the other direction is less brisk; but again, of 2,568 North Koreans visiting the South since 1989, 40 percent came in 2002 alone. Thirty-four sets of

North-South talks were held last year, or 9 percent of the cumulative total of some 400 meetings. Almost all now take place in Korea rather than outside: either in Seoul or Pyongyang, or at Mt. Kumgang.

Trade too has soared. At \$567 million, the total for the first 11 months of 2002 was more than half as large again as in 2001. Southern exports rose 54.5 percent to \$319 million, while Northern sales of \$248 million were up 59.3 percent. In truth, over 80 percent of Seoul's "exports" (\$255 million), comprising 45 percent of total trade, consisted of aid goods: food and farm produce worth \$76 million headed the list. Others included "woven products" (\$34 million), steel (\$22 million), machinery (\$13 million), and textiles (\$6 million). By contrast North Korea's exports were commercial, the main categories being: textiles (\$80 million), seafood (\$59 million), art works (\$41 million), farm produce (\$26 million), and non-ferrous metals. At this rate 2002's total trade will top \$600 million, which could let South Korea overtake Japan to rival China as Pyongyang's top trade partner. If and when Kaesong comes on stream, Seoul will dominate the Northern economy. This is the kind of argument that Roh Moo-hyun should put to George Bush, and on which a U.S. administration – that patently has no idea what to do about North Korea – should defer, however skeptically, to its local ally. With war unthinkable and isolation unfeasible (can the disease really be the cure?), engagement remains the "least worst" option.

### **Chronology of North Korea-South Korea Relations October-December 2002**

**Oct. 2, 2002:** A Southern Roman Catholic delegation visits Pyongyang.

**Oct. 3, 2002:** A Southern civic delegation for the first time joins in commemoration of the National Foundation Day of ancient Korea, in Pyongyang.

**Oct. 11, 2002:** *Arirang*, a South Korean silent film, is screened in Pyongyang.

**Oct. 12-14, 2002:** A second round of working-level talks on reconnecting inter-Korean roads and railways is held at Mt. Kumgang.

**Oct. 13, 2002:** North Korea's Han Pong-sil wins the women's marathon at the 14<sup>th</sup> Asian Games held in Pusan, South Korea.

**Oct. 13-14, 2002:** A North-South students' meeting is held at Mt. Kumgang.

**Oct. 15, 2002:** North Korea's team returns home from the Pusan Asian Games.

**Oct. 16, 2002:** The U.S. claims that, at talks in Pyongyang earlier in the month, North Korea, when confronted with evidence that it has a new covert nuclear program, admitted as much.

**Oct. 16-17, 2002:** A North-South women's meeting takes place at Mt. Kumgang.

**Oct. 19-22, 2002:** The eighth round of inter-Korean ministerial talks is held in Pyongyang and concludes with an eight-point joint statement, mainly to progress various economic projects.

**Oct. 23-26, 2002:** A Northern taekwondo team visits South Korea for demonstration events.

**Oct. 26-Nov. 3, 2002:** A Northern economic study group, led by Pak Nam-gi, chairman of the State Planning Commission, and including Kim Jong-il's brother-in-law Jang Song-taek, spends nine days touring firms and economic facilities in South Korea. They go on to visit Singapore, Malaysia, and Indonesia for similar purposes, returning home Nov. 16.

**Oct. 30-Nov. 2, 2002:** A Southern working-level team visits Pyongyang to discuss building an industrial complex in Kaesong city, and also joint flood control on the Imjin river. There is more progress on the former than the latter.

**Oct. 31-Nov. 2, 2002:** The fifth round of inter-Korean Red Cross talks, held at Mt. Kumgang, fails to agree on a next round of family reunions and other related matters.

**Nov. 6-9, 2002:** The third session of the inter-Korean Committee for the Promotion of Economic Cooperation is held in Pyongyang. It agrees on several working groups, but fails to finalize basic laws on business cooperation initially agreed two years previously.

**Nov. 18-20, 2002:** Another North-South working meeting at Mt. Kumgang discusses relinking roads and railways, and passage of merchant ships through each other's territorial waters.

**Nov. 20, 2002:** A Korean People's Army (KPA) patrol boat that violated the Northern Limit Line retreats after the ROK navy fires two warning shots. Each side accuses the other of intruding in its waters.

**Nov. 22, 2002:** The North's Democratic Front for the Reunification of the Fatherland (DFRF) calls on South Koreans to join the North and "shatter the nuclear fuss made by the U.S."

**Nov. 25, 2002:** North Korea's Central Broadcasting Station (KCBS) reports that on Oct. 23 the Presidium of the Supreme People's Assembly (SPA) adopted a decree setting up the Mt. Kumgang Tourist Zone, and on Nov. 13 passed a law for the special zone.

**Nov. 25-30, 2002:** A large group from South Korea's Cheju island province visits the North.

**Nov. 26-28, 2002:** Joint land surveys are held to fix optimum connection points for the east coast (Donghae) road and rail links.

**Nov. 27, 2002:** KCBS reports that the SPA Presidium on Nov. 13 adopted a decree setting up the Kaesong industrial zone and passed a law for it on Nov. 20.

**Nov. 27, 2002:** A DPRK Education Ministry spokesman incites South Koreans to a “sacred war” against the United States over an accident last June in which an armored vehicle driven by U.S. soldiers crushed two schoolgirls.

**Dec. 1, 2002:** The United Nations Command (UNC) agrees to let Southern tourists cross the DMZ without prior approval, ending a dispute that was delaying cross-border links.

**Dec. 3, 2002:** Mine-clearing in the DMZ for an eastern road-rail link is completed.

**Dec. 5, 2002:** The first overland tour to Mt. Kumgang, due on Dec. 11, is postponed by a week. (As of the end of the year, this has yet to take place.)

**Dec. 6-8, 2002:** Talks at Mt. Kumgang on the proposed Kaesong Industrial Complex agree that construction will begin between Dec. 26 and Dec. 30.

**Dec. 11, 2002:** Seoul says its budget to resettle Northern defectors will rise 64 percent next year.

**Dec. 12, 2002:** South Korea strongly urges the North to retract its decision to reactivate its nuclear program.

**Dec. 12-13, 2002:** Economic talks in Seoul on implementing laws on business cooperation narrow differences, but fail to reach full agreement.

**Dec. 15, 2002:** Twenty Northern defectors fly to Seoul from Beijing via Manila, taking this year’s total arrivals to over 1,000 – almost double last year’s figure.

**Dec. 15-17, 2002:** The third working-level meeting of the panel for the reconnection of roads and railways between South and North Korea is held at Mt. Kumgang.

**Dec. 15-17, 2002:** Red Cross talks at Mt. Kumgang provisionally agree on a sixth round of family reunions on or near the Lunar New Year (Feb. 1), but make no headway on other issues.

**Dec. 19, 2002:** In the ROK’s 16th presidential election, ruling party candidate Roh Moo-hyun, pledged to continue the Sunshine Policy, narrowly defeats the opposition’s Lee Hoi-chang, who sought a harder line toward the North, by 48.9 percent of the vote to 46.6 percent.

**Dec. 25, 2002:** A second round of North-South maritime talks opens in Pyongyang.

**Dec. 26, 2002:** Kim Dae-jung says South Korea should take the lead in peacefully resolving the Northern nuclear issue. His security adviser, Yim Sung-joon, says that projects such as Mt. Kungang tourism and restoring road-rail links will continue as “channels of communication.”

**Dec. 27, 2002:** Southern President-elect Roh Moo-hyun warns that continued Northern nuclear defiance would negatively affect inter-Korean exchanges.

**Dec. 27, 2002:** A report by South Korea’s Defense Ministry avoids designating North Korea as main enemy, but warns that the Korean People’s Army is expanding and the risk of provocation remains.

**Dec. 27, 2002:** Seoul announces that groundbreaking for the Kaesong Industrial zone, set for Dec. 30, will be postponed.

China-Korea Relations:  
**Beijing in the Driver's Seat?**  
**China's Rising Influence on the Two Koreas**

by Scott Snyder  
Korea Representative, The Asia Foundation

The last quarter of 2002 closed with a rush by Korean automobile manufacturers to invest in the People's Republic of China as a strategy for capturing market share in a country projected to emerge as the world's largest automobile market within two decades. China's economic emergence has become a primary driver for Korea's own economic reforms and strategy as China is increasingly both a source of growth and a stiff competitor, eroding Korean market share in third country markets and some key manufacturing sectors.

By placing North Korea's designated director of a newly established Sinuiju economic zone under arrest, Beijing also made clear that it could put the brakes on North Korea's economic reforms absent prior consultation by North Korea's leadership with Beijing. Likewise, China's economic leverage and potential influence on the response to North Korea's nuclear weapons production efforts became a potentially decisive focal point in shaping the contours of a strategy on which the Bush administration and South Korea's President-elect Roh Moo-hyun have clearly stated differences.

Although top-level consultations between China and South Korea continued this quarter through the Asia-Pacific Economic Cooperation (APEC) forum, ASEAN Plus Three, and bilateral exchanges, it remains to be seen how newly selected leadership in Beijing and Seoul will position itself to manage a maturing and complex China-Korea diplomatic relationship – a relationship that may play an increasingly critical role as part of a likely re-ordering of regional ties in the future.

**Pushing for Market Share in China's Automobile Sector and Beyond**

Several Korean automotive companies announced plans to build or open factories in China this quarter, signaling a Korean desire to invest in local production to take advantage of lower costs of Chinese labor and to position Korean brands for market share in China's rapidly expanding domestic automobile market. Ssangyong announced negotiations of a 50-50 joint venture with the Jianglin Motor Company to produce sport utility vehicles and large luxury cars. Daewoo Commercial and Baotou North-Benz Heavy-Duty Truck Co., based in Inner Mongolia, signed an agreement on joint truck manufacturing in November. Hyundai Motor's joint venture launched sales of its locally

produced EF Sonata on Dec. 23, with plans to sell over 80,000 cars in 2003 and to expand its production capacity to 500,000 units by 2010 through investments of over \$1.1 billion. Kia Motors has also launched sales of the “Qianlima” in a joint venture with Dongfeng Yueda Kia Motors and aims to sell 50,000 units next year.

Korean investments in China’s manufacturing sector, both in automobiles and more broadly, are consistent with China’s development as a global manufacturing hub on the basis of its labor cost advantage. China is the world’s leading destination for foreign direct investment (FDI). In addition to plant investments in the automobile sector, Korean companies are pouring investment into China in a wide array of sectors including textiles, information technology and telecommunications equipment, machinery components and equipment manufacturing, and chemical/petroleum. Surprisingly, Korean small- and medium-size enterprises are leading the Korean FDI charge in China, primarily focusing on northeastern China, including Shandong province, Tianjin, Liaoning, and Jiangsu provinces, and Shanghai. 2001, the Export-Import Bank of Korea reports that actual Korean FDI to China reached \$466 million in China in 990 different projects, a 50 percent increase over the previous year and marked a partial recovery toward pre-financial crisis levels of Korean investment in China that had peaked in 1996 at over \$835 million. The Korea Trade-Investment Promotion Agency reported that contracted investment in China in the first eight months of this year was the equivalent of the entire amount of contracted investment in 2001, totaling almost \$1 billion.

China surpassed the United States as the primary destination for Korean investment this year. In addition, “greater China” (including Hong Kong) has now surpassed the United States as Korea’s number one trade partner in the first nine months of 2002, according to the Bank of Korea. Greater China and the United States are each receiving around 20 percent of South Korea’s total exports. Sino-Korean bilateral trade in 2001 reached \$31.5 billion, driven primarily by China’s increasing demands for Korean products in the electronics, computer, semiconductor, and telecommunication sectors. In the first nine months of 2002, the Korea Trade Promotion Agency reports bilateral trade with China has reached over \$28.635 million, a 20+ percent increase from 2001. Final figures for 2002 are likely to show China-ROK bilateral trade at around \$38 billion.

A survey among major Korean conglomerates shows that 43 percent now believe that the technology gap between Korea and China in major industrial fields has been reduced to about four to five years, while 27 percent of Korean firms believe that the gap is only one to three years, and 10 percent of respondents believe that there is no difference in technological levels between the two countries. Most of the firms polled are planning to expand operations, mostly through foreign direct investment. This dovetails nicely with the results of a Korea Industrial Technology Foundation survey of over 1,000 Chinese businesses and research institutes, which revealed strong interest among Chinese firms in Korean capital and technology investments. The South Korean Ministry of Commerce, Industry, and Energy is projecting that Korea’s technological advantages in the automobiles, semiconductors, and shipbuilding will be “greatly reduced” by 2010. One example of the impact of China’s export boom on Korea’s competitiveness in third country markets: South Korea’s share of the U.S. market appears to have “peaked” at

3.31 percent in the year 2000, while China's market share in the U.S. continued to grow from 8.22 percent in the year 2000 to over 10 percent in 2002. A similar pattern has developed in the respective shares of South Korea and China with Japan. Increased Korean investment in China's manufacturing sector reflects a strategy designed to take advantage of heightened efficiencies in market integration between the two countries.

### **Applying the Brakes to North Korea's Sinuiju Plans**

Like a passing tornado that was highly visible yet left no discernible mark on the landscape, Chinese-born Dutch national entrepreneur Yang Bin and his Euro-Asia Agricultural Company took center stage for about two weeks at the end of September as the key figure in a dramatic, failed bid to launch North Korean economic reforms. Yang, a well-heeled flower importer and developer of a Shenyang theme park who had been honored by *Fortune* magazine as one of China's 10 richest businessmen, announced that he had been appointed as the designated director for a planned Sinuiju Special Administrative Region, located on the North Korea-China border and touted as a major step by North Korea to open up its economy to international investment. With press fanfare and special arrangements for leading business journalists to fly from Hong Kong to Pyongyang on Yang Bin's private jet, promises were made and assurances given that Yang Bin had been given the only set of keys to the zone and that there would be no interference and only ("single-hearted"?) support from the leadership in Pyongyang. Indeed, the legal infrastructure for the zone was so well-developed, according to the experts, that the results of a joint research project on how to reform North Korea's economy led by a consortium of Korean government think tanks were reportedly delayed. The reason was that the legal infrastructure for the Sinuiju Special Administrative Region was well ahead of what South Korean specialists had been prepared to recommend.

Despite the hard work of North Korean technocrats and law drafters to provide a legal framework for the Sinuiju Special Administrative Region, the political leadership hijacked the project, as Kim Jong-il chose an individual known for his ability to deliver favors to North Korea in recent years and who Kim is reported to have come to look on as his own son. The major problems were that Yang Bin's meteoric business rise apparently had come through questionable business activities, alleged tax evasion, and relationships with known criminal elements in China. Regardless of which of Yang's qualities or background connections might have been most impressive to the Dear Leader, Yang's rising profile drew the attention of Chinese authorities, who proved to be distinctly unenthusiastic about and unimpressed by Yang's new role and responsibilities.

Having made promises to the international media at the Pyongyang unveiling of his new role as the new "governor-general" of Sinuiju, Yang found his new mini-kingdom falling apart like a house of cards. First, Yang's promises of visa-free travel for South Korean and other foreign journalists to view the Sinuiju Special Administrative Region met with resistance from local North Korean authorities, who failed to provide entry permits despite Yang's assurances. Yang's keys could not unlock the doors to the city of Sinuiju, nor were his abortive efforts able to attract a cent of foreign capital. As Yang was preparing to launch the next stage of his publicity blitz through a planned visit to South

Korea in early October, Chinese authorities detained him and placed him under house arrest under suspicion of tax evasion, where he has remained ever since.

There are plenty of rumors regarding Chinese motives for shutting down Yang's ambitions as the "sovereign" mayor of Sinuiju Special Administrative Region, aside from the fact that outside lists of China's richest tycoons appear to be an excellent way of drawing special attention from Chinese tax authorities. Indeed, China had publicly and privately supported North Korean reforms, so why pull the plug just when Pyongyang appeared to finally be taking Beijing's advice? One popular theory is that China was upset that the North had moved forward with major plans for Sinuiju without informing Beijing of the plans or consulting on their implementation. Such a theory gives credence to views that relations between Beijing and Pyongyang have deteriorated markedly following Jiang Zemin's September 2001 visit to Pyongyang, as Kim Jong-il has evidently focused his primary time and attention on wooing Russian President Vladimir Putin at the expense of relations with Beijing.

Another theory is that Beijing's leaders were in fact in opposition to the Sinuiju Special Administrative Region as a potential drain on South Korean investment in northeastern China. This reported opposition may have been fed by plans on the drawing board in Dandong, the Chinese city opposite Sinuiju, to woo South Korean capital investment to the Chinese side of the border as a springboard for supporting economic opening in North Korea. Another possible motive for Chinese opposition may have derived from concerns that with Yang Bin in charge of the project, Sinuiju would have been likely to attract illegitimate capital as a convenient offshore base for corrupt activities throughout China's northeast and a haven for any of Yang's friends who might be able to run illicit networks with impunity from Sinuiju, where they would be beyond the reach of China's sovereign jurisdiction. Given the North's economic track record and some of its "specialized exports" in the areas of counterfeiting and drug trafficking, it is not hard to imagine that, under the wrong management, Sinuiju might be likely to have more in common with pre-handover Macao than Shenzhen.

The Yang Bin episode and the announcement of the Sinuiju Special Administrative Region provided an apparently contradictory prelude to North Korea's forced admission that it had been pursuing a program to produce highly enriched uranium, having procured centrifuges from Pakistan and possibly other equipment from the People's Republic of China. Although China has not been tied directly to the North Korean program, China's past proliferation of missile technologies to Pakistan indirectly implicates Beijing as a potential source of North Korean proliferation activities as well. Despite China's firm commitment to nonproliferation on the Korean Peninsula as an objective squarely within its national interests, there have been inconsistencies in the implementation of policies designed to assure those objectives.

In addition, the tension between China's need for a strategic buffer on the one hand and the need for a peaceful and stable environment conducive to China's economic development on the other is clearly coming into relief as North Korea breaks out of its commitments to the 1994 Geneva Agreed Framework and the Nuclear Non-Proliferation

Treaty (NPT). Apparent divisions between South Korea and the United States on the proper course of action for managing North Korea's nuclear weapons development activities are another factor that complicates China's response (and gives China decisive influence on the future course of international policy toward North Korea's nuclear development efforts), as is the legitimate question – raised by the Yang Bin incident – of exactly which levers China can effectively use to influence North Korean behavior, given the apparent limits of North Korea's attention to Beijing's perspectives and concerns. On the other hand, who has more potential leverage to bring North Korea in line – in ways that could dramatically expand China's regional influence and “space,” if indeed a U.S. troop presence in South Korea proves unsustainable – than Beijing? Chinese policy makers will address these questions in future quarters.

### **Tuning up the Relationship under New Leadership**

Both Beijing and Seoul have selected new leadership in the final quarter of 2002, both of which will take the helm in 2003. The next generation of leadership in Seoul and Beijing is likely to find enticing the economic foundations that have been laid by their predecessors and will be most eager to build upon them. A major question is whether that economic influence is now so important that it will also open up opportunities in the political and security spheres that may support or catalyze a fundamental restructuring of the regional security order in Northeast Asia. The handling of North Korea's manifest strengths and weaknesses will be one lens through which the relationship between Beijing and Seoul will continue to develop.

South Korean President-elect Roh Moo-hyun has been eager to support regional economic development and integration in Northeast Asia as a foundation and buffer through which political/security conflicts may be avoided. Such economic interactions are an investment in good neighborly relations that President-elect Roh perceives as an attractive way of guaranteeing South Korea's security and prosperity. One interesting question is how Roh's past training as a labor and human rights lawyer will influence his handling of criminal justice or human rights issues as they relate to China and to the management of North Korean refugee issues that have become focal points earlier in the year (see “Clash, Crash, and Cash: Core Realities in the Sino-Korean Relationship,” *Comparative Connections*, Vol. 4, No. 2, July 2002). For instance, the South Korean government has recently given several deportation warnings to Xu Bo, a Chinese democracy activist during Tiananmen, prompting protest letters to the South Korean government from leading Chinese democracy activist Wei Jingsheng in support of Xu's case. Another interesting issue will be whether Roh, a Buddhist, will continue the South Korean government's unwillingness to issue a visa to the Dalai Lama, in opposition to efforts by groups such as Buddhist's Solidarity for Reform to invite the Dalai Lama to visit South Korea for the first time. Thus far, Roh's overall emphasis as it relates to foreign affairs has been that he plans to follow the diplomatic path set by his predecessor, President Kim Dae-jung, a path which is generally favorable to continued expansion of the China-South Korea relationship.

The Chinese leadership view of South Korea is also likely to focus on continuity. Many of China's fourth generation leadership have been to Korea on extended visits and South Korea remains a fascinating model – with both positive and negative lessons to be drawn upon and applied – for China's own development and political liberalization. Given the size of China's own bad debt problem in the banking sector, the Korean Asset Management Company may see attractive opportunities to work with Chinese counterparts now and in the future. It will take time to see how the adjustments of the fourth generation leadership and the vibrancy of political reforms being pursued in the context of Roh Moo-hyun's election in Korea, as well as the broader political and economic adjustments underway in the region, will influence the next stage in the development of the China-South Korea relations.

### **Chronology of China-Korea Relations October-December 2002**

**Oct. 3, 2002:** South Korea arrests 162 people on charges of smuggling Chinese-made narcotics into Korea and selling them to domestic drug users in the country's biggest-ever drug bust.

**Oct. 4, 2002:** The South Korean Ministry of Commerce, Industry, and Energy announces that the Korea Industrial Complex Corp. (KICC) signed an agreement with Dandong City to build an industrial complex by 2003 exclusively for Korean manufacturing companies.

**Oct. 4, 2002:** Yang Bin, chosen by North Korea (DPRK) to administer North Korea's special administrative region, is detained by Chinese authorities on suspicion of tax evasion.

**Oct. 8, 2002:** In a protest letter to the presidential office of Cheong Wa Dae, Chinese democracy activist Wei Jingsheng expresses regret over the ROK Justice Ministry's alleged threat that Xu Bo would face deportation unless he stops actively promoting democracy in China.

**Oct. 10, 2002:** A North Korean delegation holds discussions with Chinese counterparts in Beijing regarding the fate of Sinuiju Special Administrative Region head Yang Bin.

**Oct. 12, 2002:** Twenty North Korean refugees who had sought refuge in the South Korean consulate in Beijing since mid-September arrive in Seoul.

**Oct. 29, 2002:** The Cabinet approves a regulation allowing ethnic Koreans from China to work in service industries, under F-1 visas for "visiting and joining families," even if they have no kin in Korea. The visa will allow ethnic Koreans from China to stay for up to two years, with unlimited extensions.

**Nov. 2, 2002:** Korea and China reach an accord on the fishing quota for 2003, giving Korean vessels an extension of the same 60,000 ton limit inside China's exclusive economic zone (EEZ) while the quota for Chinese vessels fishing in the Korean EEZ is reduced from 109,600 tons to 93,000 in 2003.

**Nov. 13, 2002:** The South Korean prosecutor's office announces that it is tracing the assets of two former consular officials stationed in China after they had been indicted along with other government employees and brokers in a bribes-for-visas scandal.

**Nov. 20, 2002:** China imposes punitive duties against five categories of Korean steel products, including hot-rolled plates, cold-rolled plates, color plates, electric plates, and stainless cold-rolled sheets through May 23, 2005.

**Nov. 25, 2002:** Shinsegae Co. establishes a joint venture with Shanghai Join Bui Co. to open the Shanghai E-mart Super Center Company, a discount consumer goods chain of stores. On the same day, Ahnlab Inc. ([www.ahnlab.com](http://www.ahnlab.com)), a leading computer virus vaccine developer in Korea, announces a contract valued at \$2.38 million with SUNV, a Chinese software provider, to export anti-virus engine and vaccine software programs.

**Dec. 4, 2002:** A fishing vessel carrying 55 ethnic Koreans and other people from China is caught by maritime police off the western coast while attempting to smuggle migrants into the country. On the same day, Seoul's Guro Police Station arrests eight ethnic Koreans from China for blackmailing and assaulting fellow Korean Chinese in the Seoul metropolitan area.

**Dec. 5, 2002:** Police in South Gyeongsang Province, South Korea said yesterday they broke up a 20-member human smuggling ring suspected of sneaking Chinese and ethnic Koreans from China into the country.

**Dec. 12, 2002:** Representatives from Korea, Japan, and China gather in Tokyo to discuss details of the proposed professional soccer championships involving the three Northeast Asian countries.

**Dec. 17, 2002:** ROK Ministry of Construction and Transportation announces that Korean Air will resume direct flights to Taipei after a decade following the rupture of diplomatic relations with Taipei.

**Dec. 19, 2002:** Roh Moo-hyun elected next president of the Republic of Korea.

**Dec. 23, 2002:** Hyundai Motors China and Beijing Automotive Holding Company Limited launch sales of the EF Sonata in China, with expectations to sell over 80,000 units in 2003.



Japan-China Relations:  
**Congratulations, Concern, Competition,  
and Cooperation**

by James J. Przystup  
Senior Fellow, Institute for National Strategic Studies

The quarter began with celebrations commemorating the 30<sup>th</sup> anniversary of the normalization of relations. But, during the last quarter of 2002, Japan's relations with China played second fiddle to relations with North Korea, and, after Oct. 3, the nuclear crisis emerging on the Korean Peninsula.

Though not in Beijing to attend 30<sup>th</sup> anniversary celebrations, Japanese Prime Minister Koizumi Junichiro did meet with Chinese President Jiang Zemin at the end of October and Premier Zhu Rongji at the beginning of November. Issues of the past, exemplified by the prime minister's visit to the Yasukuni Shrine, and the future, North Korea and free trade agreements, dominated the discussions. However, even as the leaders met to advance cooperation, public opinion surveys in Japan and China pointed to problems ahead in the relationship.

Nevertheless, China's new leaders, announced formally during the November People's Party Congress, were favorably evaluated in Japan, in part as being less consumed with the issues of history. In what many in Japan saw as a goodwill gesture aimed at getting off to a good start with the new leadership, Tokyo moved quickly to resolve sensitive issues involving Taiwan's former President Lee Teng-hui and the activities of a Japanese military attaché in China.

China's concerns over Japan's surging steel exports caused Beijing to impose formal safeguards on five kinds of steel imported from Japan. At the same time, commercial relations continued to broaden and deepen, with surveys indicating Japanese companies focusing on China as the market of the future.

**Toasts to Friendship... High-level Meetings**

Ceremonies marking the 30<sup>th</sup> anniversary of the normalization of diplomatic relations between China and Japan took place in Beijing and Tokyo at the end of September. Noticeably absent at the Beijing ceremonies was Japanese Prime Minister Koizumi. Notwithstanding the importance of the anniversary, Beijing had let it be known that Koizumi's visit to Yasukuni Shrine in April 2002 made travel to China difficult during

anniversary ceremonies. In Japan, during an Oct. 8 interview with the *Asahi Shimbun*, Chief Cabinet Secretary Fukuda Yasuo put the best face on the situation, explaining that Diet issues and the compilation of the FY 2003 budget were making it difficult for the prime minister to visit China before the end of the year.

Nevertheless, despite the political problems caused in China by the Yasukuni visit, both Tokyo and Beijing recognized the importance of high-level diplomacy. At the end of October, the Asia Pacific Economic Cooperation (APEC) Leaders' Meeting in Los Cabos, Mexico provided neutral ground for a Koizumi-Jiang Zemin get together. Pulling no punches, Jiang raised the Yasukuni issues three times during the course of the 45-minute meeting. Jiang told the prime minister that his visits to Yasukuni struck at the emotions of 1.3 billion Chinese. According to Japanese sources, Koizumi told Jiang that he did not visit the shrine to pay homage to particular individuals, but as a sincere expression of reverence for those who found themselves unavoidably caught up in the war and repeated his resolution that Japan would never again resort to war. Jiang noted that the Chinese people differentiated between those Japanese who were victims of the war and the small coterie of militarists who had resorted to aggressive war. Nevertheless, he thought it better for Koizumi not to visit the shrine in the future. The discussion also touched on North Korea, with Jiang making clear both China's complete support for the denuclearization of the Korean Peninsula and his personal regard for Koizumi's initiative toward North Korea.

Following the meeting, Vice Minister for Foreign Affairs Takeuchi Yukio noted that Jiang had previously commented on the prime minister's Yasukuni visits and that his remarks at Los Cabos did not depart significantly from earlier statements. Chief Cabinet Secretary Fukuda told reporters that it was good for political leaders to have a frank exchange of views. He agreed with Jiang's formulation that the two countries should use history as a mirror in facing the future and thought both Koizumi and Jiang were committed to advancing the relationship. As for a Koizumi visit to China, Fukuda again retreated to the line that timing would make it difficult to schedule a visit before the end of the year.

### **A Less Optimistic Future**

While political leaders spoke of cooperation, an *Asahi Shimbun*-Chinese Academy of Social Sciences public opinion poll suggested that, at the popular level, the relationship was moving in a different direction. The face-to-face polling was conducted in China on Aug. 26-Sept. 2 and in Japan on Sept. 16-17.

In comparison with a similar survey taken five years ago, the 2002 poll indicated that a majority in both countries, 45 percent in Japan and 50 percent in China, believes that the two countries are not getting along well with each other. In the 1997 survey, 44 percent of Japanese respondents thought positively of the relationship, and 40 percent of Chinese saw relations as positive. In 2002, 41 percent of Japanese respondents and only 22 percent of Chinese respondents were positive. Asked to identify major stumbling blocks, approximately 40 percent of Japanese respondents cited a lack of mutual understanding

and differences in political systems; 80 percent of Chinese respondents cited a Japanese failure to understand history as exemplified by Koizumi's visits to Yasukuni and the history textbook controversy.

As for the issues of history, 86 percent of Chinese respondents considered that Japan had yet failed adequately to compensate China for its past aggression. In Japan, 44 percent felt the same way – down from 56 percent in the 1997 survey – meanwhile those in Japan who saw it as sufficient rose to 42 percent, a major increase from 26 percent in the previous survey.

One encouraging finding was that both Japanese and Chinese saw economic exchanges as offering positive prospects for the relationship. That said, looking 10 years into the future, 57 percent of the Japanese saw China emerging as an economic threat; only 31 percent of Chinese respondents saw it that way. As for the country that would have the greatest influence in Asia, a majority of both Japanese and Chinese identified that country as China.

Likewise pointing to troubles in the relationship, in early December China's Japan Research Center released the results of a poll taken to mark the 30<sup>th</sup> anniversary. The center's poll found that only 5.9 percent of Chinese respondents felt friendly toward Japan, with 43.3 percent feeling unfriendly and 47.6 percent having ordinary feeling toward Japan. Respondents who expressed friendly or unfriendly feelings were asked to explain why. Given five reasons from which to choose, 63.8 percent agreed that Japan had yet to adequately reflect on its aggression toward China. Asked to choose from 14 images of Japan, 53.5 percent selected the Japanese army committing aggression against China.

At the end of November, Prime Minister Koizumi's "Task Force on Foreign Relations," chaired by former diplomat Okamoto Yukio, released its report, "A Basic Strategy for Japanese Diplomacy in the 21<sup>st</sup> Century." The report designated China as Japan's top foreign policy priority for the immediate future. Among its policy recommendations, the task force called on the government to discuss with Beijing China's teaching of history, which it identified as the root cause of anti-Japanese sentiment prevalent in China today. Citing concerns that China's military buildup could pose a serious threat to Japan, the report called for greater transparency in China's military modernization. The task force also recommended that economic relations not be caught up in political disputes, even as it recommended that ties to Taiwan be strengthened.

### **Looking Ahead**

China's new leadership, announced during the 16<sup>th</sup> Party Congress in November, was favorably received in Japan. Japanese analysts regarded the next generation, represented by Hu Jintao, Wen Jiabao, and Zeng Qinghong, as less consumed by the issues of the past and more inclined to focus on the future in developing relations with Japan. They viewed the new leadership's recognition of the necessity for continued economic development

and China's booming trade relationship with Japan as elements that argue for stability in the bilateral relationship.

On Nov. 22, shortly after his elevation to the Politburo's Standing Committee, Zeng met with the chairman of the Japan-China Friendship Association, Tokyo University Professor Hirayama Ikuo, in the Great Hall of the People. Zeng emphasized that China's new leadership attached great importance to relations with Japan. Zeng noted that of the nine new members of the Standing Committee, he was the first, in this instance, to meet with guests from abroad. Japanese sources expressed the hope that Zeng would serve as the political "pipe" (channel) for the relationship.

In early October, the issue of a reported visa application by former Taiwan President Lee Teng-hui was raised at a Foreign Ministry press conference. Foreign Ministry spokesperson Takashima Hatsuhsa replied that a formal application had not been filed, but that, if it were, "we will take into account various factors when considering it." Lee had been invited by a Keio University student organization to speak at Keio's annual Mita festival.

On Nov. 11, Lee visited Japan's representational office, the Interchange Association of Japan in Taipei, and applied for a visa. In turn, Beijing immediately made clear its resolute opposition. The next day, the Foreign Ministry explained that, on receipt of the application, it had checked with Keio University regarding the lecture only to learn that it had been cancelled. (Keio officials, concerned about academic exchange programs with China, prevailed on the student organization to cancel the invitation). Subsequently, the Ministry contacted its Taipei office and Lee's associates. On Nov. 12, Lee withdrew his visa application.

Liberal Democratic Party (LDP) politicians called in the director general for Asian and Oceanic Affairs, Tanaka Hitoshi, and asked for an explanation. Tanaka told them that, given the confusion surrounding the proposed visit, the Ministry could not determine that it was "for private purposes." Eto Takami, chairman of the LDP's Eto/Kamei pro-Taiwan faction, blasted the decision, telling reporters that it is "absurd that must we think about Japan's diplomacy by giving consideration to China."

Tokyo also moved expeditiously to deal with another potential diplomatic issue. On October 26, Military Attaché Capt. Amano Hiromasa, while on assignment, hailed a taxi and mistakenly entered an off-limits area near the Chinese naval base at Ningpo, where he was apprehended and held for 13 hours. The Japanese Embassy in Beijing protested the detention and investigation as a violation of the Vienna Convention, while Beijing demanded that Amano be recalled. On Nov. 15, the Japanese Foreign Ministry announced that Amano returned to Japan voluntarily two days earlier.

## **Japan, China, South Korea Coordination on North Korea**

Prime Minister Koizumi's North Korea initiative as well as Pyongyang's subsequent admission of a nuclear weapons program served to move Tokyo, Beijing, and Seoul toward diplomatic coordination. During the ASEAN Plus Three meeting in Phnom Penh, Koizumi, Zhu Rongji, and South Korean President Kim Dae-jung met on Nov. 4 to discuss issues related to the Korean Peninsula. Attention was focused on nuclear issues.

Koizumi asked for China's support in moving Pyongyang toward a constructive relationship with the international community, and Zhu made clear China's support for the Joint South-North Declaration on the Denuclearization of the Korean Peninsula, a peaceful resolution of the nuclear issues, and peaceful reunification. Japanese press reports noted that this meeting marked the first time China had evidenced a willingness to take up political issues in the ASEAN Plus Three context. Koizumi also took the opportunity to tell Zhu that, with respect to his recent discussion of Yasukuni Shrine with Jiang Zemin at Los Cabos, he agreed with Jiang's formulation that "history be used as a mirror in facing the future."

A month later, on Dec. 4, Foreign Minister Kawaguchi Yoriko, during a telephone conversation with her Chinese counterpart, asked China to urge North Korea immediately to give up its nuclear weapons program.

## **Security**

On Dec. 9, China released its 2002 defense white paper. Japanese press reports noted that for the 14<sup>th</sup> consecutive year China's defense spending advanced at a double-digit pace, but, as a percentage of GDP, remained at last year's level of 1.5 percent. With respect to Asia-related issues, the white paper expressed concerns with joint (Japan-U.S.) research toward the deployment of a theater missile defense (TMD) system, viewing the system as not conducive to regional peace and stability. The document also made clear China's resolute opposition to any attempt by the United States to offer the system to Taiwan. As for cross-Strait relations, the report found no basic change and went on to reiterate that China will not forgo the use of force. In terms of China's own military policy, the white paper emphasized the need for the PLA to be able to prevail in regional conflicts under high-tech conditions.

## **China-Japan Free Trade Competition**

On Oct. 16, an advisory panel to the chief Cabinet secretary released an interim report on free trade agreements (FTAs) recommending that Japan conclude as many bilateral FTAs as possible by 2006. A month later, the Prime Minister's Task Force on Foreign Relations in its report on Japanese diplomacy similarly supported the conclusion of free trade agreements.

During the ASEAN Plus Three meeting in Phnom Penh, Zhu Rongji unexpectedly proposed that China, Japan, and South Korea conclude a free trade agreement. Zhu's proposal underscored China's aggressive free-trade diplomacy that began a year ago with a proposal for a China-ASEAN FTA. Koizumi's subsequent decision to pursue an FTA with ASEAN was portrayed by the Japanese press as being a day late and a dollar short, "clearly without a strategy," and facing the almost insurmountable political challenge of liberalizing Japan's highly protected agricultural market. It was also noted that free trade negotiations with ASEAN had yet to begin.

During the Phnom Penh meeting, China and ASEAN signed a framework agreement to govern FTA negotiations. The Japanese press played Zhu's free trade initiatives as stepping-stones toward an East Asia leadership role, with the *Mainichi Shimbun* observing that this would without doubt be a "threat" to Japan. Addressing the issue, Koizumi, however, told the *Asahi Shimbun* that he does not see China as a threat but as a market opportunity.

Japanese officials who accompanied the prime minister to the ASEAN meeting expressed irritation at Zhu's proposal, branding it "unrealistic" at a time when China had yet to demonstrate that it is prepared to meet its WTO commitments. Nevertheless, the Phnom Penh meeting produced a commitment among ASEAN, China, Japan, and South Korea to work toward the creation of an East Asia Free Trade Area in the mid- to long-term.

### **Economic Relations**

In early November, China announced that, as of Nov. 20, formal safeguards would be applied on five imported steel products: hot- and cold-rolled plate, colored-sheet, magnetic sheet, and cold-rolled stainless sheet. The safeguards will be in effect through May 2005. Tariffs on the affected products will increase 10.3 to 23 percent.

In response, Tokyo proposed bilateral consultations. From April to September, Japanese steel exports to China had increased 69.2 percent over the same months of 2001. Under the provisional safeguards in effect since May, Japan's major steel makers have moved to reduce steel exports to China. From October through December, reductions were expected to reach 10-30 percent with even bigger cuts in the first quarter of 2003. As a result, Japan's major steel makers were relatively confident that the imposition of formal safeguards would have limited affect on their businesses. Mid- and small-scale producers, however, are expected to feel the pain.

On Nov. 4, the *Nihon Keizai Shimbun* released results of a Survey of Japanese Industry Strategy Toward China and Asia, taken in conjunction with the Japanese Economic Research Center. Of the 326 companies polled, respondents indicated expectations for a 45-50 percent increase in sales volume in China by the year 2005, with sales growing an average of 10 percent a year. (The China-based production of companies surveyed amounts, on average, to ¥5.3 billion, with China-based sales amounting to 39 percent of domestic sales.)

Seventy percent of the respondents see China emerging as the world's leading market in the next five to 10 years. At the same time, the companies saw sales elsewhere in Asia, with the exception of Japan, as falling on average 18 percent by 2005. As for preferred strategies toward China and Asia, 52 percent are opting for involvement with local firms toward the opening of China's markets, while 40 percent see China becoming the world's low-cost manufacturer. While over 70 percent of the companies polled are considering future investment in China, many see a risk of excessive concentration. Of the 47 percent of companies actively considering, or engaged in, closings of facilities in Asia and relocation, 35.2 percent are inclined to relocate in China, while 61.7 are not.

As for the risks of doing business in China, the most frequently cited concerns were: change in government policy, 70.4 percent; intensification of competition, 43.3 percent; intellectual property rights, 39.2 percent. As for the greatest obstacles to business development, 52.6 percent cited the lack of a rule of law; 15.6 percent, the lack of infrastructure; and 7 percent, a lack of top-flight managers.

Nevertheless, individual Japanese companies continued to expand operations in China.

In October:

- Toyota opened its first assembly plant in China, aimed at initially producing 30,000 automobiles for the China market, increasing to 400,000 by 2010. The facility will be operated as a joint venture with China's Taijin First Auto Works.
- Daihatsu, a Toyota affiliate, announced a joint venture with China's largest automaker, First Auto Works, to begin production of compact automobiles by 2005.
- DVD patent holders, Toshiba, Hitachi, Matsushita, Japan Victor, Mitsubishi, together with America's Time Warner and IBM reached a royalties agreement with 50 Chinese firms, which last year exported 3 million machines to the United States. Under the terms of the agreement the Chinese firms will pay ¥1.5 billion in fees to the seven Japanese and U.S. companies.

In December:

- Digital camera-maker Olympus announced plans to increase production in China from 1 to 2 million units by the spring of 2003. Sanyo also intends to boost production in China and Indonesia.

Finally, preliminary trade statistics for 2002, released in mid-December, indicate that China has become the largest exporter to Japan, surpassing the United States for the first time. On an import clearance basis, imports from China, excluding Hong Kong, amounted to ¥6.31 trillion in the period January-October, exceeding the ¥6.04 trillion total imported from the United States. In 1999, imports from China were little more than

60 percent of the imports from the United States. With Japanese companies relocating manufacturing operations to China, exports back to Japan today include not only low-valued added textiles but increasingly high-value computers, digital cameras, and office equipment.

### **Elsewhere**

On Nov. 28, Japanese officials traveled to Beijing for meetings over the issue of compensation for damages suffered by Chinese fisherman during the raising of the North Korean spy ship. The Japanese side reiterated that it was prepared to address the issue once its investigation of the matter is completed. The November meeting was the fifth bilateral meeting to discuss the compensation issue. Also on Nov. 28, Japanese and Chinese officials met in Beijing to discuss recent (August and September) Chinese violations of Japan's exclusive economic zone.

Rapidly expanding commercial relations, despite the inevitable trade disputes, serve to stabilize Japan's relations with China, and the continuing crisis on the Korean Peninsula will serve to enhance diplomatic cooperation between Tokyo and Beijing. At the same time, political and history-related wild cards remain in the deck and can hit the table at the most unexpected and inopportune moments.

## **Chronology of Japan-China Relations October-December 2002**

**Oct. 8, 2002:** Chief Cabinet Secretary Fukuda Yasuo explains in *Asahi Shimbun* interview that Diet issues and the compilation of the FY 2003 budget make it difficult for the prime minister to visit China before the end of the year.

**Oct. 16, 2002:** Advisory panel to Chief Cabinet Secretary Fukuda releases interim report on free trade agreements (FTAs) recommending that Japan conclude as many bilateral FTAs as possible by 2006.

**Oct. 26, 2002:** Japanese military attaché apprehended by Chinese police in “off-limits area” near Chinese naval base.

**Oct. 27, 2002:** Prime Minister Koizumi and PRC President Jiang Zemin meet at APEC Leaders' meeting in Los Cabos, Mexico.

**Nov. 4, 2002:** PM Koizumi, Zhu Rongji, President Kim Dae-jung meet during ASEAN Plus Three meeting in Phnom Penh, Cambodia. Discussions focus on North Korea and Zhu's proposal for a China, Japan, South Korea Free Trade Agreement.

**Nov. 4, 2002:** *Nihon Keizai Shimbun* releases results of a Survey of Japanese Industry Strategy Toward China and Asia, results indicate expectations for a 45-50 percent increase in sales volume in China by the year 2005.

**Nov. 11, 2002:** Former Taiwan President Lee Teng-hui applies for visa to visit Japan.

**Nov. 12, 2002:** Former President Lee withdraws visa application.

**Nov. 15, 2002:** Japanese Foreign Ministry announces voluntary return (on Nov. 13) of Japanese military attaché from China.

**Nov. 20, 2002:** China applies formal safeguards on five categories of steel imported from Japan, lasting until May 2005.

**Nov. 22, 2002:** Politburo's Standing Committee member Zeng Qinghong meets with chairman of the Japan-China Friendship Association, Tokyo University Professor Hirayama Ikuo, in the Great Hall of the People. Zeng emphasizes China's new leadership attaches great importance to relations with Japan.

**Nov. 28, 2002:** Prime Minister's Advisory Task Force on Japan's Foreign Relations issues report on Japan's diplomatic strategy for the 21<sup>st</sup> century. China cited as top priority.

**Nov. 28, 2002:** Chinese and Japanese officials meet in Beijing to discuss China's claims for compensation resulting from recovery of North Korean spy ship as well as Japanese protests of recent Chinese violations of Japan's EEZ.

**Dec. 4, 2002:** Japanese Foreign Minister Kawaguchi Yoriko telephones Chinese FM Tang Jiaxuan to ask China's help with North Korea nuclear program.

**Dec. 4, 2002:** FM Kawaguchi, during a telephone conversation with her Chinese counterpart, asks China to urge North Korea to immediately give up its nuclear weapons program.

**Dec. 9, 2002:** China issues 2002 defense white paper.



Japan-Korea Relations:  
**The Sweet, the Sour, and the Bittersweet**

by Victor D. Cha  
D.S. Song-Korea Foundation Chair,  
Director, American Alliances in Asia Project, Georgetown University

Do crises bring allies together or drive them apart? The nuclear weapons “crisis” with North Korea put this question to the test this past quarter. Trilateral coordination among Washington, Seoul, and Tokyo operated in overdrive as the three allies reacted to the revelations of North Korean nuclear intransigence, producing mixed results. On the bilateral fronts, Japan-DPRK relations soured this quarter about as much as they had sweetened with the Koizumi summit in Pyongyang in September over the very same issue: abductions. Meanwhile, the Japanese wait nervously for the incoming Roh Moo-hyun government, virtually ignorant of the South Korean president-elect’s views on Seoul-Tokyo relations.

**Japan-DPRK relations: the Saga of the Abductees**

Contrary to what one might expect, there were other notable events in Japan-Korea relations outside of the crisis over North Korea’s nuclear weapons programs. Following Kim Jong-il’s bombshell admission during his summit with Prime Minister Koizumi Junichiro in September of North Korean responsibility for the kidnapping of 13 Japanese citizens in the 1970s and 1980s, the two governments supposedly worked out an arrangement in which five abductees were finally allowed to return to Japan for a brief visit. Their return to Japan on Oct. 15, and their stories were the obsession of the Japanese media and people following their arrival and the tearful reunions with long-lost relatives and friends.

These well-publicized homecomings rapidly turned into a bittersweet experience for both people and governments involved, however. Things looked like they were moving along smoothly until some of the abductees formally requested permission to resettle in Japan. Chimura Yasushi, who was abducted along with Hamamoto Fukie by DPRK spies 24 years ago, expressed their intention in a letter to Koizumi. Moreover in a symbolic act, the abductees added insult to injury by removing their DPRK lapel pins. DPRK authorities responded by filing strong protests claiming that the abductees were being detained in Japan against their will.

Thus a new dispute over the abductees has emerged from earlier attempts by Pyongyang and Tokyo to put the issue to bed. The highly emotional nature of this issue for the Japanese public is certain to present a continual obstacle to normalization talks between the two countries. These talks ground to a halt in October and November as North Korea threatened to end its missile testing moratorium if Japan were not more flexible in its attitudes toward talks.

No one wins from the continuing abductee problem in bilateral relations, however. Perhaps the biggest losers are the abductees themselves as all have left children in North Korea (as a condition for their travel to Japan). Japan has demanded that these children be sent to accompany their parents, but Pyongyang has predictably refused this request. Ralph Cossa best summed up this dilemma in a Nov. 22 *PacNet* article: “one can only hope that Tokyo and Pyongyang can put politics aside and find a compromise, such as allowing the families to reunite on neutral territory so that the Japanese abductees can, for the first time in decades, truly exercise free choice in determining their fates.”

### **‘TCOG plus’**

The quarter saw frenetic activity as Seoul, Tokyo, and Washington responded to the revelations in October of a second covert North Korean drive to acquire nuclear weapons through uranium-enrichment technology. In the first direct meetings between the Bush administration and North Korea, Assistant Secretary of State for East Asian and Pacific Affairs James Kelly stated the U.S. desire to seek an improvement of relations and tension reduction on the Peninsula, but that such an agenda was very difficult to discuss given recently acquired evidence of a covert nuclear program in violation of the 1994 Agreed Framework. The North Koreans denied such accusations initially, but on the second day of meetings boldly admitted to such violations, justifying their activities as a response to President Bush’s designation of North Korea as part of the “axis of evil” (despite the fact that the program started before the Bush administration came into office). In subsequent actions at the end of December, the North Koreans then unsealed the reactor facilities at Yongbyon frozen under the 1994 agreement, dismantled monitoring cameras, and then expelled the International Atomic Energy Agency inspectors who were tasked with monitoring on the ground compliance with the agreement.

Trilateral activity during the quarter largely focused on reconciling and uniting what appeared to be disparate positions on how to respond to this rash of North Korean provocations. Despite complete consensus that a military solution to the problem was not desirable, the South Korean, U.S., and Japanese governments appeared to differ on the nature and type of dialogue that should take place in order to bring the North Koreans back into compliance. For the Bush administration, the basic principle was the refusal to engage in any dialogue or offer of *quid pro quos* for the North to roll back their bad behavior. At the start of the new year, the administration appeared to show some flexibility, noting a willingness to talk directly with the North Koreans on the types of activities that need to be undertaken to avert a crisis, but the basic principle of not succumbing to Pyongyang’s nuclear blackmail remained. For the South Korean and

Japanese governments, such “blackmail” was also unacceptable, but short of this extreme, there was a strong belief in Seoul and Tokyo that negotiations of some form with the North were necessary to avoid escalation of the crisis.

The specifics of these respective positions were discussed at various sets of trilateral meetings during the quarter. On the sidelines of the APEC meetings in Mexico at the end of October, the three leaders issued a joint statement calling for the North to come back into compliance with its nuclear weapons obligations. At the November Trilateral Coordination and Oversight Group (TCOG) meetings in Tokyo, the key agenda item was whether to suspend heavy fuel oil shipments to North Korea as promised under the 1994 Agreed Framework. Both Seoul and Tokyo at the time implored the U.S. to agree to continue shipments (there was a November monthly shipment of fuel oil already in transit, and the last scheduled delivery for 2002 in December). And in the end, the three allies reached a compromise in which the November shipment was not turned back, but the suspension would be effective – as announced by the Korean Peninsula Energy Development Organization (KEDO) later that week – from December.

Though TCOG remained the mainstay, there was a rash of other diplomatic discussions over the North Korean nuclear crisis initiated by Seoul, Tokyo, and Washington. In what might be described as “TCOG-plus,” the three allies proactively sought consultations with China, Russia, and each other during the quarter. Significant among these was Seoul’s efforts in late December (and early January) to seek Beijing’s advice as the Kim Dae-jung government attempted to engineer a proposal to mediate the crisis between Washington and Pyongyang. Japan also sought Russia’s help in conveying to the North Koreans the need to eliminate their nuclear weapons programs during meetings between Foreign Ministers Igor Ivanov and Kawaguchi Yoriko. Also important were the U.S.-Japan bilateral meetings, the Security Consultative Committee in Washington in December – involving Foreign Minister Kawaguchi, Defense Agency Director General Ishiba Shigeru, Secretary of State Colin Powell, and Deputy Defense Secretary Paul Wolfowitz – in which Japan pledged allegiance to the U.S. position that the North must come clean on its nuclear weapons activities. Such diplomatic efforts are no doubt a function of anxieties held in all capitals in Asia about the direction of the standoff with North Korea.

On a more optimistic note, the frenetic diplomatic activity also represents an incipient multilateralism in the region that has arguably been created since the first North Korean nuclear crisis in 1994. This early crisis eventually gave way to the only “minilateral” security institutions in Asia i.e., TCOG and KEDO. These institutions were distinct because in contrast to the multilateralism often trumpeted in Southeast Asia, KEDO dealt directly with a real security issue (nuclear proliferation in North Korea); required the active participation of several key agents (including the United States, South Korea, Japan, and the European Union); and involved real investments of time and money (billions of dollars by the U.S., Japan, and South Korea). In this sense, it constituted more than a “talk shop.” Arguably, the spate of activity in the past quarter could

constitute the beginning of something akin to “TCOG-plus” as the region responds to developments on the Peninsula.

### **Seoul-Tokyo Relations: Roh Who?**

For Seoul-Tokyo relations, the big question raised this quarter is the future of Japan-ROK relations with the election of political maverick Roh Moo-hyun. The South Korean president-elect, in post-election press statements, made very clear his desire to work with the allies in resolving the nuclear problem with North Korea. The day after the election, Roh said that he envisioned under his presidency no major changes in the five decade-old alliance relationship with the United States and its security framework in East Asia. This presumably included Japan. But as had been made clear during the election campaign profiles of Roh, foreign policy is not his docket. Indeed, if the concern during the campaign raised by political pundits was that Roh’s views on the alliance relationship with the United States were translucent—varying between his earlier activist streak strongly opposing the U.S., and his “re-thought,” moderated position supporting the alliance—his views on Japan were downright opaque. Public discussion on the implications of the ROK presidential election for bilateral relations with Japan really did not advance beyond vague statements about joint efforts and with the United States to continue some aspects of engagement with North Korea and resolving the nuclear problem peacefully.

But there must clearly be some apprehension in the halls of Japan’s Foreign Ministry about where Roh will take Seoul-Tokyo relations. In the early part of Kim Dae-jung’s administration, earnest and effective efforts were made to set bilateral relations on a new footing, and in spite of a downturn in relations over textbook issues in 2000-2001, progress had been made that culminated with the smashing success of the joint hosting of the World Cup. Whether the new untested South Korean leader has either the capacity or will to follow this path remains to be seen. Roh’s background, his political constituency, and his values suggest potentially a less sympathetic view toward Japan, informed by a desire to shed economic dependence on the former colonizer. Moreover, as Chief Cabinet Secretary Fukuda Yasuo stated upon Roh’s electoral victory, though this may have been a great day for Korean democracy, there was no getting around the fact that this man was an unknown quantity with few personal or political links to Japan.

In spite of these concerns, there are reasons not to be entirely pessimistic. Roh’s lukewarm pronouncements on Japan are not nearly as important in this regard as the fact that he will soon take the reins of power in arguably the most vibrant democracy in Asia. And in such a democracy, the new South Korean leader must represent the views of the entire country rather than a narrow constituency. Movement to the political center, therefore, is likely and this will benefit relations with Japan. Recent history offers a lesson in this regard. Kim Dae-jung arguably heralded from a similar political constituency and value system as that of Roh, and Kim’s presidency will be remembered as one that worked extremely hard to advance Japan-ROK relations, arguably rivaled only by Park Chung-hee (even Kim’s harshest critics will grudgingly grant this). Kim’s protege would have to undergo a relatively deeper transformation (and yes, it would help

if he had spent as much time in Japan as Kim did), but the geostrategics of the East Asian region in which Korea and Japan sit as the prominent two technologically advanced, liberal-democratic, market-oriented peoples offers a powerful, time-tested, and almost indisputable logic to the bilateral relationship and the trilateral framework with the United States.

### **Chronology of Japan-Korea Relations<sup>\*</sup>** **October-December 2002**

**Oct. 1, 2002:** Assistant Secretary of State James Kelly coordinates policy with Seoul and Tokyo in advance of leading a U.S. delegation to North Korea.

**Oct. 1, 2002:** Japan completes fact-finding mission to North Korea regarding abduction cases involving Japanese citizens by the DPRK.

**Oct. 2, 2002:** Japanese Prime Minister Koizumi Junichiro said Tokyo would resume contact with DPRK regarding the issue of normalizing ties.

**Oct. 4, 2002:** Authorities conclude that the DPRK ship sunk and then salvaged by the Japan Coast Guard was indeed a spy boat.

**Oct. 8, 2002:** Japan's National Police Agency officially includes four more victims on the list of Japanese citizens abducted by the DPRK.

**Oct. 11, 2002:** Japanese and ROK civic groups dedicated to rescuing those kidnapped by the DPRK hold a joint press conference in Seoul.

**Oct. 14, 2002:** PM Koizumi discloses that DPRK leader Kim Jong-il gave his word during their summit in September that he would not divert economic assistance from abroad for military purposes.

**Oct. 15, 2002:** Five Japanese kidnapped by North Korea in 1978 arrive in Tokyo.

**Oct. 16, 2002:** U.S. discloses that DPRK admitted to having a new nuclear weapons program.

**Oct. 22, 2002:** Japan announces that it would stop financing two nuclear reactors in the DPRK and suspend talks on normalizing relations if there is no progress on ending the DPRK's nuclear weapons program.

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<sup>\*</sup> Compiled with research assistance from Hyunsun Seo.

**Oct. 26, 2002:** President Bush, Prime Minister Koizumi and ROK President Kim Dae-jung issue a trilateral summit statement during the APEC meetings in Mexico affirming their commitment to a peaceful Korean Peninsula that is free of nuclear weapons and urging the DPRK to give up its nuclear weapons program.

**Oct. 27, 2002:** Japan denies three North Korean state officials' entry.

**Oct. 29-30, 2002:** DPRK and Japan hold talks to normalize relations in Kuala Lumpur, Malaysia. DPRK rejects Japanese efforts to discuss the North's nuclear weapons development program.

**Nov. 1, 2002:** Japanese FM Kawaguchi Yoriko asserts the absence of any preconditions in the next round of normalization talks with the DPRK.

**Nov. 5, 2002:** PM Koizumi holds consultations on North Korean nuclear revelations with Chinese Premier Zhu Rongji and ROK Premier Kim Suk-soo during ASEAN Plus Three meetings in Cambodia.

**Nov. 5, 2002:** North Korea threatens to end missile testing moratorium if Japan does not show more flexibility on the abductions issue and nuclear issue.

**Nov. 6, 2002:** A Japanese activist, deported from the PRC for allegedly helping North Korean defectors, claims he was physically abused during his week-long detention by PRC authorities.

**Nov. 8, 2002:** DPRK accuses Japan of sabotaging efforts to establish diplomatic ties by demanding the resolution of the abduction issue and the nuclear weapons program.

**Nov. 9, 2002:** Trilateral Coordination and Oversight Group (TCOG) meeting in Tokyo. Lee Tae-sik, ROK deputy foreign minister, Assistant Secretary Kelly and Tanaka Hitoshi, the head of the Asian bureau at Japan's Foreign Ministry, discuss halting heavy fuel oil shipments to the DPRK.

**Nov. 14, 2002:** Korean Peninsula Energy Development Organization (KEDO) announces decision to suspend heavy fuel oil shipments to North Korea.

**Nov. 18, 2002:** The DPRK announces that it is contemplating the end of its missile testing moratorium in reaction to Japanese efforts to develop a missile defense shield with the U.S.

**Nov. 19, 2002:** Japanese media reports that Tokyo is investigating the possibility that up to 80 more Japanese citizens could have been abducted to the DPRK.

**Nov. 21, 2002:** Japan announces plans to launch the country's first spy satellites by the end of March to monitor DPRK military moves.

**Nov. 22, 2002:** The DPRK bars a U.S.-led consortium from inspecting how the DPRK is using deliveries of fuel oil.

**Nov. 23-24, 2002:** Japanese and DPRK officials meet for unofficial talks but fail to agree on how to proceed with negotiations to normalize relations.

**Nov. 26, 2002:** FM Kawaguchi said Japan would not give up on attempts to normalize relations with the DPRK even though deep differences exist but did not anticipate resumption of normalization talks before the end of the year.

**Nov. 27, 2002:** The DPRK ship salvaged by the Japanese Coast Guard was discovered to have been involved in illicit criminal activities in Japan.

**Nov. 30, 2002:** FM Kawaguchi acknowledges that Japan is not likely to provide food aid to North Korea this year.

**Dec. 2, 2002:** U.S. Ambassador to Japan Howard Baker states that the three allies remain united in their determination to end the North Korean nuclear dispute through diplomacy.

**Dec. 2, 2002:** Official diplomatic documents to validate a bilateral investment treaty (BIT) between the ROK and Japan are exchanged and the agreement is scheduled to take effect from 2003.

**Dec. 4, 2002:** DPRK rejects a call by the International Atomic Energy Agency (IAEA) for the DPRK to abandon its nuclear weapons program and allow foreign inspections

**Dec. 5, 2002:** Foreign ministers of Japan and China agree to work together to resolve North Korea's nuclear issue in a peaceful manner.

**Dec. 6, 2002:** The UN Human Rights Committee decides to resume investigation of missing Japanese citizens abducted to the DPRK.

**Dec. 11, 2002:** FM Kawaguchi expresses concern over reports of a North Korean freighter found carrying missiles in the Arabian Sea.

**Dec. 14, 2002:** In a telephone conversation, PM Koizumi and President Kim express grave concern jointly at North Korea's unsealing of the Yongbyon reactors and the obstruction of IAEA monitoring cameras in violation of the 1994 Agreed Framework.

**Dec. 16, 2002:** U.S.-Japan's "2+2 ministerial" meetings in Washington attended by Secretary of State Powell, Deputy Secretary of Defense Wolfowitz, Japanese FM Kawaguchi, and the Japanese Defense Agency's Director General Ishiba, call on North Korea to come back into compliance with nonproliferation agreements.

**Dec. 17, 2002:** The five Japanese abductees reconvene as a group in Niigata for the first time since their homecoming in October to discuss their return to North Korea.

**Dec. 17, 2002:** The Japanese government decides to pay compensation to atomic bomb victims living outside the country, including Koreans.

**Dec. 19, 2002:** Two of the abductees (Chimura Yasushi and Hamamoto Fukie) formally announce that the five abductees wish to remain in Japan rather than return to North Korea.

**Dec. 19, 2002:** *Mainichi Shimbun* reports that documents obtained by nongovernmental organization groups in Japan describe internal criticism in the DPRK with regard to efforts at economic reform and the lifting of price controls in July.

**Dec. 20, 2002:** PM Koizumi congratulates ROK President-elect Roh Moo-hyun for his electoral victory. Roh gives post-election press statements about the need to closely coordinate with Japan and the US in seeking a peaceful solution to the nuclear stalemate with North Korea.

**Dec. 29, 2002:** The Japanese government says that it is considering unilateral economic sanctions against North Korea to stop its nuclear weapons program.

China-Russia Relations:

## Putin's Partners in Beijing: Old and Young

by Yu Bin

Associate Professor, Wittenberg University

Russian President Vladimir Putin's official visit to China in early December, though preplanned, proved to be both timely and imperative as Moscow and Beijing faced mounting internal and external challenges. The sense of uncertainty, and even crisis, went well beyond China's leadership transition and beyond unprecedented terrorist activities in Russia. Despite the notable improvement in their relations with the U.S. in 2002, at the end of the year, both were sensing increasingly stronger winds of war from distant places (Gulf and Iraq) as well as from their door-step (North Korea).

### Putin's 36 Hours in Beijing

Arriving in Beijing shortly after midnight on Dec. 1, Putin's "tightly scheduled" working day (14 hours for Dec. 2) included almost nonstop meetings with top officials in China (President Jiang Zemin, Vice President Hu Jintao, Premier Zhu Rongji, and top Chinese legislator Li Peng) and an official evening reception. Putin's 36-hour stay in Beijing – the duration of which matched exactly his first official visit in July 2000 – was nonetheless quite fruitful. A lengthy joint statement and five other cooperation agreements were produced.

Most of the substantial exchange was between Putin and outgoing Chinese President Jiang Zemin, who just stepped down as the Chinese Communist Party (CCP) general secretary two weeks before. Their formal talks started with a review of the previous decade of bilateral relations and proceeded to focus on current and future bilateral relations and other major international issues.

The joint statement signed by Presidents Putin and Jiang reflects the agenda and items of the morning talk. The eight-part document starts with an assessment of the previous 10 years during which China and Russia elevated their relations through "three stages": from treating each other as "friendly" countries to building a "constructive partnership" and finally into setting up a "strategic cooperative partnership." Part two praises and reiterates the basics of the friendship treaty signed in July 2001 in Moscow (formally known as the "China-Russia Treaty on Good Neighborliness, Friendship, and Cooperation"). The rest of the statement covers various areas of cooperation including trade; exchanges in cultural, educational, science, legal, and media areas; foreign policy and world affairs; the

Shanghai Cooperation Organization (SCO) and antiterrorist affairs; regional stability and missile defense systems; and multilateral approaches to resolving world and regional problems.

Several features of the joint statement deserve more attention. One was its fair assessment of bilateral relations: the long-term (the previous 10 years), medium-term (since July 2001), and short-term (2002) between the two countries. For Russian and Chinese leaders, the tune of this brief assessment of the past was actually quite moderate compared with their more glowing wording elsewhere. “Moscow doesn’t have such a comprehensive mechanism with any other country of the world,” Russian Deputy Foreign Minister Alexander Losyukov commented. “It includes regular meetings between the heads of state and government, regular contacts between defense and foreign ministers, the heads of other key agencies, as well as the activities of 12-branch inter-governmental bodies coordinating cooperation and the work of more than 10 permanent working groups and commissions.” As a result, the year 2002 was one with “dynamic development in all areas.” Top Chinese leaders, too, believed that current China-Russia relations are perhaps the best China has ever had with any other major power. The thousands of kilometers of the China-Russia border are so demilitarized now that China unilaterally withdrew its regular forces 500 kilometers from the border area, exceeding the 100-kilometer requirement established by the Russian-Chinese official agreement.

There were strong reasons to be more optimistic about bilateral relations in the short term as well. Two-way trade reached a record of \$12 billion, up from \$10.7 billion in 2001. Large-scale projects are either in progress (nuclear power plants) or promising (energy and resources). In October, the Admiralteiskiye Verfi shipyard in St. Petersburg started to construct the first two of eight super-quiet Kilo-class diesel-electric submarines (totaling \$1.5 billion) for the Chinese navy. In November, the Northern Shipyard in St. Petersburg began to build the second of two destroyers ordered by the Chinese navy with a total cost of \$1.4 billion. In multilateral areas, the semi-hibernating SCO started to show signs of life when member states moved forward to operationalize its antiterrorist center in Kyrgyzstan’s capital of Bishkek and its secretariat in Beijing. The nuclear issue on the Korean Peninsula is dangerous. It nonetheless also provides opportunities for both Moscow and Beijing to exert their influence vis-à-vis other powers.

One important factor for the current state of bilateral relations is the regular high-level meetings between Chinese and Russian leaders, which were launched in 1996 by Boris Yeltsin and Jiang. If anything, Putin surpassed his predecessor in this regard. Over the previous 10 years, leaders of the two countries met on 18 occasions, of which 11 times were between Jiang and Putin. In 2002 alone, Russian and Chinese foreign ministers met eight times and more than 70 Russian official delegations visited China.

Another feature of the joint statement is its rather realistic identification of bilateral and multilateral issues of mutual concern. In contrast to the 2001 historical friendship treaty, the current joint statement focuses on specific areas for further coordination and cooperation. The nonpolitical issue areas discussed are more specific and more technical, and therefore, are achievable.

To analysts of both sides, this was a sign of a more mature relationship that is anchored in practical and specific “routines,” in addition to eloquent and/or idealistic principles. This sense of pragmatism is not evident only in issues of trade and social-cultural exchanges, but also for antiterrorist, SCO, and regional issues.

### **U.S. Non-factor**

Part of the current realism in the joint statement is the absence of the “American factor.” The almost ubiquitous anti-Americanism, concealed or overt, in many previous documents between Russia and China is virtually nonexistent in the current statement. Instead, there is more emphasis on bilateral and multilateral levels in dealing with outstanding issues in the post-Sept. 11 world.

One interpretation of this moderation of the Moscow-Beijing “strategic partnership” toward Washington is the predominant position of the U.S. vis-à-vis other powers. After Sept. 11, both Russia and China tried to adapt to, rather than oppose, the emerging unipolar world. Indeed, the terrorist attacks in 2001 against the U.S. not only provided opportunities for Russia and China to board the U.S. “ship,” but were also a real test of one of the key principles of their strategic partnership, that is, not to aim at any third party.

Putin’s second presidential visit to China, too, should be seen within this context. Throughout the fourth quarter, summit meetings between Russian, Chinese, and U.S. heads of state followed one after another. It began with a Bush-Jiang “barbecue party” at Crawford, Texas (Oct. 25) and continued at the annual Asia-Pacific Economic Cooperation (APEC) meeting in Mexico. Putin’s last-minute decision not to join the APEC Leaders’ Meeting because of the Chechen hostage crisis in Moscow was more than compensated in November when Russian and U.S. leaders met in Prague for the annual NATO summit and when Bush had a one-day summit with Putin in St. Petersburg after the NATO summit (Nov. 22). Putin’s visit to Beijing in early December was the last of these habitual summits in 2002 among the three Cold War triangular rivals.

Beyond this, Russia and China carefully observed each other’s U.S. policy throughout the last quarter of 2002, while briefing each other on a timely basis after their respective interactions with Washington and congratulating each other for improving relations with the U.S. In his meeting with Putin in late November, Chinese Foreign Minister Tang Jiaxuan spoke highly about the Putin-Bush St. Petersburg summit. A few days later, Director of the Russian Foreign Ministry’s Asian Department Yevgeny Afanasyev told a news briefing in Moscow that “Russia is pleased with the positive changes in relations

between China and the U.S. and believes that they will improve strategic stability ... After the events on Sept. 11, 2001, relations between Russia and the U.S. and between China and the U.S. have seen very positive changes. We welcome this progress and believe that it will improve strategic stability and promote the resolution of today's most pressing international problems." In fact, briefing each other on their respective relationship with the U.S. has become routine for Russian-Chinese summits.

A year-end review in a Chinese newspaper in Beijing went as far as to describe this emerging non-zero-sum relationship between Moscow, Beijing, and Washington at the end of 2002 as a new version of the "Romance of the Three Kingdoms" (*xin "san guo yan yi"*) based on "pragmatic and constructive cooperation." The triangle was not "symmetrical," nor did it lack of conflicts of interests, according to the analyst. Cooperation and mutual adjustment between the three, however, seemed to outweigh mutual suspicion and confrontation.

### **Putin's Newfound Friends in Beijing: Not Made in Russia**

Despite the regular summit meetings between Putin and Jiang in the past three years, the Russian leader seemed very careful in scheduling his visit to China, as Putin referred to the upcoming visit to China as "planned, but still special." Both of his two trips (July 2000 and Dec. 2002) were at a time of "changing of the guard." While the first visit was for the young president to reconnect with the Chinese after Yeltsin's exit from power, Putin's second trip was to make sure the new faces in the Forbidden City were Russia-friendly.

Putin was the first head of state from a major country to visit Beijing after the CCP's 16<sup>th</sup> Congress in mid-November. It was particularly important for the Russians to have direct and immediate contact with China's fourth generation of leaders, not only because of the generational changes, but also because of the end of a near-century long "Russian complex" in China. The outgoing generation of leaders is the last one that was "made in Russia" (or Soviet Union, to be precise), though not necessarily pro-Russia in outlook. Perhaps more than any other generation of leaders, Jiang Zemin, Li Peng, and others were directly affected by Russia as well as the ups and downs of China-Russia relations. One by-product of this experience is that they knew more about Russia than either past or future Chinese leaders.

The incoming group of Chinese elite, however, was largely "indigenously" produced. Unable to speak Russian nor hum "Moscow Night," their eyes and minds have been largely conditioned by the reform decades during which China has been reforming itself away from the past Soviet model, but not getting closer to the system presided over by Putin. At any rate, China under the incoming generation of leaders may well become more Chinese and Western, but less Russian.

The two-plus decades of high economic growth have more than equalized the status of the two large neighbors. Indeed, current Russia-China relations are perhaps the most equal and normal they have been since the 17<sup>th</sup> century when the ever-expanding Russian empire constantly pushed back a declining Chinese dynasty.

The czar's communist successors were undoubtedly able to have a powerful impact on China during most of the 20<sup>th</sup> century. They nonetheless were also responsible, at least partially, for roller-coaster bilateral relations. The ideological commonality between the two communist giants pushed bilateral relations between boiling and freezing points, while normalcy and stability were hard to come by. It is ironical that the current stability and equality of bilateral relations has been achieved when their domestic systems are so very different as the two formal communist giants reform themselves away from their past.

Can the current normal ties be sustained under less Russianized Chinese leaders? Will they be able to continue the legacy of the generation of leaders who were largely "made in Russia?" How would they decide China's national interests – which may or may not overlap with those of Russia? To what extent will they be able to anchor the "strategic" nature of the bilateral relationship in the relatively weak economic and social arenas?

These questions cannot be taken for granted. Russia's concerns are particularly warranted as its Far Eastern region becomes depopulated. The fear of being "invaded" by the incoming Chinese, legally or illegally, has become a constant theme in Russian media and politics. Two weeks after Putin's second official visit to China, the Duma moved to prevent a Chinese oil firm (China National Petroleum Corporation, or CNPC) from acquiring the ownership of Russia's seventh largest oil company (Slavneft), leading to the withdrawal of the Chinese firm from the open auction two days before the sale. For the Chinese, the Russian move amounted to politicizing a commercial issue. Leaders in Moscow, therefore, have to fight hard from time to time against the "China threat" sentiment that permeates Russia for the sake of Russia's long-term and primary national interests.

In reaction to CNPC's withdrawal from the Slavneft bidding, Putin appeared to take quick steps to repair the damage in bilateral relations. On the same day that CNPC announced it was withdrawing from the tender list, Russian Prime Minister Mikhail Kasyanov instructed the Russian Atomic Energy Ministry to conduct talks with the Chinese Academy of Engineering Physics on possible cooperation in the sphere of high-density energy physics. The initiative came from the Russian side and is being coordinated with the Foreign Ministry and other federal executive institutions. Next, Putin urged the CEO of Russia's oil firm Yukos, which is to construct the Russian side of the 2,200-kilometer Siberia-Manchuria pipeline, to speed up that process.

In response to a somewhat heated debate regarding China in late December, First Deputy Chief of Russia's General Staff Yuri Baluyevsky, who just returned from a trip to China for the sixth round of consultations with the Chinese military, warned publicly that if

Russia changed its Chinese policy it might face a neighbor that “can threaten us by virtue of its quantitative and qualitative potential.” “Do we need this?” asked the senior military officer, “I believe that today the most correct policy is to have a good neighbor, true friend, and strategic partner, and never an enemy.”

Whatever the result of this round of “China threat” debate in Russia, Putin’s successful trip to China did not seem to alleviate the worries of some or many Russians regarding a rising China. Part of the problem is the relatively weak mutual understanding between the two societies. This is the case despite a decade of hard work among the political elite of both countries and despite a growing number of Russians, including one of Putin’s twin daughters, who are studying Chinese. Indeed, ordinary Russians and Chinese are more interested in learning about the West and America than about each other. Recent opinion polls indicated that senior citizens (over 50) and those with a higher education tend to view China positively, while younger Russians feel less inclined to share that view.

Even the highly praised political/strategic relationship between Moscow and Beijing cannot be taken for granted. Despite the obvious success in high-level interactions in the past 10 years, the Russian elite is not yet at ease with China. One indicator of this lack of trust is Russia’s carefully managed weapon sales to India and China, with the former always qualitatively ahead of the latter in almost every category of weapons.

The sense of uneasiness is also reflected in the usually problem-free border issue. According to Russian media, Putin and Jiang decided, right before the signing of the joint statement, to add an item on the border issue to the text. Meanwhile, the Foreign Ministries of the two countries were instructed “in the shortest possible time” to complete the process of border talks. The urgency to find a resolution to the three disputed islands (Bolshoi Ussuriisky and Tarabarov near Khabarovsk and Bolshoi Island on the Argun River) may not be mere cosmetics but is designed to keep current uncertainty and disputes from deteriorating in the near future.

### **Old Guards, Only to Fade Away**

For all these reasons, Putin and his colleagues closely followed China’s leadership transition. Throughout the fourth quarter, top Russian leaders, including Putin himself, frequently expressed their expectation that China’s Russia policy would be sustained under the new leadership.

The Russians’ concerns regarding the consistency of China’s policies toward Russia, however, proved unwarranted. If anything, it seemed there was too much continuity in Beijing. For both sides, there was no question that Jiang was still the real mover and shaker in China-Russia relations, as the 76-year old Chinese leader presided over most of the Dec. 2 formal activities, including an official welcome ceremony in Tiananmen Square, the official morning talk, a walk through Zhongnanhai (the official residence for imperial and communist leaders) before a private lunch at the picturesque Yintai pavilion. Jiang also played host for Putin at the state dinner.

Only in the mid-afternoon of the day did Putin meet General Secretary-elect Hu Jintao. The term “elected,” however, was misleading at best. A more precise way to describe the rise of Hu is that Hu “emerged” first from the shadow of Deng Xiaoping and then from that of Jiang. By the time Hu and Putin met, the power transfer from Jiang to Hu continued, as the former still holds top posts in the foreign/defense institutions. Jiang’s title of head of state (president) would not be officially taken over by Hu until March 2003 when China’s Parliament holds its annual deliberation. Indeed, aside from China’s dynamic economic growth and ever-changing landscape, politicking in China these days seems everything but Russian in style with its swift and decisive changes (Putin’s overnight takeover from Yeltsin in 1999, Russia’s “shock therapy” economic reform in the early 1990s, ending of communism after a three-day coup in 1991, and even the 1917 Bolshevik Revolution).

Jiang, however, did manage to keep the process of leadership transition going. During the talks, Jiang told Putin that he was convinced that Hu would soon form good working relations with Putin and continue to consolidate and deepen the strategic cooperative partnership. With or without these assurances, however, it is an open secret in Beijing that Hu has been in the central decision-making process even longer than Jiang Zemin. In the past few years, Hu has also been vice chairman of the powerful Central Military Commission. Hu’s recent trips to Russia (Oct. 2001) and the U.S. (April 2002) were signs of his completion of his “leadership 101” course, with foreign policy as the final exam. On New Year’s Eve, Jiang finally called upon the nation, though belated, to rally closely around General Secretary Hu. It is only a matter of time before Hu is no longer a “who.”

### **Beijing’s ‘Putin Fever’**

In his address to Beijing University students and the faculty before departing for India on Dec. 3, Russian President Putin called his official visit to China “an epoch-making event” in relations between Moscow and Beijing. Putin was perhaps also aware that he was popular not only among the Russians, but also among the Chinese. Indeed, the most prestigious campus in China witnessed quite a fight for the 700 seats to see and listen to the Russian president in person. Some female students were particularly interested in how and why a hit song in Russia is titled “Marry a Man Like Putin.”

Putin’s charisma, however, goes well beyond gender relations. The “Putin fever” in the midst of the Beijing winter indicates a thinly veiled sentimentality among more educated Chinese deploring the rather “ordinary” quality of Chinese leaders these days. The era of strong leaders ended when Deng passed away five years ago. China under the third generation of leaders, however, seems to have done better without those movers and shakers of history. As the helm passed to a rather nameless fourth generation of leaders, Putin observed in Beijing the inevitability of the rise of China going hand in hand with the invisibility of its leaders.

All this was perhaps well anticipated by the Russian president even before his second official trip to Beijing. In a midnight chat in the Kremlin with a correspondent of the

official Chinese media two days before his trip to Beijing, Putin explained his popularity at home and in China as a product of “tumultuous times ... of the past 17 years since 1985” in Russia with “instability ... stagnation, bleak prospects which make people anxious, indifferent, and downcast.” In a way, this is true for Russia, which, since the end of communism a decade before, has become a world leader in tuberculosis, AIDS, drug addiction, corruption, and crime. But for the Chinese, Putin remains a formidable leader, not only because he presides over a huge country with rich history and culture as well as a military to haunt even the sole superpower in the world, but because he also is a man with a will, and perhaps the ability, to restore Russia’s past glories.

### **Chronology of China-Russia Relations October-December 2002**

**Oct. 1, 2002:** Russian President Vladimir Putin congratulates Chinese President Jiang Zemin on the People’s Republic of China’s 53<sup>rd</sup> anniversary.

**Oct. 7, 2002:** President Jiang calls President Putin to exchanged opinions on bilateral relations. The two sides agreed that China and Russia should further strengthen communication, coordination, and cooperation.

**Oct. 11, 2002:** Member countries of the Shanghai Cooperation Organization (SCO) held an International Forum on Investment and Development in Beijing. Russian Vice Minister of Energy Valentin Shelepov talked about three pipeline projects including two for oil (Siberia to China’s Dalian and Russia’s Nakhodka area-Pacific coast) and one for natural gas pipeline (from east Siberia to northeast China).

**Oct. 13, 2002:** Mikhail Lesin, Russian minister of press, television and mass media communications, began his first official visit to China for the first meeting of the working group on cooperation in the mass media – a permanently operating body of the bilateral commission on cooperation in public education, culture, public health and sport. Lesin met Chinese Vice Premier Li Lanqing in Beijing the next day. A two-year agreement on cooperation in television and radio broadcasting was signed.

**Oct. 14-19, 2002:** Georgy Poltavchenko, Russian president’s envoy to the Central Federal District, led Russian business group for the 92<sup>nd</sup> China Export Commodity Fair in Guangzhou. The 100-member delegation included 18 state governors of Russia’s Central Federal District. China’s Premier Zhu Rongji met with the group in Beijing on Oct. 18.

**Oct. 19, 2002:** President of the Russian Academy of Sciences Yuri Osipov meets in Beijing with Li Peng, chairman of the Chinese National People’s Congress.

**Oct. 25, 2002:** Chinese President Jiang strongly condemns the Moscow hostage seizure.

**Oct. 25, 2002:** Foreign Ministers Igor Ivanov and Tang Jiaxuan meet on the sidelines of the Asia-Pacific Economic Cooperation (APEC) in Los Cabos, Mexico. Tang expresses shock and strong condemnation of the hostage-taking terrorist incident in Moscow.

**Oct. 27, 2002:** President Jiang Zemin met with Russian Prime Minister Mikhail Kasyanov, who represents Putin at the APEC Leaders' Meeting in Los Cabos, Mexico. Putin canceled his trip because of the hostage crisis.

**Nov. 13, 2002:** Two Russian companies – the Sirocco Aerospace International leasing company and the Aviastar-SP aircraft building plant – sign a contract to build five Tu-204-120 aircraft (\$30 million apiece) for Chinese carriers to be delivered before the end of 2003. China also signed an option for the construction of 10 more aircraft of this kind to be equipped with Rolls Royce engines.

**Nov. 21, 2002:** President Putin sends message of congratulations to General Secretary of the Central Committee of the Communist Party of China Hu Jintao on his election to this post. Putin's message noted with "satisfaction" regarding "the continuity and consistency of China's foreign policy course and the course of development of relations with Russia."

**Nov. 23, 2002:** Foreign Minister Tang joined the SCO foreign ministers forum in Moscow to work on the SCO's coordinating mechanism (a secretariat based in Beijing and the headquarters of the regional antiterrorist organization in Bishkek). An interim document was adopted to regulate relations among the SCO member states, other countries, and international organizations. Tang briefed his Russian counterpart Ivanov of the CCP's 16<sup>th</sup> Congress and the two discussed Putin's official visit to China in early December. Putin met Tang the same day.

**Nov. 25, 2002:** Chairman of Russia's Supreme Court Vyacheslav Lebedev starts the official visit to China at the invitation of his Chinese counterpart, Xiao Yang. Chinese President Jiang Zemin met with Lebedev Nov. 26.

**Nov. 25-27, 2002:** A 40-member trade mission from Taiwan opens a trade exhibition in Moscow. The trade mission toured the Moscow Chamber of Commerce before proceeding to the Czech Republic, Poland, and Ukraine.

**Dec. 1-3, 2002:** Russian President Putin pays his second official visit to China. Among the documents signed during the visit were a joint statement and several others including a 10-year credit line of \$200 million to be opened for Russian imports from China.

**Dec. 15, 2002:** Russian State Duma expresses doubts about the legality of the China National Petroleum Corporation's (CNPC) participation in bidding for the Russian oil firm Slavneft. CNPC withdrew the next day.

**Dec. 16, 2002:** Russian Prime Minister Mikhail Kasyanov reportedly instructs the Russian Atomic Energy Ministry to conduct talks with the Chinese Academy of Engineering Physics on possible cooperation in the sphere of high-density energy physics. The initiative of the talks came from the Russian side and is being coordinated with the Foreign Ministry and other federal executive institutions.

**Dec. 16-27, 2002:** A delegation of the Russian Interior Ministry, led by Deputy Interior Minister and Commander-in-Chief of the Russian Interior Troops Gen. Vyacheslav Tikhomirov, tours China at the invitation of the Command of the People's Armed Police Forces of the Chinese Ministry of Public Security.

**Dec. 16-18, 2002:** Deputy Chief of Russia's General Staff Col.-Gen. Yuri Baluyevsky and his Chinese counterpart Xiong Guangkai, deputy chief of the PLA's General Staff hold in Beijing the sixth round of consultations. The two sides discuss a possible joint SCO antiterrorist exercise in 2003 and some military units along SCO border areas. They also discuss Iraq, North Korea, and missile defense issues. Baluyevsky meets with Chinese Defense Minister Chi Haotian the same day.

**Dec. 24-26, 2002:** SCO holds its third experts conference in Bishkek, capital of Kyrgyzstan, to discuss the issue of setting up a regional antiterrorism center. A preliminary agreement decides that China and Russia will each provide 32–38 percent of the center's expenses and the rest of the budget will be shared by Tajikistan, Uzbekistan, Kazakhstan, and Kyrgyzstan. Russia and China would provide most of its 40 staff members as well as the two deputy directors, while a representative of Kyrgyzstan will be the center's first director. The center could start working in the fall 2003.

**Dec. 25, 2002:** President Putin phones Chinese leader Hu Jintao, congratulating him on his 60<sup>th</sup> birthday.

**Dec. 27, 2002:** Russian Foreign Minister Ivanov and his Chinese counterpart Tang talk on the phone, calling on the United States and North Korea to de-escalate mutual accusations and to resume dialogue. The ministers were in favor of a nonnuclear status for the Korean Peninsula, the settlement of all disputes via peaceful means, and negotiations.

**Dec. 28, 2002:** President Jiang sends a message of condolence to President Putin for the victims of the deadly blasts at the Chechen government building on Dec. 27.

**Dec. 30, 2002:** Russian-Chinese trade in 2002 is estimated to set a new record of \$12 billion, compared with \$10.7 billion for 2001.

## India-East Asia Relations The Weakest Link, but not Goodbye

by Satu P. Limaye

Director of Research, Asia-Pacific Center for Security Studies\*

During the two years since India-East Asia relations were last considered here (see “India’s Latest Asian Incarnation,” *Comparative Connections*, Vol. 2, No. 3, Oct. 2000), India has achieved incremental progress in building political, economic, and even limited security ties to countries in East Asia. India, however, is still not an integral part of the region’s international relations or a critical bilateral relationship for Southeast Asia, China, or Japan. India’s relationship with East Asia thus remains the weakest link when compared to the region’s other major partners. But India’s growing engagement with East Asia in 2001-2002 both on a bilateral and multilateral basis demonstrates that India has neither bid the region, nor been bidden by it, goodbye!

### **India and Southeast Asia: A ‘Plus’ Up in Relations**

India’s “Look East” policy in the early 1990s began with a focus on Southeast Asia, and so it remained during 2001-2002. Bilaterally, India exchanged high-level visits with nearly every member country of the Association of Southeast Asian Nations (ASEAN), and in certain cases more than once. It also made notable strides in its official relationship with ASEAN as an organization, culminating in the inaugural ASEAN-India summit or “ASEAN Plus One” formulation.

***Enriching Bilateralism:*** Singapore continued to be the key to India’s closer relations with Southeast Asia. In early November 2000, during Indian President K.R. Narayanan’s visit to Singapore, the first by an Indian president in three decades, Singapore promised to propose that India become one of ASEAN’s four summit partners along with Japan, China, and South Korea. The lack of consensus within ASEAN toward the proposal was evident in Singapore Prime Minister Goh Chok Tong’s caveat that he would pursue the matter “without being aggressive.” India and Singapore also pursued a number of private sector and government initiatives designed to enhance their economic cooperation, particularly in the realms of information and telecommunications technology. In July 2001, Singapore and India held the second meeting of their recently established Information Communication Technology (ICT) Task Force. During Indian Prime

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\* The views expressed in this article are those of the author and do not reflect the official policy or position of the Asia-Pacific Center for Security Studies, United States Pacific Command, the U.S. Department of Defense, or the U.S. Government.

Minister Atal Behari Vajpayee's April 2002 Singapore visit, his second visit to the city-state in less than a year, India and Singapore announced the establishment of a joint study group (JSG) to explore an Economic Partnership Agreement (EPA) that would cover trade as well as intellectual property, customs cooperation, and the financial sector. The efforts on the economic front speak both to mutual interest, and simultaneously the lack of satisfaction in the progress made thus far. Singaporean officials repeatedly encouraged India to "achieve its full economic potential" (diplomatese for more economic reform). However, significantly, reflecting India's very active diplomacy in the region, Singapore did not repeat past admonishments to India to pay as much attention to Southeast Asia as it does to the United States and Europe.

Vietnam also continued as a focus of Indian bilateral diplomacy in Southeast Asia. In November 2000, eight months after the first-ever Indian defense minister's visit to Hanoi, Indian External Affairs Minister Jaswant Singh followed with a visit of his own. In addition to chairing the Indian team in the 10<sup>th</sup> India-Vietnam Joint Commission meeting, the primary purpose of this visit was coordination for the Nov. 10 inaugural meeting of the Mekong-Ganga Cooperation (MGC) grouping held in Laos. The grouping brings together India, Vietnam, Burma, Thailand, Cambodia, and Laos and is aimed at cooperation on tourism, transportation, as well as cultural and information exchanges.

Singh's visit also paved the way for the January 2001 visit of India's Prime Minister Vajpayee to Hanoi, the first by an Indian prime minister in seven years. During this visit, India and Vietnam, rather than focus on defense cooperation as they had in March 2000, focused on political and economic relations. Prime Minister Vajpayee and Vietnam's Prime Minister Pham Van Khai signed agreements to extend cultural exchanges until 2003 and cooperate on tourism as well as for India to provide equipment for a nuclear energy laboratory. India also granted \$2 million to establish a Software and Training Center in Vietnam, following up an earlier credit of \$5 million to set up two centers for software and human resource development. India and Vietnam also agreed to increase their bilateral trade from a paltry \$155 million in 1999-2000 to \$500 million in three years. On the investment front, India, which has about \$200 million in direct investment in Vietnam, increased the amount significantly with the signing of a \$238 million gas deal under which a foreign consortium led by India's Oil and Natural Gas Corporation (ONGC) Videsh Ltd. will extract natural gas from Vietnam's Nam Con Son Basin. On the political front, Vietnam gave its support for Indian membership in Southeast Asian economic and political forums and reiterated past support for New Delhi's entry into the United Nations Security Council. Defense issues were not entirely ignored. Both countries pledged to continue their cooperation though Vietnam reportedly decided not to purchase Indian naval craft due to their high prices.

India-Burma relations also received a fillip, building on a rapprochement initiated in the first half of 2000. Though India had sharply criticized Burma's suppression of democracy after 1990, developments in relations during the past two years make clear that anti-insurgency, drug trafficking, and regional geopolitical considerations (i.e., countering

Chinese influence) have taken higher priority than democracy in India's approach to Burma. For its part, Burma seems committed to diversifying its relationships beyond China.

Perhaps the most important bilateral event in relations was the November 2000 visit to New Delhi by Gen. Maung Aye, vice chairman of Burma's State Peace and Development Council, who received a "red carpet" welcome from India's entire senior political leadership. During talks characterized as "highly positive," India acknowledged Burma's assistance in destroying the camps of Naga insurgents within its borders despite suffering casualties. The two countries agreed to further increase cooperation against insurgency and drug trafficking and to boost bilateral trade. Burma's Foreign Minister Win Aung meanwhile sought to allay India's anxiety about Chinese military activity in the Coco islands saying, "I want to tell the Indian public that any island in my country, or Burma's soil, will not be used as a military base by any power against India."

Gen. Maung Aye's visit to India was reciprocated by that of India's External Affairs Minister Jaswant Singh in February 2001. He became the first senior Indian official to visit Burma since Prime Minister Rajiv Gandhi visited in 1987 and since the crackdown on democracy in the country in 1990. Burma's Construction Minister Saw Tun and Singh opened the 160-kilometer Indo-Myanmar Friendship Road linking the northeastern India border town of Moreh in Manipur state with Kalewa on the Chindwin River in Burma. Singh also inaugurated the "Myanmar-India Friendship Center for Remote Sensing and Data Processing," which was developed with Indian technical expertise to help Burma generate weather forecasts as well as crop and ground water surveys. Burma and India also agreed to open four border checkpoints to increase trade and the ruling junta. Rangoon said it would consider re-opening the Indian Consulate in Mandalay.

The year 2000 also saw a further consolidation of India-Indonesia relations in the post-Suharto era. Indonesia's President Abdurrahman Wahid's first foreign trip was to India in February 2000. In January 2001 Prime Minister Vajpayee traveled to Jakarta where he signed five agreements on defense cooperation, the establishment of a Joint Commission, science and technology, cultural exchanges, and agricultural cooperation. The agreement on "Cooperative Activities in the Field of Defense" is especially noteworthy as no such agreement existed between the two countries in the past. Under its terms, the countries will coordinate defense activities in various fields including training, technical assistance, and supply of defense equipment and materials. Both countries will also share their experiences in the field of defense management and policy. The implementation of the agreement remains to be seen. The decision to establish a Joint Commission at the foreign-minister level suggests a decision to regularize bilateral relations at a fairly high level. India also took the opportunity of the visit to Indonesia to reiterate its desire for closer relations with ASEAN as a whole. Prime Minister Vajpayee, in a speech to the Indian community in Jakarta said, "we want an India-ASEAN summit on the lines of the India-EU summit held in Lisbon last year."

Wahid's successor, Indonesian President Megawarti Sukarnoputri, followed up Vajpayee's visit by going to India in April 2002, the last stop in a tour of Asian countries. The two countries signed Memoranda of Understanding on cooperation in peaceful uses of outer space, visa exemption for diplomatic and official passport holders, and a vocational center for the construction sector. India and Indonesia also signed an agreement for New Delhi to build a railway line and a port terminal in South Sumatra in exchange for coal, timber, and crude oil. Several private sector business agreements were also signed on projects ranging from vegetable oil to computers.

India-Malaysia relations, never particularly warm, received attention in 2001-2002. In May 2001 Prime Minister Vajpayee visited Kuala Lumpur (following an earlier cancellation due to the devastating Gujarat earthquake), the first Indian leader to do so in six years. The visit was an especially important one given press reports that Malaysia opposed the proposal to have a separate India-ASEAN summit. Nevertheless, Vajpayee, in an address to the Institute of Diplomatic and Foreign Relations, made a case for a closer India-ASEAN dialogue. He also reiterated India's position on nuclear proliferation, saying pointedly that "[w]e have proved that India is neither a proliferation threat nor an exporter of sensitive nuclear or missile technology. This cannot be said to be true of all parties to the Nuclear Proliferation Treaty." Many observers viewed the last sentence as a reference to China, and specifically a reference to alleged China-Pakistan nuclear dealings. Malaysia was also noticeably cool in its view of India on the eve of the visit, with Malaysian Prime Minister Dr. Mahathir bin Mohamad saying, "[we] should not look at [India] as if they are our enemy. We should think of them according to their policy and if they are friendly we should also be friendly." Other irritants included a large trade imbalance between the two countries and difficult negotiations on an extradition treaty. To help address the trade problem, India offered Malaysia \$50 million worth of credit to help boost trade. India also has promised to help resolve problems in contracts for road projects in the country awarded directly to Malaysia.

Notwithstanding these issues, the visit itself was successful on a number of fronts. Seven agreements between the two governments and a number of business-to-business deals were concluded. One agreement, for example, opens the way for Malaysia to use Indian facilities to launch its own satellites. Agreement was also reached to allow an Indian company to construct a new \$1.5 billion rail link in northern Malaysia. India and Malaysia were not able to overcome, however, what Vajpayee described as "legal hurdles" in the way of concluding a bilateral extradition treaty.

India also pursued cooperative activities with Thailand, Cambodia, and Laos, both on a bilateral basis, as well as in connection with multilateral activities such as the Mekong-Ganga Cooperation (MGC) program and India-Thailand-Burma trilateral cooperation on transportation infrastructure. For example, in June 2001, India's Vice President Krishan Kant traveled to Cambodia for an official visit which was reciprocated by Cambodia's Senior Minister and Foreign Minister Hor Namhong in March 2002. In April 2002, Prime Minister Vajpayee made a state visit to Cambodia. India offered to send a judge to serve on a tribunal for the possible trial of Khmer Rouge leaders if the United Nations decided not to take part in the tribunal. India and Cambodia also signed agreements on direct

flights between the two countries, renovation of Ta Prohm Temple in Angkor Wat, and visa exemptions for diplomatic and official passport holders.

In November 2002, Vajpayee visited Laos, which will be ASEAN's "country coordinator" for India beginning in June 2003. India announced plans to establish an information technology center in Laos. Agreements were also signed on drug trafficking, defense, visa exemptions for official passport holders, and a \$10 million credit line for Laotian infrastructure development. In April 2002, India's External Affairs Minister Jaswant Singh visited Thailand to discuss terrorism and economic cooperation with Thai Foreign Minister Surakiart Sathirathai. The two foreign ministers then traveled together to Burma to discuss a proposal for building a highway linking the three countries. Prime Minister Vajpayee also held discussions and a working lunch with Prime Minister Thaksin Shinawatra in Bangkok on his return from the inaugural ASEAN-India summit and state visit to Laos in November 2002.

***Aspiring to Multilateralism:*** In addition to active bilateral relations with Southeast Asian countries in 2001-2002, India also achieved a new level in its relationship with ASEAN, the region's preeminent multilateral grouping. The high point was the first ASEAN-India summit in November 2002. However, India is not included in the ASEAN Plus Three grouping that includes China, Japan, and South Korea as ASEAN's partners. Instead India is tacked on to ASEAN in a "Plus One" relationship. This formulation, too, speaks to the "weakest link" characterization of India's role relative to ASEAN's other Asian partners. For example, India's total trade with ASEAN stands at only \$10 billion. This compares highly unfavorably with the United States' \$120 billion, Japan's \$116 billion, China's \$70 billion, and even South Korea's \$32 billion. Investments between India and ASEAN are even smaller. An important reason India's economic ties with Southeast Asia are in their infancy is because India's trade liberalization started only a decade ago and is far from complete. A positive note is that trade has been growing steadily – 30 percent during the past three years. And India's November 2002 offer to Southeast Asia of a Regional Trade and Investment Arrangement (RTIA), mimicking free trade proposals by China and Japan, if actually implemented, could increase India-Southeast Asia trade and investment ties in the future.

India and ASEAN have also launched a number of initiatives to establish niche areas of cooperation in human resource development, transport and infrastructure, science, as well as information and space technology that could help expand trade and investment ties. A new ASEAN-India Task Force on Economic Linkages to enhance economic ties was established at the first ASEAN-India summit. Another avenue of greater India-ASEAN cooperation could be India's increased support for the Initiative for ASEAN Integration (IAI) under which India would offer preferential tariff treatment and human resources development support for the new, least developed members of ASEAN. Notwithstanding all these declared commitments, it remains to be seen how much, not to mention how fast, India-Southeast Asia economic ties will increase. The record up to now has not been encouraging, though bullish assessments exist.

Whatever the long-term might bring, at least during 2001-2002 India fulfilled some of the ambitions of its “Look East” policy in its relations with Southeast Asia, though there is a consciousness that more can be done. India moved well beyond the fallout from the nuclear tests in 1998. It kept to a manageable level pressure regarding India-Pakistan relations and the Kashmir dispute, including the prevention of Pakistan’s inclusion in the ASEAN Regional Forum (ARF). New Delhi improved its relationship to ASEAN, thus avoiding further marginalization in the post-Cold War international environment. It improved, albeit at a low level, trade and other economic ties with the region. India succeeded in reducing suspicions about its intentions in the region through confidence-building efforts and high-level political and security discussions. For its part, Southeast Asia has leveraged its influence through the inclusion of another large country in its institution-building efforts. Individual Southeast Asian countries have enhanced bilateral ties with India on matters ranging from software technology to trade to defense cooperation. The India-Southeast Asia relationship is not so much a reincarnation as a recalibration generally in a positive direction from the perspective of both sides.

### **India and China: Muddling Along**

If India’s relations with Southeast Asia were generally dynamic, the same cannot be said of India-China relations. Though China-India relations have moved well beyond India’s 1998 nuclear tests and the reference to China as a potential threat, they remain mired in history and suspicion. Perhaps the only area of China-India relations that witnessed good progress is trade, though even here there are irritations.

***Border Brouhaha:*** The period under review began with brouhaha over the China-India border. In October 2000, the chief minister of a northeast Indian state alleged that Chinese forces inadvertently might be crossing the Line of Actual Control (LAC) between the two countries. In the event, the allegations led to strong denials by Chinese officials, and visits to the border area by India’s Defense Minister George Fernandes and Army Chief Gen. Padmanabhan. Fernandes confirmed that the “border with China is well protected and well guarded and there is no need for any concern. We need to improve infrastructure and roads along the border with China.” Despite this little drama, in mid-November, India and China held the eighth session of their Experts Group regarding the border. At this meeting the two countries agreed to accelerate the pace of talks on the clarification of the LAC and exchanged maps on the middle sector of the disputed border. Still, India’s defense secretary announced, the day after these talks were concluded, additional monies for the Border Road Organization (BRO) to expand the road networks along strategic areas facing China and Pakistan. Late in 2000, additional reports of China’s alleged trespasses on the border were made in the Indian media and denied by Chinese officials. Uncertainties over the border were compounded by official Indian allegations that a separatist group leader in the northeast had admitted to receiving Chinese arms.

The India-China Joint Working Group (JWG) held its 13<sup>th</sup> meeting on July 31, 2001 and continued the snail-like progress on border discussions. The JWG reviewed the work being done in the Experts Group on the clarification and confirmation of the LAC, and on the implementation of confidence-building measures (CBMs). On Nov. 21, 2002, India and China conducted the 14<sup>th</sup> joint working group meeting on their border dispute. From all indications, and notwithstanding the stated commitment to accelerate clarification of the disputed border and to exchange maps on the middle sector, progress on settling the border dispute is likely to inch along rather than accelerate ahead.

***I'm not a Threat, You're not a Threat:*** An important event was the January 2001 visit of the chairman of China's National People's Congress, Li Peng, to India. He became the highest-ranking Chinese official to visit India since President Jiang Zemin in 1996 and since India conducted its nuclear tests in 1998 citing the potential threat from China as one of the rationales. Li told Indian parliamentarians that "China and India do not pose any threat to each other as they share similar views on a multi-polar world in which both can play their roles for world peace and development." The only major agreement to come out of the visit, however, was one to form India-China Parliamentary Friendship Groups in their respective parliaments. Indeed, India carried out a test of the Agni II missile a day after Li Peng's departure from India.

In February 2001, India granted refugee status to the 17<sup>th</sup> Karmapa Lama, a youth who is one of the holiest figures in Tibetan Buddhism, more than a year after he fled from his homeland. China in turn warned India not to let the Karmapa Lama engage in political activities. The same month also saw India and China hold a second round of talks on regional security as part of an effort to maintain an institutionalized and regular dialogue. In January 2002 China's Premier Zhu Rongji visited India. India and China agreed to establish a bilateral dialogue mechanism against terrorism, to accelerate the process of clarification and confirmation of the Line of Actual Control, and dedicate the seventh meeting of the ministerial level Joint Economic Group to strengthening trade and economic cooperation. Six MOUs and agreements were signed relating to science and technology, cooperation in outer space, tourism, phytosanitary measures, and supply of hydrological data by China to India regarding the Brahmaputra River during the flood season. Two months later, India and China launched the first direct commercial airline route between the two countries. And in the spring of 2002 India's External Affairs Minister Jaswant Singh traveled to China (on the return trip of the inaugural flight) and the two countries agreed to activate a joint working group on economic and trade relations and a first-ever counterterrorism dialogue.

***Chasing Rupees, Chasing Reminbi:*** Sino-Indian economic relations have been on the upswing, and attention, both positive and negative, was given to this facet of relations. Bilateral trade, which officially restarted between the two countries in 1978, has grown rapidly from \$265 million in 1991 to \$3.6 billion in 2001. In 2001 bilateral trade increased 23.4 percent over 2000. The growth in the volume of trade has occasioned considerable complaints within India about alleged Chinese dumping of goods, and there have been other minor frictions over trade matters. Complaints about purported Chinese

dumping have come largely from India's industry and domestic trade organizations such as the Federation of Indian Chambers of Commerce and Industry (FICCI) rather than official Indian sources. Indeed, the government of India has been at pains to point out that Indian exports to China are outpacing imports from China. For example, in 2001, Indian imports from China increased by 21.5 percent, while Indian exports to China increased by 25.6 percent. A bilateral India-China trade agreement signed in 2000 as part of China's entry into the World Trade Organization (WTO) is expected to address irritations in trade matters. By early 2001 Indian complaints about Chinese dumping led Beijing's ambassador to New Delhi to proclaim that "Chinese enterprises and Chinese products have met with unfair treatment in India. All this has to some degree impeded further development of Sino-Indian economic trade and economic cooperation."

***The Two Towers – Pakistan and Nonproliferation:*** China's close relationship with Pakistan remained unchanged during the period under review, and India continues to regard China-Pakistan relations as a major security problem. During acute India-Pakistan tensions from December 2001 to June 2002, China played a subdued role in pressing for restraint on both sides. But Chinese press reports also indicated that China perceived Pakistan as receiving an excessive share of the blame for deteriorating India-Pakistan relations. India also reacted coolly to a November 2000 pledge by China to enforce strict export controls against missile proliferation. Meanwhile, there were few public denunciations by China of India's nuclear weapons development, and no publicity was given to China's earlier demands that India abide by the post-1998 nuclear tests United Nations resolution on nonproliferation in India and Pakistan.

### **India and Japan: Sanctions 'Discontinued,' Relations Persist**

India-Japan relations moved toward normalcy after India's nuclear tests with the visit of Prime Minister Mori Yoshiro to India in August 2000. Since then, relations have been stilted though somewhat more active. The most dramatic change during the period under review was the Oct. 26, 2001 decision by the government of Japan to "discontinue measures on India and Pakistan taken in May 1998." The decision was one aspect of Japan's responses to the Sept. 11 terrorist attacks in the U.S. India thus became eligible to receive grant aid and yen loans for new projects as well as Japanese support for loans from international development banks. India's response to the announcement was cool. It "took note" of it. There was also resentment at the insinuation that the measures had been effective in promoting India's nuclear restraint and considerable peevishness that Tokyo might "revive" sanctions if the nonproliferation threat from India (and Pakistan) increases. Despite the discontinuance of sanctions, India and Japan remained far apart on issues of nuclear nonproliferation. It is near-certain that absent the tragedy of September, Japan's measures restricting economic cooperation, like U.S. sanctions on India and Pakistan, still would be in place.

General political dialogue between India and Japan has been more robust. In July 2001, the first India-Japan Comprehensive Security Dialogue was held in Tokyo to discuss respective security and defense policies, the regional security environment, and disarmament and nonproliferation. A decision was taken to institutionalize the dialogue

on an annual basis. Another important event was the visit of former Prime Minister Mori to India in October 2001 as a special envoy of Prime Minister Koizumi Junichiro. In November, the eighth round of Foreign Ministry consultations was held. The focus of discussions at these consultations was Prime Minister Vajpayee's scheduled visit to Japan, including marking the 50<sup>th</sup> anniversary of diplomatic relations, and the situation in Afghanistan. Though the planned February 2001 visit was postponed due to the Gujarat earthquake, he traveled to Japan in December 2001. He became only the second Indian head of government to visit Japan in a decade. It is noteworthy that his first stop was Osaka, not Tokyo, signaling the economic rather than political focus of the trip. In a speech to a Japanese business group, the prime minister described India as a "congenial atmosphere" for foreign investment. The major political announcement of the trip was the decision to hold a dialogue on counterterrorism in the framework of the existing Comprehensive Security Dialogue.

There were other activities related specifically to pushing forward economic cooperation between the two countries. For example, the Information Technology Summit agreed to during Prime Minister Mori's visit was held in September 2001 during the visit of India's Minister for Information Technology Pramod Mahajan to Tokyo. The Japan External Trade Organization (JETRO) sent two missions to India to explore ways of promoting bilateral investment and economic cooperation in December 2000 and January 2001. And Aiko Jiro, chairman of the Standing Committee of the Japan-India Business Cooperation Committee, led a business delegation to India in July 2001 to participate in the 23<sup>rd</sup> meeting of the committee. However, trade and investment relations between Japan and India remain extremely limited.

There were also a number of Japan-India defense-related exchanges. Japan participated in the International Fleet Review held in February 2001 at Mumbai and a Japanese training squadron of the Maritime Self-Defense Forces visited Chennai in May 2001. India's Navy participated in the Japanese International Fleet Review in Tokyo in October 2002. There has also been continued cooperation between the two coast guards on combating piracy. In May 2001 India's director general of the Coast Guard visited Japan during joint exercises. In August 2001, India's Chief of Army Staff (COAS) Gen. S. Padmanabhan became the first COAS to visit Japan.

### **Looking Ahead**

India is the "weakest link" among East Asia's major partners. But India today has more extensive and better relations with the region than perhaps it has ever had. There is little chance that India, or the region, will bid goodbye to each other. India places a priority on ties with Southeast Asia where in 2001-2002 it pursued an active bilateral and regional diplomacy. Many of its goals in the region were achieved though India seems conscious that it has much to do before it is regarded as an integral and important player in the region. Meanwhile, India has continued to rebuild ties with East Asia's two big powers China and Japan since the 1998 nuclear tests. However, for different reasons, these ties have been difficult. Despite two very troubled years in India's domestic politics, India-

Pakistan relations, and the adjacent neighborhood as well as in the international environment after the Sept. 11 attacks, India maintained a relatively active diplomatic effort in East Asia.

### **Chronology of India-East Asia Relations October-December 2000**

**Oct. 13, 2000:** Chief minister of the Indian state Arunachal Pradesh, Mukut Mithi, suggests that Chinese forces inadvertently may be crossing the Line of Actual Control (LAC) between the two countries.

**Oct. 13, 2000:** Indian Union Minister for Labour Dr. Satyanarayan Jatya states that India and China will work toward a joint strategy to oppose any link between labor standards and trade issues in the World Trade Organization.

**Oct. 16, 2000:** Chinese Foreign Ministry spokesperson Zhu Bangzao rejects Indian allegations about Chinese incursions across the Line of Actual Control (LAC).

**Oct. 24, 2001:** Singapore Telecommunications and India's Bharati Enterprises announce plans to build India's first fiber-optic undersea cable linking Singapore to the Indian coastal cities of Mumbai and Chennai.

**Oct. 29, 2000:** After completing his one-day visit of border posts, Indian Defense Minister George Fernandes says that "[o]ur border with China is well protected and well guarded and there is no need for any concern. We need to improve infrastructure and roads along the border with China."

**Nov. 6-10, 2000:** India's External Affairs Minister Jaswant Singh visits Vietnam and Laos. Vietnam offers support to India's candidacy for a permanent seat in the UN Security Council and bid for Asia-Pacific Economic Cooperation membership.

**Nov. 9-13, 2000:** Indian President K.R. Narayanan is the first Indian president in 30 years to visit Singapore. Singapore's Prime Minister Goh Chok Tong says that Singapore would propose, "without being aggressive," that India become one of ASEAN's four summit partners along with Japan, China, and South Korea.

**Nov. 10, 2000:** Inaugural meeting of the Mekong-Ganga Cooperation (MGC) grouping takes place in Laos and issues the "Vientiane Declaration" regarding tourism, transportation, cultural, and information exchanges among India, Burma, Thailand, Cambodia, Laos, and Vietnam.

**Nov. 13, 2000:** India and the PRC hold the eighth round of Expert Group (EG) talks on their border dispute and agree to accelerate the talks on the clarification of their disputed border, the LAC. Both sides exchange maps of the middle sector of the disputed border.

**Nov. 14-21, 2000:** Burma's Gen. Maung Aye, vice chairman of the State Peace and Development Council, receives a "red carpet" welcome during a visit to India.

**Nov. 22, 2000:** India cautiously welcomes a pledge by China to enforce strict export controls against missile proliferation.

**Nov. 30, 2000:** Chinese Foreign Ministry spokeswoman Zhang Qiyue says that "China's development does not constitute any threat to any country including India. We are confident that India's development, similarly, does not constitute a threat to China."

**Dec. 25, 2000:** India's Navy announces plans to set up a Far Eastern Naval Command based in the Andaman and Nicobar islands.

### **January 2001-December 2001**

**Jan. 8-9, 2001:** Indian Prime Minister (PM) Atal Behari Vajpayee becomes the first Indian leader to visit Vietnam since 1994.

**Jan. 9-17, 2001:** Former Premier and Chairman of the National People's Congress Li Peng is the highest ranking Chinese official to visit India since President Jiang Zemin in 1996 and New Delhi's nuclear tests in May 1998. The two sides agreed to form India-China Parliamentary Friendship Groups in their Parliaments.

**Jan. 11-13, 2001:** PM Vajpayee visits Indonesia where he signs five notable agreements on defense cooperation, the establishment of a Joint Commission, science and technology, cultural exchange, and agricultural cooperation.

**Jan. 18, 2002:** India tests the Agni II missile a day after the departure from India of Li Peng.

**Feb. 2001:** PM Vajpayee's scheduled visits to Malaysia and Japan are postponed due to the Gujarat earthquake on Jan. 26, 2001.

**Feb. 4, 2001:** India grants refugee status to the 17<sup>th</sup> Karmapa Lama, a youth who is one of the holiest figures in Tibetan Buddhism, more than a year after he fled from his homeland. China warns India not to let the Karmapa Lama engage in political activities.

**Feb. 7, 2001:** India and China hold a second round of talks on regional security as part of an effort to maintain an institutionalized and regular dialogue.

**Feb. 13-16, 2001:** India's External Affairs Minister Jaswant Singh visits Burma, the first senior Indian official to do so since PM Rajiv Gandhi visited in 1987 and since the crackdown on democracy in Burma in 1990.

**Feb. 16, 2001:** India, as host of the International Fleet Review, a four-day maritime exercise, calls for a joint action by Asian naval powers to combat growing piracy, drug trafficking, and gun-running in the region's troubled sea lanes.

**March 29, 2001:** Japan announces that it will extend official development assistance for two ongoing Indian infrastructure projects. However, measures prohibiting loans for new projects in response to India's 1998 nuclear tests will remain in place.

**April 16, 2001:** One of India's largest listed software firms, Satyam Computer Services, which has an estimated market capitalization of \$4 billion (\$\$7.26 billion), officially opens its Asia-Pacific headquarters in Singapore.

**May 14-17, 2001:** PM Vajpayee is the first Indian leader to visit Malaysia in six years.

**May 17, 2001:** Indian and Japanese coast guard ships conduct joint anti-piracy exercises.

**May 17, 2001:** India and Burma begin a joint military offensive on the bases of three rebel groups in India's northeast.

**May 22, 2001:** The BBC reports that at least 50 Burmaese soldiers are killed in heavy fighting with separatist Indian rebels inside Burma.

**June 20, 2002:** India's Ambassador to Japan rejects Japan Defense Agency chief's request to India to sign the Comprehensive Test Ban Treaty (CTBT).

**July 24, 2001:** India and Japan hold security and defense discussions as part of their efforts to establish a regular dialogue. Subjects of discussion included participation in each other's military exercises, studies in the areas of defense and security, and disaster relief, and search and rescue operations.

**July 25, 2001:** The Eighth Meeting of the ASEAN Regional Forum (ARF) is held in Hanoi, Vietnam. India, represented by former Minister of Defense K.C. Pant, proposes that trade ministers from India and Southeast Asia should hold an annual meeting to boost economic cooperation.

**Aug. 27-30, 2001:** Army Chief Gen. Padmanabhan becomes the first Indian army chief to visit Japan.

**Aug. 28, 2001:** India announces plans to establish a strategic command in its Andaman and Nicobar Islands.

**Oct. 2001:** PM Vajpayee visits Singapore.

**Oct. 9, 2001:** External Affairs Minister Singh telephones Chinese foreign minister to discuss cooperation following Sept. 11 terrorist attacks on the United States.

**Oct. 26, 2001:** Japan announces that it will “discontinue the measures on India and Pakistan taken in May 1998” in response to their countries nuclear tests. India is now eligible for grant aid and yen loans for new projects as well as Japanese support for loans by multinational development banks.

**Nov. 5-6, 2001:** At the Seventh ASEAN Summit held in Brunei Darussalaam, ASEAN decides to upgrade its relations with India to the summit level.

**Nov. 21-22, 2001:** India-Japan 21<sup>st</sup> Century Eminent Persons’ Group meets for the second time to draw up a proposed list of cooperative activities for the two governments to consider. Among the proposed activities are regular talks on the safety of regional sea lanes and joint infrastructure development.

**Dec. 7-11, 2001:** PM Vajpayee becomes the second Indian leader to visit Japan in a decade. His first stop is Osaka, where he asserts that India offers a “congenial atmosphere” for foreign investment. India and Japan agree to hold a dialogue on counterterrorism in the framework of their Comprehensive Security Dialogue.

#### **January 2002-December 2002**

**Jan. 13-18, 2002:** China’s Premier Zhu Rongji visits India. Zhu’s visit follows a 10-year gap since the last Chinese premier’s visit. India and China agree to establish a bilateral dialogue mechanism against terrorism, to accelerate the process of clarification and confirmation of the Line of Actual Control, and dedicate the seventh meeting of the ministerial level Joint Economic Group to strengthening trade and economic cooperation. Six MOUs and agreements are signed relating to science and technology, cooperation in outer space, tourism, phytosanitary measures, and supply of hydrological data by China to India regarding the Brahmaputra river during the flood season.

**Jan. 24-26, 2002:** The 4th ASEAN-India Joint Consultative Committee meeting is held.

**Feb. 2002:** PM Thaksin Shinawatra of Thailand visits India.

**March 4, 2002:** The Singapore and Indian navies begin their annual anti-submarine warfare exercise – the ninth in a series of exercises between the two navies since 1993.

**March 28, 2002:** India and China launch the first direct commercial airline route between the two countries.

**March 29-April 2, 2002:** External Affairs Minister Singh visits China. Agreement is reached to activate a joint working group on economic and trade relations and establish a first-ever counterterrorism dialogue.

**April 2-4, 2002:** External Affairs Minister Singh visits South Korea.

**April 1-5, 2002:** Indonesian President Megawarti Sukarnoputri visits India. Memoranda of Understanding on cooperation in peaceful uses of outer space, visa exemption for diplomatic and official passport holders, and a vocational center for the construction sector are signed. India and Indonesia also sign an agreement for New Delhi to build a railway line and a port terminal in South Sumatra in exchange for coal, timber, and crude oil. Several private sector business agreements are also signed on projects ranging from vegetable oil to computers.

**April 5, 2002:** India, Burma, and Thailand hold their first trilateral talks on trade, tourism, and a proposal for building of a highway linking the three countries.

**April 7, 2002:** The first ever private undersea cable between India and Singapore is commissioned.

**April 7-9, 2002:** PM Atal Bihari Vajpayee visits Singapore. India and Singapore sign two Memoranda of Understanding (MOU) for cooperation in the telecommunications and culture sectors and agree to establish a Joint Study Group (JSG) to explore an Economic Partnership Agreement (EPA) that would cover trade as well as intellectual property, customs cooperation, and the financial sector.

**April 9-11, 2002:** PM Vajpayee visits Cambodia. India offers to send a judge to serve on a tribunal for the possible trial of Khmer Rouge leaders if the United Nations decided not to take part in the tribunal. India also reaffirmed its commitment to the Mekong-Ganga Cooperation program – an infrastructure development project between Laos, Cambodia, Burma, Thailand, Vietnam, and India established in 2000. India and Cambodia also sign agreements on direct flights between the two countries, renovation of Ta Prohm temple in Angkor Wat, and visa exemptions for diplomatic and official passport holders.

**April 26, 2002:** At a ceremony to release respective commemorative stamps of the 50<sup>th</sup> anniversary of diplomatic relations, Japan's ambassador to India says, "Both India and Japan are more than well qualified for a seat in the enlarged [United Nations] Security Council."

**July 8, 2002:** Defense Minister George Fernandes visits Japan for meetings with FM Kawaguchi Yoriko.

**July 31, 2002:** India's FM Sinha and Japan's FM Kawaguchi meet on the sidelines of ASEAN Regional Forum and ASEAN Post-Ministerial Conference meetings in Brunei.

**Sept. 12, 2002:** PM Vajpayee and Japan's PM Koizumi Junichiro meet on the sidelines of the UN General Assembly annual meeting in New York.

**Nov. 4-5, 2002:** The inaugural ASEAN-India summit is held in Cambodia.

**Nov. 6-8, 2002:** PM Vajpayee visits Laos, which is set to become ASEAN's "country coordinator" for India beginning in June 2003. India announces plans to establish an information technology center in Laos. Agreements are signed on drug trafficking, defense, visa exemptions for official passport holders, and a \$10 million credit line for Laotian infrastructure development.

**Nov. 21, 2002:** India and China conduct the 14<sup>th</sup> joint working group meeting on their border dispute.



## About The Contributors

**Richard W. Baker** is Adjunct Senior Fellow at the East-West Center in Honolulu, Hawaii. Previously, he served as Director of Studies, coordinating the East-West Center's research program, served as a career officer in the United States Foreign Service from 1967-1987 in Singapore, Indonesia, and Australia, as well as at the Department of State in Washington. Among his publications, he was the principal editor of "*Indonesia, the Challenge of Change*" published by the Institute of Southeast Asian Studies (Singapore) in 1999 and has been a co-editor of the annual "Asia Pacific Security Outlook" series. He holds a BA in Politics and Economics from Yale University and a Master of Public Affairs degree (in international relations) from the Woodrow Wilson School at Princeton University.

**Lyll Breckon** is Senior Analyst at the Center for Naval Analyses. Prior to joining CNA, he was a member of the U.S. Senior Foreign Service with assignments in East Asian and European affairs, international security, and arms control negotiations. He served as Deputy U.S. Representative to the Conference on Disarmament in Geneva during the final negotiation of the Chemical Weapons Convention, 1990-93; and as Deputy U.S. Representative to the negotiation on Conventional Armed Forces in Europe, 1986-89. Mr. Breckon has held posts in Saigon, Bangkok, Madras, and Kuala Lumpur, Malaysia, where he was Charge/Deputy Chief of Mission of the U.S. Embassy from 1979-1983. He was Director of Vietnam, Laos, and Cambodia Affairs in the State Department 1983-86, and worked on East Asian matters on the Policy Planning Staff of the Department 1978-79. Mr. Breckon is a graduate of Harvard College, and was a fellow at the Woodrow Wilson School of Public and International Service, Princeton University, 1975-76.

**David G. Brown** is Associate Director of the Asian Studies Department at The Johns Hopkins School of Advanced International Studies. His thirty-year diplomatic career focused on Asia and included assignments in Tokyo, Beijing, Taipei, Hong Kong, and Saigon as well as tours in Vienna and Oslo. After leaving government, Mr. Brown served as Senior Associate at the Asia Pacific Policy Center, a non-profit institution in Washington, where he was a writer, speaker and consultant on a wide variety of Asian issues. Mr. Brown serves concurrently as the Chair of the East Asian Area Studies course at the State Department's Foreign Service Institute. He has a degree in East Asian Studies from Princeton University.

**Victor D. Cha** is Associate Professor in the Department of Government and School of Foreign Service, Georgetown University, Washington, D.C. and Director of a new project at Georgetown on the Future of America's Alliances in Asia. He is the author of the book, *Alignment Despite Antagonism: The United States-Korea-Japan Triangle*, winner of 2000 Masayoshi Ohira prize for best book on East Asia. Dr. Cha is a two-time recipient of the Fulbright (Korea) and MacArthur Foundation Fellowships. He is formerly a John M. Olin National Security Fellow at Harvard University's Center for International Affairs and postdoctoral fellow at the Center for International Security and Arms Control,

Stanford University. In 1999 he was the Edward Teller National Fellow for Security, Hoover Institution on War, Revolution and Peace at Stanford University and a recipient of the Fulbright Senior Scholar Award for Korea. Professor Cha is an independent consultant to various branches of the U.S. government. His current research projects include a book on strategic culture and military modernization (Korea) and models of engagement in U.S. policy toward Asia.

**Ralph A. Cossa** is President of Pacific Forum CSIS in Honolulu. He manages Pacific Forum's programs on security, political, economic, and environmental issues. He sits on the steering committee of the Multinational Council for Security Cooperation in the Asia Pacific and serves as executive director of the U.S. Committee of CSCAP. He is also a board member of the Council on U.S.-Korean Security Studies. Cossa is a political-military affairs and national security strategy specialist with over 25 years of experience in formulating, articulating, and implementing U.S. security policy in the Asia-Pacific and Near East-South Asia regions. He is a retired USAF Colonel and a former National Security Affairs Fellow at the Hoover Institution. He holds a B.A. in international relations from Syracuse University, an M.B.A. in management from Pepperdine University, and an M.S. in strategic studies from the Defense Intelligence College.

**Joseph Ferguson** is director of Northeast Asia Studies at the National Bureau of Asian Research. Previously, he was a fellow at the Johns Hopkins University Nitze School of Advanced International Studies in Washington, D.C. and a visiting Fulbright Fellow at the Russian Academy of Sciences' Institute of World Economy and International Relations. He has also received a *Monbusho* Fellowship from the Japanese government to research Japanese-Russian relations in Tokyo. From 1995-99, Mr. Ferguson worked as an analyst with the Strategic Assessment Center of Science Applications International Corporation (SAIC) in McLean, VA. He holds an M.A. in Asian Studies and International Economics from SAIS, and a B.A. in European Studies from Pomona College.

**Aidan Foster-Carter** is an honorary senior research fellow in sociology and modern Korea at Leeds. He is also a freelance analyst and consultant: covering the politics and economics of both South and North Korea for, amongst others, the Economist Intelligence Unit, Oxford Analytica, and BBC World Service. Between 1971 and 1997 he lectured in sociology at the universities of Hull, Dar es Salaam (Tanzania), and Leeds. A prolific writer on and frequent visitor to the Peninsula, he has lectured on Korean and kindred topics to varied audiences in twenty countries on every continent. He studied classics at Eton, Philosophy, politics, and economics at Balliol College Oxford, and sociology at Hull.

**Vivian Brailey Fritschi** is research associate at Pacific Forum CSIS. She holds an M.A. in Foreign Affairs from the University of Virginia and received her bachelors degrees in International Relations and in French Literature from Tufts University in Medford, Massachusetts. She was also a research fellow at the Graduate Institute of International Studies in Geneva, Switzerland and studied at the University of Paris (IV)-La Sorbonne in Paris, France.

**Bonnie S. Glaser** has been a consultant to the U.S. government on Asian affairs since 1982 and is currently a consultant to the Office of the Secretary of Defense, Sandia National Laboratories and other agencies of the U.S. government. Ms. Glaser also served as a member of the Defense Policy Board China Panel in 1997. Her recent publications include “China’s Pragmatic Posture toward the Korean Peninsula” in *The Korean Journal of Defense Analysis*, “Chinese Apprehensions About Revitalization of the U.S.-Japan Alliance,” in *Asian Survey* and “Chinese Perspectives on Nuclear Arms Control” in *International Security*. Bonnie Glaser received her B.A. from Boston University in political science and her M.A. from The Johns Hopkins School of Advanced International Studies with a concentration in international economics and Chinese studies.

**Brad Glosserman** is the Director of Research for the Pacific Forum CSIS in Honolulu and a contributing editor to *The Japan Times*, writing extensively on policy issues and international affairs. Previously, Mr. Glosserman was on the Editorial Board and the Assistant to the Chairman for *The Japan Times* concurrently. For the past two years, he has lectured at the Institute for the International Education of Students in Tokyo. Mr. Glosserman holds a J.D. from The George Washington University and an M.A. from the School of Advanced International Studies of the Johns Hopkins University, both in Washington, D.C.

**Satu P. Limaye** is the Director of Research at the Asia-Pacific Center for Security Studies in Honolulu. He received his Ph.D. in international relations from Oxford University and his B.S. from Georgetown University in Foreign Service. Dr. Limaye was an Abe Fellow at the National Endowment for Democracy’s International Forum for Democratic Studies. Dr. Limaye was Research Fellow and Head of Program on South Asia at the Japan Institute of International Affairs (JIJA). From September 1992 to July 1993, he was a Henry Luce Scholar assigned to the Japan Institute of International Affairs. Dr. Limaye has taught at Georgetown University’s Department of Government and School for Summer and Continuing Education as well as at Sophia University’s Faculty of Comparative Culture (Tokyo). He is the author of *U.S-Indian Relations: The Pursuit of Accommodation* (Westview Press, 1993).

**James J. Przystup** is a Senior Fellow and Research Professor in the Institute of National Strategic Studies at the National Defense University. Previously, he was Director of the Asian Studies Center at The Heritage Foundation, a staff member on the U.S. House of Representatives’ Subcommittee on Asian and Pacific Affairs, and Director for Regional Security Strategies on the policy Planning Staff in the Office of the Secretary of Defense. He also worked in the private sector at Itochu and IBM World Trade Americas/Far East Corporation. Dr. Przystup graduated from the University of Detroit and holds an M.A. in International Relations and a Ph.D. in Diplomatic History from the University of Chicago.

**Jane Skanderup** is Director of Programs at Pacific Forum CSIS. She specializes in economic and political relations in the Asia Pacific region and comparative economic issues in Asia and Latin America. She has authored and coauthored several monographs in the Pacific Forum's *Occasional Paper Series*, several volumes in the CSIS *Significant Issue Series*, articles and op-eds, many published in the Forum's *PacNet Newsletter*. She received an M.A. in international relations from the Paul H. Nitze School of Advanced International Studies at the Johns Hopkins University and is fluent in Spanish.

**Scott Snyder** is the Asia Foundation's representative in Korea. Previously he served as an Asia specialist in the Research and Studies Program of the U.S. Institute of Peace and an Abe Fellow, a program administered by the Social Sciences Research Council. While at USIP he completed a study as part of the Institute's project on cross-cultural negotiation entitled *Negotiating on the Edge: North Korean Negotiating Behavior*. Snyder has written extensively on Korean affairs and has also conducted research on the political/security implications of the Asian financial crisis and on the conflicting maritime claims in the South China Sea. Snyder received his B.A. from Rice University and an M.A. from the Regional Studies-East Asia Program at Harvard University. He was the recipient of a Thomas G. Watson Fellowship in 1987-88 and attended Yonsei University in South Korea.

**Yu Bin** is Assistant Professor of Political Science at Wittenberg University and concurrently a faculty associate of the Mershon Center of the Ohio State University. Previously, he was a fellow at the East-West Center in Honolulu and president of Chinese Scholars of Political Science and International Studies. He was a MacArthur fellow at the Center of International Security and Arms Control at Stanford University and a research fellow at the Center of International Studies of the State Council in Beijing. Dr. Yu earned a B.A. degree from the Beijing Institute of Foreign Studies, M.A. at the Chinese Academy of Social Sciences, and Ph.D. at Stanford University.