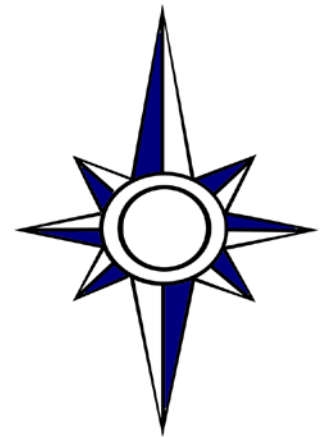




P a c i f i c F o r u m C S I S



Comparative Connections



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

edited by

Carl Baker
Brad Glosserman

January – April 2013
Vol. 15, No.1
May 2013

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Pacific Forum CSIS

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

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A Triannual Electronic Journal on East Asian Bilateral Relations

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

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

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

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

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by Bonnie Glaser, CSIS/Pacific Forum and Brittany Billingsley, CSIS

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by Victor Cha, CSIS/Georgetown University and Ellen Kim, CSIS

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by Robert Sutter, George Washington University, and Chin-hao Huang, University of Southern California

Tensions between China and Southeast Asian countries caused by territorial disputes in the South China Sea posed less serious challenges than the crises in Northeast Asia. Nevertheless, Chinese leaders reinforced the sinews of power to coerce and intimidate others from challenging Beijing's South China Sea claims. They averred unwavering determination to defend and advance the claims and uphold China's sovereignty and territorial integrity. At the same time, they continued to emphasize China's broad commitment to a path of peaceful development and expanding mutually beneficial relations with neighboring countries, the US, and others. In effect, they sustained the pattern of the past year, which established a choice. Those countries that pursue policies and actions at odds with Chinese claims will meet extraordinary coercive and intimidating measures; those that mute opposition or acquiesce regarding Chinese claims are promised a peaceful and mutually beneficial relationship with a more powerful China.

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by David G. Brown, The Johns Hopkins School of Advanced International Studies, and Keven Scott, The Brookings Institution

The contrast between tensions elsewhere in the region and the relative calm in the Taiwan Strait, evident for some time, was clearly in focus in the first months of 2013. In a late April event commemorating the 20th anniversary of cross-strait exchanges, President Ma Ying-jeou said progress is "an example for East Asia and the world by demonstrating peaceful resolution of disputes." Taipei and Beijing continue to make slow but steady progress in expanding and institutionalizing cross-strait ties. Health and crime issues, which provoked controversy in the past, have been addressed and talks on an exchange of unofficial representative offices have begun. Nevertheless, fundamental policy divergences and differences over the pace and scope of interaction will likely place real limits on future integration. Taipei and Tokyo successfully concluded a landmark fisheries agreement with respect to the Senkaku/Diaoyutai Islands that constructively focuses on resource cooperation.

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by Aidan Foster-Carter, University of Leeds, UK

In a triumph of hope over experience, our last report ended with the cautious thought that new leaders in the two Koreas, each with a dynastic background, might have "a tacit basis for understanding." It is early days yet, but so far 2013 has gone in the opposite direction. This was one of those regular periods when storms on the peninsula make headlines around the world, so few readers will need informing of the broad contours of the past few months. The tensions fomented by Pyongyang, which seem to have died down for now (though one can never be quite sure), lasted longer – two months – and used more extreme rhetoric than usual. As so often, inter-Korean relations were more a victim than a main driver in all this. But they have suffered tangible damage with the closure, at least for now, of the Kaesong Industrial Complex, which had been the last remaining North-South joint venture.

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by Scott Snyder, Council on Foreign Relations and See-won Byun, George Washington University

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

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by David Kang and Jiun Bang, University of Southern California

In the movie "Groundhog Day," Bill Murray is fated to repeat one day of his life over and over – that description is apt for relations between Korea and Japan. North Korea's histrionics again dominated media headlines and managed to overshadow the inauguration of Park Geun-hye in February 2013, even while South Korea and Japan under-reacted to the bluster. With Park's inauguration, new leaders have taken office in every country in Northeast Asia, including North Korea and China, over the past 18 months. Despite new leadership, the issues remain very much the same: North Korean threats, increased South Korea-Japan economic interactions despite continued squabbling over historical and territorial issues, and a reminder that the US remains deeply involved in regional issues.

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by Yu Bin, Wittenberg University

President Xi Jinping kicked off his first round of foreign visits by traveling to Russia and Africa in late March, just five days after he was confirmed as China's paramount leader by the National People's Congress. In comparison, it took Hu Jintao two months and Jiang Zemin two years to set foot in Russia after assuming the Chinese presidency. Both sides hailed the Moscow summit as "historical" for the "special nature" of the Sino-Russian strategic partnership. Xi also became the first foreign head of state to visit the Russian Defense Ministry. Three days after their summit, Xi and President Vladimir Putin met again in Durban, South Africa, where they navigated the annual BRICS Summit toward a more integrated economic grouping. Before and after those trips, however, both men had to deal with a host of difficult and dangerous foreign policy challenges in Korea, Afghanistan, and Syria.

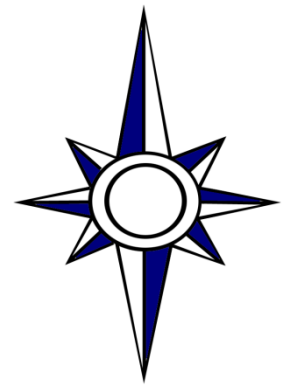
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by Catharin Dalpino, Simmons College

Asia-Pacific regionalism has been spurred by increasing economic integration but pulled apart by territorial tensions. These two trends have proceeded on separate paths with only occasional intersection. However, security dynamics are likely to increasingly influence regionalism as China rises and the US attempts to "pivot" more of its foreign policy to Asia, and that could exert a greater impact on economic cooperation. ASEAN continues to serve as a base for regional organizations, but in 2012 questions were raised about whether that center could hold. ASEAN's goal to complete the blueprint for the ASEAN Free Trade Area in 2015 puts additional pressure on the group. On a broader regional plane, the Trans-Pacific Partnership has expanded in recent months with the addition of Japan, Mexico, and Canada. Meanwhile, the launch of negotiations for the ASEAN-based Regional Comprehensive Economic Partnership in late 2012 raises fears of a bifurcated landscape for the Asia-Pacific region into US and Chinese economic "spheres of influence."

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Regional Overview:

Continuity Prevails for Better and for Worse

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

During the first four months of the Year of the Snake, the “unpredictable” North Korean regime acted all too predictably, following through on its threat to conduct a third nuclear test and increasing tensions through fiery rhetoric. Those hoping for a change in policy toward Washington or especially toward the incoming Park Guen-hye administration in Seoul have been sorely disappointed; continuity unfortunately prevails here as well. Pyongyang also took steps to solidify its claim to be – and its desire to be treated as – a nuclear weapon state, a status the rest of the international community is (rightfully) no more willing to bestow on the Kim Jong Un regime than it was when his father ruled to roost. Meanwhile, new Secretary of State John Kerry made his first visit to Asia to underscore the second Obama administration’s – and his own personal – commitment to America’s rebalance to Asia. His major policy address while in Japan also tried to underscore a consistent – if still not widely accepted or understood – message that the so-called “pivot” is not just about security but has important economic and political dimensions as well. Fears of “death by sequestration” have also (thus far) proven to be overstated as the new leadership team in Washington has held true to the pledge by former Defense Secretary Panetta to shield Asia-based forces from the worst of the budget cuts. One change we were predicting was the transformation of “ultra-conservative” candidate Abe into a more pragmatic leader as he took the helm in Tokyo. The jury remains out on what the “real Abe” will look like (after Upper House elections in July) but Prime Minister Abe has demonstrated enough continuity by reinforcing candidate Abe’s nationalist rhetoric to make Japan’s neighbors, not to mention many in Washington, nervous. Finally, our hats are off to the people of Boston – “Boston strong” – but not without a closing warning to Pyongyang.

Kim Jong Un as Kim Jong Il II

North Korean leader Kim Jong Un has thus far taken page after page out of his father’s play book, following his December (successful) satellite launch with the DPRK’s third (successful?) nuclear test. Another favorite tactic has also been repeated throughout the early months of 2013: “if at first you don’t succeed (in getting Washington and Seoul to do what you want, start shouting; if that does not work, shout louder; if that still doesn’t work, shout even louder.)

Since the Feb 12 nuclear test and the largely perfunctory UN Security Council (UNSC) sanctions that followed (after more than three weeks of debate), the shouts – and preposterous claims – have been coming fast and furious. The North, after (once again) declaring the Korean Armistice Agreement null and void, claimed that it now had the ability to strike anywhere in the United States with its nuclear weapon-equipped missiles – a threat that virtually no one believes – and that it would mercilessly attack both the US and ROK (or south Korea, as Pyongyang calls it)

with nuclear weapons if they dared to attack the North during then ongoing ROK-US military exercises – a safe threat since no one planned on attacking the North in the first place. While the US and ROK militaries kept a watchful eye (as they must), most South Koreans and Americans merely shrugged their shoulders; North Korea threat fatigue has clearly set in.

While most of the North's threats have been mere rhetoric, in one area Kim Jong Un has put his money (or, in this case, Seoul's money) where his mouth is. In early April, after ROK media analysts had "insulted" Pyongyang by arguing that the North, despite all its threats of war, protected the Kaesong Industrial Complex (KIC) since it needed the hard currency – North Korean workers received some \$80-90 million dollars annually in wages, much of which went to the government and not the employees – the North pulled all of its 53,000+ workers out of the KIC until the South apologized for disparaging its leader. President Park, in return, citing the threat posed to the 700+ ROK managers at the complex, pulled all South Korean workers out (after paying a handsome \$13+ million ransom in "owed back wages and fees"). Each appeared to be calling the other's bluff: the South has invested over \$1 billion in building Kaesong; 123 ROK factories last year produced some \$470 million worth of textiles and other labor-intensive goods and the North may be expecting (hoping?) that Seoul blinks first.

This may represent more than just another bluff by Pyongyang, however. There are reports that Kim Jong Il told Park Guen-hye, when she visited Pyongyang as a National Assembly member in 2002, that the Korean People's Army (KPA) was strongly opposed to the Kaesong complex, which it saw as a security risk, but that he had moved forward with it nonetheless. It's possible that Kaesong's closure represents a gift to the military by Kim Jong Un – others might call it Kim's yielding to the KPA's "military first" demands – and that Kaesong will not reopen anytime soon. One thing certain is that the North will not be able to operate the industrial park without Seoul's assistance. For starters, the South provides the power to run the facility.

Toward the end of our reporting period, as the ROK-US exercises drew to a close and Secretary of State John Kerry traveled the region calling for a resumption of dialogue, the North seemed to lower its voice if ever so slightly. This did not deter Pyongyang, in late April, from announcing that Kenneth Bae, a Korean-American tour operator who had been arrested in the Rajin Sonbong special economic zone on Nov. 3 last year after entering the country with a group of tourists, was being brought to trial. His trial opened April 30; on May 3 he was sentenced to 15 years of hard labor for unspecified crimes against the state. The official *KCNA* news agency took pains in announcing that this was not a "bargaining chip" situation; that remains to be seen.

Prospects for a return to dialogue: slim to none!

Some media analysts, especially in South Korea, were quick to see positive signs emanating from the North's willingness not to dismiss Secretary Kerry's overtures out of hand. We remain more suspect. Here's what Pyongyang actually said (in an April 16 *KCNA* statement attributed to a DPRK Foreign Ministry spokesman) in response to Kerry's "crafty ploy":

The DPRK is not opposed to dialogue but has no idea of sitting at the humiliating negotiating table with the party brandishing a nuclear stick. Dialogue should be based on the principle of respecting sovereignty and equality – this is the DPRK's consistent

stand. Genuine dialogue is possible only at the phase where the DPRK has acquired nuclear deterrent enough to defuse the U.S. threat of nuclear war unless the U.S. rolls back its hostile policy and nuclear threat and blackmail against the former. The DPRK will escalate its military countermeasures for self-defence unless the U.S. ceases its nuclear war drills and withdraws all its war hardware for aggression.

The Korea Worker's Party newspaper, *Rodong Sinmun*, was more direct: "The North won't give up its nuclear program until the entire world is denuclearized." Pyongyang has long made it clear it is willing to enter into "arms control" talks with the US as one nuclear weapon state to another, but will not discuss denuclearization until all UNSC sanctions are lifted and the US refrains from conducting military exercises on the peninsula. While the other frequent demand – a complete US military withdrawal from the ROK and closing of the US nuclear umbrella – was not mentioned, such demands remain on the table.

Secretary Kerry dismissed Pyongyang's response as a "beginning gambit – not acceptable, obviously," further noting that the US will not return to past cycles of "here's a little food aid, here's a little of this, then we'll talk." In fact, Kerry's "overture" broke no new ground. During congressional testimony, he even gave his own version of the "we won't buy the same horse twice" bromide: "I have no desire and the President has no desire just to horse trade and go down the same old road." To reinforce this point, White House spokesman Josh Earnest made it clear that the US bargaining position had not changed: "We're open to credible negotiations with the North Koreans, but we also need to see some clear evidence that the North Koreans themselves are willing to live up to their international obligations." He added that the North Koreans must "demonstrate their commitment to ending the nuclear program, something they've promised in the past. And we haven't seen that thus far." We hasten to add that we are not likely to see this in the near future either.

Beijing's growing impatience . . . with everyone

In his strongest (yet still maddeningly indirect) criticism to date of Pyongyang, Chinese President Xi Jinping said on April 19 that no country "should be allowed to throw a region and even the whole world into chaos for selfish gain." China's Foreign Minister Wang Yi was (slightly) more direct: "we oppose provocative words and actions from any party in the region and do not allow trouble-making on China's doorstep." The April 11 *People's Daily Online* was even more direct, sending messages to Washington, Seoul, and Tokyo as well. To the DPRK it warned: "do not misjudge the situation," arguing that, "legitimate" national security concerns notwithstanding, "there is no reason to violate the relevant resolutions of the United Nations Security Council to engage in nuclear testing and launch missile using ballistic missile technology, which cannot shirk its responsibility in upgrading tensions on the peninsula last year."

To Washington it warned: "do not add fuel to the flames," identifying US sanctions, pressure, and isolation against the DPRK as "one of the root causes of conflicts on the peninsula." The commentary told Seoul: "do not miss the focus," while urging the Park administration to "play the role to cool down the tensions on the Korean Peninsula, rather than be pushed by the DPRK or the United States." Finally, it could not resist taking a shot at Tokyo: "To Japan: do not fish in troubled water."

Kerry ‘pivots’ toward Asia

During Secretary Kerry’s visit to Korea, Japan, and China (covered in detail in their respective bilateral chapters), he gave a major foreign policy address in Tokyo, where he underscored his own (and the administration’s) commitment to the rebalance: “President Obama made a smart and a strategic commitment to rebalance our interests and investments in Asia. My commitment to you is that as a Pacific nation that takes our Pacific partnership seriously, we will continue to build on our active and enduring presence.” Kerry outlined four basic principles upon which US Asia policy is organized: “strong growth, fair growth, smart growth, and just growth.”

While identifying the US forward military presence and Asia-Pacific alliances – with Japan, South Korea, Australia, the Philippines, and Thailand – as the “fundamental platform” beneath the rebalance, he stressed the political and economic dimensions of the so-called “pivot”: “The collaborative region that I envision must enjoy sustainable economies, free trade, fast growth, but it must offer every nation, big and small, a seat at the table and a clear sense of what everybody’s responsibilities are.” Addressing the other misperception about the US Asia strategy, he stressed that “(I)n each of these efforts – growing strong, growing fair, growing smart and growing just – China is, of course, a critical partner.... We all have a stake in China’s success, just as China has a stake in ours.”

Kerry also spent considerable time in his speech laying out his own bona fides, reminding the audience (and Asians in general) that in 29 years on the Senate Foreign Relations Committee, he had developed a good understanding of regional issues, not to mention his prior military service in Vietnam.

Sales pitches and the sequester

Other US policymakers continued their efforts to sell the rebalance to Asia to domestic and foreign audiences. In Congressional testimony in February, Acting Assistant Secretary of State for East Asian and the Pacific Affairs Joseph Yun provided an overview of the rebalance, emphasizing, among other things, how the US strategy links the Indian and Pacific oceans, a point made clear in then Secretary Clinton’s 2011 *Foreign Policy* article. National Security Advisor Tom Donilon continued his advocacy work with a March speech that looked at the overall strategy, underscoring that it was a response to demand signals from the region and highlighting its scope, particularly when it comes to engaging regional governments. Deputy Secretary of Defense Ashton Carter (again) spelled out specifics of the rebalance, at least for the Department of Defense, in a March speech in Jakarta.

Asian audiences are of two minds about the policy. Allies and partners worry about its credibility and the durability of the commitment. In every dialogue and conversation, interlocutors seek more details about its meaning and content, demanding proof that it constitutes a genuine shift in policy and that it will endure beyond the next crisis elsewhere in the world. They are looking for signs of a real transition in US thinking. The problem is that the rebalance is more marketing than strategy. By that we don’t mean that the priority given to Asia isn’t real or that engagement with the region isn’t increasing. Rather, this policy was in place even before its articulation and

thus signs of a shift are hard to find. To our eyes, key components of the rebalance were in place during the Bush administration. We can trace its intellectual and policy roots as far back as the George H.W. Bush administration. The strengthening and modernization of US alliances in Northeast Asia has been a work in progress for nearly two decades.

The second complaint we hear from Asian audiences is that the rebalance is really a strategy to contain or check China. Yes, one of the five pillars of the rebalance directly addresses China – but as Secretary Kerry noted it seeks to engage China and encourage its assumption of the role of a responsible partner of the US. And yes, if China seeks to challenge the status quo or threaten the stability of the region, then the US, along with its allies and partners, will be ready to counter those tendencies. But China's fate is in China's hands. Beijing's behavior will determine how the rebalance affects China. The most honest answer to the question "Is the rebalance against China?" is "no, not yet."

Some worry that sequestration – the meat-cleaver approach to budgets that was designed to fail, and in a telling indication of the state of US politics, didn't – will undermine the rebalance. It won't. In April remarks to CSIS, Deputy Secretary Carter insisted that "we have the resources to accomplish the rebalance." While cuts may be required, he pledged that "wherever we have flexibility, we are favoring and protecting the rebalance." Carter concluded, "the U.S. defense rebalance to the Asia-Pacific is not in jeopardy." It is hard to be more explicit than that.

A new foreign policy team, same goals

As anticipated, there was significant turnover in the Obama administration's foreign policy team in the second term, with both Secretary of State Hillary Clinton and Secretary of Defense Leon Panetta taking well-deserved retirements at the beginning of the year. Replacing them took a little longer than expected, however. Nomination of the first presumed replacement for Clinton, UN Ambassador Susan Rice, was preempted by a partisan fight over statements she made on Sunday talk shows in the aftermath of the killing of US Ambassador to Libya Christopher Stevens. After she withdrew from consideration, Obama nominated Massachusetts Sen. John Kerry. As chair of the Foreign Relations Committee and a periodic foreign policy trouble-shooter for presidents, Kerry was primed for the job. Comity and good will dominated his confirmation hearing and he was confirmed in a 94-3 vote. An election that might reduce the Democratic Party's Senate majority helped ease GOP objections.

Strangely, the prospect of a Republican taking the helm at the Pentagon didn't ease GOP concern about the nomination of former Sen. Chuck Hagel to lead the Department of Defense. The former Army enlistee who served in Vietnam faced fierce opposition from Sen. John McCain (among others), who took offense at Hagel's characterization of the surge in Iraq as "a historical blunder." Hagel squeaked through the confirmation process in a 58-41 vote. The contentious fight and the broadly partisan vote may diminish his stature at a time when the Pentagon will need tough leadership and Congressional support to deal with drawdowns from the Iraqi and Afghan wars, sequestration, and new strategic challenges.

Rounding out the foreign policy team, on May 1 Obama (belatedly) nominated Mike Froman as US Trade Representative and Penny Pritzker as secretary of Commerce. Froman has served as

the president's chief international economic affairs advisor since Obama took office in 2009 and was deeply involved in trade negotiations and global forums (the G8 and G20) during the first term. Pritzker is a member of the family that established the Hyatt Hotel chain, and a long-time Obama supporter. Both will be key players in the effort to stiffen the economic pillar of the "rebalance," and one of their first priorities will be finishing negotiations on the Trans-Pacific Partnership (TPP).

In conversations throughout the region, we've been questioned about the new team's commitment to the rebalance. Asian observers note that during his confirmation hearings, Kerry said little about Asia in prepared remarks – his confirmation statement mentioned China once (in a generic fashion) and North Korea once; he was silent on Japan and South Korea – and has little experience in the region: in nearly 30 years on the Senate Foreign Relations Committee, he visited China and Japan just five times each, and South Korea only once. In discussions early in the year, Chinese were quick to blame Secretary of State Clinton for virtually all the problems in the US-China relationship, suggesting (hoping?) that with her departure, Kerry would embrace the more traditional relationship and many of the frictions would go away. These Chinese hopes (or wishful thinking) reinforced Japanese fears. In meetings with Japanese, there was concern that the new secretary might be less supportive of the alliance and more ready to follow through on China's call for "a new type of great power relations."

As noted in our assessment of Kerry's Tokyo speech, we are confident that the new team will not falter in its commitment to the rebalance. Many Asians, and even some Americans, fail to appreciate that policy is set in the White House and the secretaries of State and Defense, while senior, still work to realize the president's strategic objectives. Cabinet secretaries don't take those jobs unless they share their president's world view. The rebalance reflects a strategy to protect US national interests and that has not wavered, even if individuals on point may change.

That said, we are concerned about the failure to fill the less senior but still critical Asia positions at State and DoD — the assistant secretaries who will replace Kurt Campbell and Mark Lippert at State and Defense, respectively. Campbell's replacement in particular will have big shoes to fill as he has been an indefatigable, oversized presence who has gone a long way to reassure Asian allies and partners about US commitment. There were anxieties in the region when he was named to the post in 2001, but they are long forgotten. (This is a source of no small amusement when we hear concern about the new team; many of our interlocutors forget they voiced the same worries four years ago when Clinton et. al. took office.) As we write, there are strong and persistent rumors that National Security Council Senior Director for Asia Danny Russel will take the East Asia and Pacific post at State, but that remains unconfirmed (and, if true, would then create a key Asia vacancy at the NSC). At the Pentagon, (after an extended vacancy) Mark Lippert took the Asia-Pacific slot after Chip Gregson's departure, but he is moving on to be Hagel's chief of staff. Peter Lavoy, principal deputy assistant secretary of defense for Afghanistan, Pakistan, India, and Central Asian policy, will be the acting assistant secretary of defense for Asia and Pacific security affairs; Joseph Yun is his counterpart at Foggy Bottom. While both men are just "acting" assistant secretaries, those appointments are a reminder of the deep bench of more than capable professionals in the bureaucracies. Nevertheless, continuing vacancies in key senior Asia political positions suggests an inattention to Asia that is very much at odds with US policy and sends the wrong signal to all concerned.

One other item of note: It is not enough for the posts of secretary and assistant secretary to be filled with capable individuals. Equally, if not more, important is the relationship between those two. Little appreciated was how close Clinton and Campbell were and his ability to get the secretary to focus on his priorities. No matter how qualified their successors are, it will be very difficult for them to replicate that closeness and the results it produced.

Japan: out with the old, in with the ... old

The return of Abe Shinzo and the Liberal Democratic Party (LDP) to power in Tokyo has proved more tumultuous than many expected. In our last volume, we wondered which Abe would show up: would it be the pragmatic politician determined to focus on economic issues and avoid controversy in the hope of taking the control of the Upper House in elections this summer, or would it be the conservative nationalist that many feared would stoke tensions with Japan's neighbors? We bet on the pragmatist and for the first month or so we were right as the new administration adopted the Clinton-era slogan, "It's the economy, stupid" and worked to lay the foundations of an economic recovery. Abe and crew talked down the yen to increase business competitiveness and engineered the selection of a new governor of the Bank of Japan who would back Abe's plan to induce inflation. Abe tried to smooth relations with China as the dispute over the Senkaku/Daiyou Islands festered, with only minimum success, but not for lack of trying. (Jim Przystup details that effort in his chapter on Japan-China relations in this volume of *Comparative Connections*.)

By March, however, conservative Abe seized the stage. While he never explicitly repudiated the "Kono Statement" about "comfort women" forced into sexual slavery during World War II, his comments about its validity were worrisome – as were subsequent remarks about whether Japanese actions in the 1930s and '40s could be considered an invasion. Abe himself didn't visit Yasukuni Shrine, but he did send an offering, and 168 legislators, including several Cabinet ministers (Deputy Prime Minister and Finance Minister Aso Taro among them) called on the shrine during a spring festival. Equally troubling was the decision to hold the first national "Restoration of Sovereignty Day" on April 28, to mark the end of the US Occupation of Japan after World War II and signaled to many a worrisome nationalist impulse. (Regional reaction to those developments is detailed in various chapters of *Comparative Connections*.) Reports that Abe appeared miffed that his critics (at home but especially abroad) did not appreciate his great restraint in not personally going to Yasukuni show just how tone-deaf the prime minister can be on history issues.

While many Americans welcome a stable and capable government in Tokyo, and a smaller but still significant number applaud a more forward-leaning and security-minded administration, that does not mean the Abe administration has a blank check from Washington. There is considerable angst in the US about the destabilizing effects of a nationalist government and no desire to see Japan antagonize its neighbors merely to prove that Tokyo can flex its muscles. Japanese assertiveness should be principled, not petulant. The US has stood behind the commitments in the US-Japan Security Treaty (although Japanese continue to press for a more forthright statement on the legitimacy of its claim to sovereignty over the Senkakus) but it does not welcome confrontation with China. Moreover, the US wants trilateral cooperation among

Washington, Tokyo, and Seoul, and the Abe government's nationalist tendencies have made that increasingly difficult. In addition to having those security ambitions thwarted, we have heard accusations from regional analysts (not all of them Chinese) that the US is enabling Japanese conservatives and facilitating their revisionist agenda. In many ways, then, the Abe government is complicating, if not undermining, the US regional agenda. The question is how long the Obama administration will continue to avoid public statements of displeasure: a public repudiation of the Tokyo government could have powerful consequences.

Boston Strong!

As a native New Yorker and life-long NY Yankee fan, your lead author normally finds it difficult to say anything positive about the home town of the hated rival Red Sox, but we must give credit where credit is due. The people of Boston showed great strength and determination in the face of the Boston Marathon terrorist attack, quickly vowing to return the city to normal as a message it would not be cowed or made to live in fear.

What's this have to do with North Korea? Imagine if you would that there had been even trace amounts of radioactive material in the pressure cooker bomb. North Korea, with its boasts about its ability to attack the United States, would have been quickly added to the suspect list (instead of not even being considered, since no one really takes its threats seriously today). Americans might even have employed a "guilty until proven innocent" when it came to the one country that both has plutonium and has demonstrated a willingness to sell just about anything to anyone. A word to the boastful interlocutors in Pyongyang: be careful about making claims that could come back to haunt you.

Regional Chronology

January – April 2013

Jan. 2, 2013: Brunei's Ministry of Foreign Affairs says the promotion of human rights and negotiation of a binding code of conduct for claimants in the South China Sea would top the country's agenda as 2013 ASEAN chair.

Jan. 2, 2013: Myanmar government acknowledges that the military carried out air attacks against rebel fighters in the northern state of Kachin.

Jan. 3, 2013: South Korean court refuses to extradite a Chinese man who was accused of an arson attack at the Yasukuni Shrine in Tokyo to Japan, ruling the attack was a "political crime."

Jan. 4, 2013: China makes a diplomatic complaint to Myanmar after three bombs land within its territory during air attacks on the northern Kachin state.

Jan 4. 2013: Indonesian Prime Minister Marty Natalegawa pledges \$1 million in humanitarian assistance to Myanmar's Rakhine state.

Jan. 7, 2013: Indonesian Foreign Minister Marty Natalegawa visits Myanmar's Rakhine state at the invitation of the Myanmar government. He says that trust must be rebuilt between the Rohingya and the ethnic Rakhine in the state.

Jan. 7-10, 2013: Former New Mexico Gov. Bill Richardson and Google Chief Executive Officer Eric Schmidt travel to Pyongyang and meet several high-level Foreign Ministry officials. US State Department expresses displeasure over the visit.

Jan. 8, 2013: A Japanese opposition lawmaker urges Prime Minister Abe Shinzo to not alter the 1993 apology to World War II sex slaves and South Korean "comfort women."

Jan. 8, 2013: Prime Minister Abe calls for "resolute" action against North Korea over its nuclear weapons program in telephone call with United Nations leader Ban Ki-Moon.

Jan. 9, 2013: Japanese Foreign Minister Kishida Fumio visits the Philippines and meets President Benigno Aquino and Foreign Minister Albert del Rosario. Del Rosario says the Philippines plans to acquire 10 coast guard vessels from Japan.

Jan. 9, 2013: Le Luong Minh assumes the post of secretary general of ASEAN.

Jan. 9-11, 2013: Chinese Vice Foreign Minister Zhang Zhijun visits Seoul as an envoy for incoming Chinese leader Xi Jinping, meeting President-elect Park Geun-hye. Zhang acknowledges South Korean frustration toward China's North Korean policy.

Jan. 10, 2013: Foreign Secretary del Rosario warns that the Chinese nine-dash line territorial claim poses a threat to the Asian region's security.

Jan. 10, 2013: Two Chinese *J-10* fighters are sent in response to two Japanese *F-15* fighters following a Chinese *Y-8* aircraft at Japanese military radar north the Senkakus/Diaoyus.

Jan. 11, 2013: Japanese government releases \$226.5 billion stimulus plan that includes increased military spending.

Jan. 13, 2013: Japan's Ground Self-Defense Force carries out a drill to reclaim an island from enemy forces at the Narashino Garrison in Chiba.

Jan. 14-17, 2013: Assistant Secretary of State for Asian and Pacific Affairs Kurt Campbell, Assistant Secretary of Defense for Asian and Pacific Security Affairs Mark Lippert and National Security Council Senior Director for Asian Affairs Daniel Russel travel to South Korea and Japan to meet counterparts in Seoul and Tokyo.

Jan. 15-19, 2013: US and Japan conduct a five-day joint air exercise over the Pacific Ocean near Shikoku, which involves six US *F/A-18* fighters and four Japanese *F-4* jets.

Jan. 16-19, 2013: Prime Minister Abe visits Southeast Asia with stops in Vietnam, Thailand, and Indonesia “to strengthen relations with countries that share universal values [with Japan] and for such ties to help Japan's growth.”

Jan. 17, 2013: The minesweeper, *USS Guardian*, runs aground causing extensive damage to Tubbataha Reef, a UNESCO world heritage site and Philippine national park located in the Sulu Sea near the island of Palawan.

Jan. 18, 2012: Myanmar's Parliament approves a motion calling for a halt to fighting and the resumption of peace talks between the military and rebels in the northern state of Kachin.

Jan. 18, 2013: Japanese Foreign Minister Kishida Fumio visits the US and holds a joint press conference with Secretary of State Hillary Clinton.

Jan. 18, 2013: After a meeting of the Mekong River Commission, Vietnam and Cambodia call on Laos to halt construction of a \$3.5 billion hydropower dam pending further study and consultation with downriver countries.

Jan. 19-20, 2013: Deputy Chief of General Staff of the Chinese People's Liberation Army Qi Janguo visits Myanmar to co-chair the first China-Myanmar Strategic Security Consultation with Commander-in-Chief of the Army Gen. Soe Win. He also meets President Thein Sein.

Jan. 21, 2013: Japanese Coast Guard reports that three Chinese maritime surveillance ships enter Japanese territorial waters near the Senkakus.

Jan. 22, 2013: Philippines announces it submitted its dispute with China over territorial claims in the South China to a UN Convention on the Law of the Sea (UNCLOS) arbitration tribunal.

Jan. 22, 2013: United Nations Security Council unanimously adopts a resolution (UNSCR 2087) condemning North Korea's recent rocket launch and expanding existing UN sanctions.

Jan. 23, 2013: President-designate Xi Jinping meets Kim Moo-sung, envoy of the Republic of Korea. Xi urges “a treatment of tensions” concerning the newly strengthened UN sanctions against North Korea.

Jan. 23-28, 2013: Chief US Envoy for Six-Party Talks Clifford Hart and US Special Envoy on DPRK Policy Glyn Davies visit South Korea, China, and Japan to discuss post-actions following the implementation of new UN sanctions against North Korea.

Jan. 24, 2013: Japanese and Taiwanese Coast Guard ships exchange water cannon volleys near the Senkakus/Diaoyus, discouraging a group of Taiwanese activists from landing on the islands to “maintain sovereignty.”

Jan. 25, 2013: The Paris Club of creditor nations cancels \$6 billion of Myanmar's debt.

Jan. 25, 2013: North Korea calls the new UN sanctions a “declaration of war” and threatens “physical counter-measures” against the South.

Jan. 27, 2013: Japan launches a radar-equipped satellite to increase surveillance of the region.

Jan. 27, 2013: The US-Korea Institute at Johns Hopkins University posts new satellite images of activity at North Korean atomic test site. The Institute estimates the facility could conduct a test “in a few weeks or less.”

Jan. 28, 2013: Twenty of the world’s largest creditors, including the US, agree to cut nearly 50 percent of Myanmar’s foreign debt and provide a seven-year grace period for the remainder.

Jan. 29, 2013: Sen. John Kerry assumes the position of US Secretary of State.

Jan. 29, 2013: Japan’s Cabinet approves a \$52 billion military budget.

Jan. 30, 2013: South Korea successfully launches its first satellite into space.

Feb. 4, 2013: Negotiators from the government of Myanmar and the Kachin Independence Organization (KIO) meet in Ruili, China to talk about reducing military tensions and opening lines of communication with the hope of achieving an eventual cease-fire.

Feb. 4-7, 2013: US and South Korea conduct a joint naval exercise in the East Sea.

Feb. 4-14, 2013: US Air Force, Japan Air Self-Defense Force, and the Royal Australian Air Force conduct *Cope North* military exercise in Guam. The South Korean Air Force participates as an observer for the first time.

Feb. 7, 2013: Japan claims two Russian fighter jets briefly entered Japanese airspace near Hokkaido, prompting Japan’s Air Self-Defense Force to scramble fighter jets.

Feb. 8, 2013: China’s Defense Ministry denies Japanese allegations that its navy ships locked radars on Japanese military vessels in late January, saying that Japan’s remarks “were against the facts,” and urging Japan to “stop stirring up tension in the East China Sea.”

Feb. 9, 2013: Japan suggests a “seaborne communication mechanism” be set up between military officials of Japan and China to prevent future miscommunications.

Feb. 11, 2013: Japanese business daily *Nikkei* reports that the Japanese Coast Guard will donate 10 patrol boats to the Philippines.

Feb. 11-21, 2013: The 32nd annual *Corbra Gold* exercise is held in Thailand involving 13,000 military personnel from a several Asian states plus observers from a dozen others.

Feb. 12, 2013: North Korea conducts a third underground nuclear test with an estimated yield of six to seven kilotons. The test is condemned worldwide.

Feb. 12, 2013: Some 180 Filipinos, calling themselves the “Royal Army of Sulu,” land at the village of Tanduo in Lahad Datu town in Sabah and claim the region as part of the Sultanate of Sulu and North Borneo.

Feb. 14, 2013: Indonesian Foreign Minister Marty Natalegawa and Japanese counterpart Kishida, meet in Tokyo for the fourth Japan-Indonesia Strategic Dialogue on the sidelines of the Conference on Cooperation among East Asian Countries for Palestinian Development.

Feb. 14, 2013: Members of the “Royal Army of Sulu” are cornered in Sabah, triggering a stand-off with the local police.

Feb. 15, 2013: Three Chinese Maritime Surveillance ships enter disputed waters around Diaoyus/Senkakus.

Feb. 19, 2013: China formally rejects a Philippine proposal to take their dispute regarding sovereignty issues in the South China Sea to the UN for arbitration.

Feb. 19, 2013: US computer security firm Mandiant releases a report stating Chinese state-sponsored hackers associated with PLA Unit 61398 have accessed information from numerous US government agencies and businesses.

Feb. 21-24, 2013: Prime Minister Abe visits the US and meets President Obama.

Feb. 24, 2013: Three Chinese Maritime Surveillance vessels and a fishing patrol boat are sighted within 12 nm of the Senkakus/Diaoyus.

Feb. 24-25, 2013: Thai Prime Minister Yingluck Shinawatra visits South Korea and meets President Park Geun-hye.

Feb. 25, 2013: Park Geun-Hye is sworn in as president of South Korea.

Feb. 26-28, 2013: ASEAN and its six free trade partners held a meeting in Bali to discuss the Regional Comprehensive Economic Partnership (RCEP), focusing on tariff reduction, extending existing free trade agreements, and setting up a trade negotiation committee.

Feb. 28, 2013: Prime Minister Yingluck Shinawatra meets Malaysian Prime Minister Najib Razak and asks Malaysia to mediate peace talks between Thailand and southern separatists.

Feb. 28, 2013: Three Chinese Maritime Surveillance ships are spotted within 12 nm of Senkakus/Diaoyus. A Chinese *Y-12* aircraft heading toward the islands is intercepted by Japanese *F-4J* fighters.

March 1, 2013: Malaysian police engage in a firefight with the self-identified “Royal Army of Sulu” in Lahad Datu in Sabah, resulting in several deaths.

March 1-April 30, 2013: ROK and US conduct the annual *Foal Eagle* joint military tactical field training exercise, which involves over 200,000 ROK and 10,000 US forces.

March 4-13, 2013: The 16th round of the Trans-Pacific Partnership (TPP) trade negotiations are held in Singapore.

March 5, 2013: Malaysian fighter jets are used to attack the “Royal Army of Sulu” in the town of Tanduo on Borneo. Malaysian Embassy in the Philippines closes due to protesters.

March 7, 2013: UN Security Council unanimously passes Resolution 2094 which includes several new sanctions against North Korean entities, requires full inspections of vessels from North Korea, and requires closer scrutiny of activity by North Korean diplomats.

March 7, 2013: Malaysia rejects Sultan Jamalul Kiram III’s call for a ceasefire.

March 8, 2013: North Korea announces that it is withdrawing from all previous non-aggression agreements with South Korea.

March 9-12, 2013: Brunei Sultan Hassanal Bolkiah visits the US and meets President Obama.

March 11, 2013: North Korea announces that it no longer considers the 1953 Korea Armistice Agreement valid and cuts off the military hotline with Seoul.

March 11, 2013: The US announces sanctions that will apply to North Korea’s Foreign Trade Bank and four officials who have links to North Korean weapons production programs.

March 11-12, 2013: Myanmar officials and the Kachin rebels meet in the Chinese town Ruili to conduct peace talks. They agree to continue talks until a permanent ceasefire is reached.

March 11-25, 2013: ROK and US conduct the annual *Key Resolve* command post exercise, featuring the ROK Joint Chiefs of Staff in the leading role for the first time.

March 12-14, 2013: Japan-ASEAN dialogue focusing on strengthening maritime security cooperation is held in Tokyo.

March 18, 2013: Japan orders a private warehouse to turn over five aluminum alloy rods seized from a ship that was traveling from North Korea to Myanmar last August 2012.

March 20, 2013: Vietnam accuses China of firing on one of four fishing boats in the Paracel/Xisha Islands. China denies the allegations and urges the Vietnamese government to combat illegal fishing in its territory.

March 20-21, 2013: Indonesia hosts third Jakarta International Defense Dialogue. Some 1,300 military officials from 45 countries in the Asia-Pacific region and Europe attend.

March 20-24, 2013: Widespread riots in several Myanmar cities following a dispute between Muslims and Buddhists. Government declares emergency rule.

March 22, 2013: US and South Korean sign a new military plan that lays out their joint response to the “North’s local provocations, with the South taking the lead and the US in support.”

March 22-24, 2013: Chinese President Xi visits Russia and meets President Vladimir Putin. They agree to coordinate defense strategies and ratify the guidelines for the 2013-2016 China-Russia Treaty of Good-Neighborliness and Friendly Cooperation.

March 24, 2013: Four Chinese ships begin military drills at James Shoal, located near the coast of Malaysia in the southernmost part of the South China Sea.

March 26-27, 2012: Fifth BRICS (Brazil, Russia, India, China, South Africa) Summit is held in Durban, South Africa.

March 27, 2013: North Korea announces that it has cut the last military hotline with Seoul because there was no need for communications between the countries in a situation “where a war may break out at any moment.”

March 28, 2013: Representatives from the government of Thailand and Muslim rebel groups hold talks in Kuala Lumpur aimed at curbing violence in Southern Thailand.

April 1-4, 2013: Singapore Prime Minister Lee Hsien Loong visits the US and meets President Obama.

April 2, 2013: North Korea states that it plans to reopen nuclear facilities at the Yongbyon complex, which houses a uranium enrichment plant and a 5MW graphite moderated reactor.

April 2, 2013: The attendees of the 19th China-ASEAN Senior Officials’ Consultation agree to fully execute the Declaration on the Conduct of Parties in the South China Sea and work toward completing a Code of Conduct for the South China Sea.

April 2-4, 2013: South Korean Minister of Foreign Affairs and Trade Yun Byung-se visits the US and meets Secretary of State John Kerry. They reaffirm bilateral support and calls for North Korea to reenter the Six-Party Talks.

April 3, 2013: North Korea prevents South Korean workers from entering the Kaesong Industrial Zone. The ROK government maintains that the joint complex is still open.

April 4-7, 2013: Hassanal Bolkiah, the sultan of Brunei, visits China to meet President Xi Jinping and attend the Boao Forum, where he gives a keynote address.

April 5, 2013: Japan extends unilateral sanctions against North Korea for two more years.

April 5-17, 2013: The US and Philippines conduct the annual *Balikatan* military exercise, with approximately 8,000 troops participating.

April 6-8, 2013: The Boao Forum is held in Hainan Province.

April 9, 2013: Japan deploys *Patriot Advanced Capability (PAC)-3* missile interceptor in Tokyo in anticipation of a missile launch from North Korea.

April 12, 2013: The US approves Japan's entry into Trans-Pacific Partnership (TPP) talks.

April 12-15, 2013: US Secretary of State John Kerry visits Northeast Asia with stops in Seoul, Beijing, and Tokyo.

April 15-19, 2013: Cambodia and Thailand argue their claims to the disputed Preah Vihear Temple land at the International Court of Justice.

April 17, 2013: Indonesia hosts South-South Cooperation Forum.

April 20, 2013: Japan is formally invited by the other participants to join talks on the TPP.

April 20-21, 2013: Trade ministers of the APEC forum discuss free trade and ways to facilitate investment as their meeting held in Surabaya, Indonesia.

April 24-25, 2013: Brunei hosts 22nd ASEAN Summit. Leaders agree to work toward a binding code of conduct in the South China Sea and to resolve differences over the South China Sea through peaceful and diplomatic means.

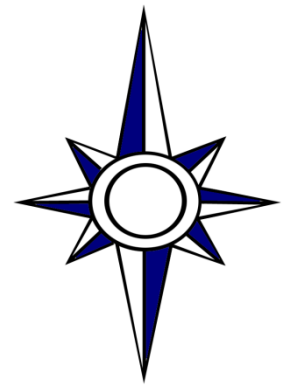
April 25, 2013: Acting Assistant Secretary for East Asian and Pacific Affairs Joseph Yun testifies to the House Committee on Foreign Affairs Subcommittee on Asia and the Pacific on "Security and Defense: Cooperation and Challenges."

April 26, 2013: North Korea rejects South Korea's offer to resume negotiations on reopening Kaesong Industrial Complex. South Korea orders pull-out of remaining workers.

April 30-May 1, 2013: Chinese Foreign Minister Wang Yi meets Thai Prime Minister Yingluck Shinawatra. They reaffirm bilateral ties and express their desire to coordinate on regional and international security issues.

Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



US-Japan Relations: Back on Track

Michael J. Green, CSIS/Georgetown University
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Prime Minister Abe Shinzo generated a buzz in the media and the markets by introducing a three-pronged economic strategy designed to change expectations for growth as his ruling Liberal Democratic Party (LDP) prepares for a parliamentary election in July. President Obama hosted Abe in Washington for a summit that paved the way for Japan's inclusion in the Trans-Pacific Partnership (TPP) trade negotiations. Bilateral coordination on regional security and defense cooperation accelerated with high-level visits in both capitals to reaffirm the vitality of the alliance. The reemergence this spring of tensions between Japan and its neighbors over history issues was the only wrinkle in an extremely productive period in US-Japan relations.

The Abe agenda

Fresh off a landslide victory in the December 2012 Lower House election, yet mindful of public frustration with his previous term in office in 2006-2007, Prime Minister Abe Shinzo moved quickly to implement his domestic policy agenda with particular emphasis on the economy. He introduced a three-pronged approach, known as the "three arrows," centered on fiscal stimulus, monetary easing, and a "growth strategy," or structural reform. The government passed a \$227 billion stimulus package in January targeting public infrastructure and introduced a record \$1.02 trillion budget for the fiscal year beginning April 2013, a clear repudiation of efforts at fiscal consolidation under the previous government led by Noda Yoshihiko of the Democratic Party of Japan (DPJ). The Abe government also advocated a bold approach to monetary policy and began by issuing an unusual joint statement with the Bank of Japan (BoJ) outlining efforts to combat deflation and achieve sustainable economic growth, including an inflation target of two percent. Kuroda Haruhiko was then appointed governor of the BoJ to pursue aggressive monetary easing in stark contrast to the traditional emphasis on structural reform as the cure to Japan's economic ills. Kuroda wasted no time in changing course and in April announced a package of monetary easing measures to meet the 2 percent inflation target over two years, including plans to double the monetary base and extend the average maturity of Japanese Government Bonds (JGBs). Critics cried foul and accused Japan of deliberately depreciating the yen to boost exports, but the G7 and later the G20 did not single out Japan in statements on economic policy.

Markets reacted positively to the first two "arrows." But many analysts argued that a return to sustainable economic growth would require the government to shoot all three arrows simultaneously. Therefore, the focus has been on whether the Abe government would address structural reforms such as deregulation, trade liberalization, and labor reform, which have been shunned to this point but widely deemed as necessary to round out the strategy. The debate over

Japan's potential participation in the Trans-Pacific Partnership (TPP) trade negotiations featured prominently in this context and Abe would later take steps to suggest that the third arrow might be as forceful as the other two (more below).

The Abe government also outlined other priorities: reviewing its energy policy to return nuclear power in Japan's future energy mix; scrapping the 2010 National Defense Program Guidelines and Midterm Defense Plan issued under DPJ rule to put its own stamp on defense strategy and budgeting, particularly for the maritime domain; reinterpreting the constitution to exercise the right of collective self-defense; and introducing legislation to change the requirements for amending the constitution (Article 96). These initiatives will likely be pursued in the second half of this year, assuming Abe's Liberal Democratic Party (LDP) fares well in Upper House elections in July. Securing a two-thirds majority in that chamber could yield a period of political stability with no elections required before 2016. The prospects for success appear to be quite good as Abe's approval rating has hovered around 70 percent and the LDP was the only political party with double-digit support in public opinion polls. Much of this momentum can be attributed to Abe's economic plan, dubbed "Abenomics" by the media, which changed expectations for economic growth in the short term. But Abe also focused on his diplomatic agenda and sought to follow through on a core objective of his election campaign: shoring up the US-Japan alliance.

Obama-Abe Summit: enter TPP

Prime Minister Abe and President Barack Obama met at the White House on Feb. 22 to address a broad range of issues including Abe's domestic agenda; the realignment of US forces in Japan; developments in China, North Korea, the Middle East and Africa; trilateral cooperation with South Korea; energy security; and climate change. The two governments also issued a joint statement addressing bilateral consultations on Japan's potential participation in TPP negotiations. The carefully worded statement succeeded in allowing the two leaders to alleviate concerns among their respective constituencies. Abe received assurances that Japan would not be required to make a prior commitment to unilaterally eliminate all tariffs upon joining TPP, while the Obama administration reaffirmed the core principle that all goods would be subject to negotiation. Upon returning home and reassuring his base, Abe announced Japan's intention to join TPP on March 15, arguing forcefully that trade liberalization and the competitiveness and efficiency it fosters is in Japan's national interests. Bilateral consultations then intensified and the two governments issued a joint statement on April 12 essentially allowing the US to maintain tariffs on automobiles and announcing a bilateral dialogue on nontariff barriers in Japan that would take place in parallel with TPP negotiations should Japan be formally welcomed to join. The Obama administration then notified Congress on April 24 of its intent to include Japan in TPP negotiations, triggering a 90-day consultation period that could put Japan at the negotiating table as early as July. In a matter of weeks, TPP came to symbolize the Abe government's apparent commitment to the "third arrow" of structural reform, viewed as a "wild card" by skeptics of his economic plan while reinvigorating the economic pillar of the US-Japan alliance. Japan's entry could prolong TPP negotiations and many of the issues on the table have complicated the bilateral relationship for some time, but the potential for two of the world's largest economies to shape rules and norms that will guide the economic integration of the Asia Pacific region is noteworthy.

Shuttle diplomacy

The two governments continued a pattern of high-level shuttle diplomacy mainly to coordinate a response to North Korea's nuclear test in February, centered on increased sanctions and the deployment of missile defense assets for deterrence, and to address tensions between Japan and China over the Senkaku/Diaoyu Islands. Deputy Secretary of Defense Ash Carter, Deputy Secretary of State William Burns, Chairman of the Joint Chiefs of Staff Gen. Martin Dempsey, and several other US officials visited Tokyo to reaffirm close coordination on regional security issues. Foreign Minister Kishida Fumio met Secretary of State Hillary Clinton in Washington in January and engaged John Kerry, her successor, three times in Washington, London, and finally in Tokyo where they addressed the full range of issues on the bilateral agenda including the realignment of US forces in Japan, TPP, North Korea, and China. Secretary Kerry ruffled some feathers in Tokyo during his April visit by referencing direct dialogue with North Korea and suggesting that US missile defense assets might be removed from the region if tensions subsided. But his clear description of US declaratory policy on the Senkakus – no position on ultimate sovereignty, recognition of Japan's administrative control, addressing the issue through peaceful means, and opposing any unilateral or coercive action to change the status quo – during a joint press availability with Kishida was well received. Defense Secretary Chuck Hagel made similar comments when Defense Minister Onodera Itsunori visited Washington in late April. The two defense chiefs also took stock of several initiatives demonstrating the extent of bilateral defense cooperation in recent months.

Bilateral security cooperation

The two governments continued close coordination on the realignment plan for US forces in Okinawa. On March 22, the government of Japan submitted to the Okinawa Prefectural Government a land permit request for the Futenma Replacement Facility at Henoko, a central element in a plan first introduced in 2006 to reduce the burden on the local population while maintaining an operationally effective force presence. Defense Secretary Hagel then issued a statement on April 5 detailing an Okinawa Consolidation Plan to further reduce the footprint of the US military that would allow for the immediate return of some facilities to Okinawa upon completion of certain procedures. The landfill permit request could be reviewed for as long as 10 months in the face of local opposition and local government reaction to the consolidation plan was predictably skeptical. Both developments nonetheless signify some movement on a central element of the overall realignment plan for US forces in the region.

There were also several dialogues to further bilateral security cooperation. In January officials initiated a review of the bilateral defense guidelines, last updated in 1997, to reflect regional developments and the roles, missions, and capabilities necessary to address new challenges. The two governments also convened comprehensive dialogues on space and extended deterrence with similar colloquies on cyber and other issues soon to follow in a process aimed at positioning the alliance to shape the regional security environment.

The wrinkle: history

Prime Minister Abe addressed the Center for Strategic and International Studies (CSIS) during his February visit to Washington and announced that “Japan is back” to underscore a commitment to economic revival and a sustained leadership role in world affairs. He discussed the importance of Japan’s relationships with China and South Korea, and projected confidence in the future trajectory of regional diplomacy. The speech and visit were well received in Washington, but Abe came under criticism in editorials published in the *Washington Post* and *Wall Street Journal* in late April after members of his Cabinet visited Yasukuni Shrine and he suggested in off-the-cuff remarks in the Diet that the definition of wartime aggression is open to discussion. The Obama administration made no official statements on these sensitive issues, but sent quiet messages during the Golden Week visits of senior Japanese politicians to Washington, particularly with respect to the importance of avoiding a divergence in Japan-Korea relations given the problems with North Korea. In early May, Foreign Minister Kishida reiterated that Prime Minister Abe shares the views expressed in the 1995 Murayama statement apologizing for Japan’s actions during World War II and Chief Cabinet Secretary Suga Yoshihide indicated that the government would abide by the 1993 Kono statement on the issue of comfort women.

Busy summer

Prime Minister Abe can be expected to continue focusing on the economy in the lead-up to the Upper House election in July. Several multilateral gatherings including the Shangri-La Dialogue, the G8 Summit, and the ASEAN Regional Forum (ARF) should afford opportunities to further coordinate on bilateral and regional security issues. Finally, the economic agenda could also be in full swing should Japan formally join TPP negotiations.

Chronology of US-Japan Relations

January – April 2013

Jan. 7, 2013: Japan’s Vice Foreign Minister Kawai Chikao meets US Deputy Secretary of State William Burns and other officials in Washington.

Jan. 10, 2013: Assistant Secretary of Defense for Asian and Pacific Security Affairs Mark Lippert meets Nishi Masanori, director general of the Defense Policy Bureau of the Ministry of Defense, to discuss bilateral security cooperation.

Jan. 11, 2013: Abe Cabinet approves an economic stimulus package totaling \$227 billion.

Jan. 16, 2013: Assistant Secretary of State for East Asian and Pacific Affairs Kurt Campbell, Assistant Secretary of Defense for Asian and Pacific Security Affairs Mark Lippert, and National Security Council Senior Director for Asian Affairs Daniel Russel visit Tokyo for consultations.

Jan. 17, 2013: US and Japanese officials meet in Tokyo to begin a review of the bilateral defense guidelines.

Jan. 18, 2013: Foreign Minister Kishida Fumio meets Secretary of State Hillary Clinton at the State Department in Washington to discuss the bilateral agenda and regional issues.

Jan. 22, 2013: Abe Cabinet and Bank of Japan issue a joint statement outlining efforts to combat deflation and achieve sustainable economic growth including an inflation target of 2 percent.

Jan. 22, 2013: US Marines and Japan's Ground Self-Defense begin the annual *Joint Fist* bilateral amphibious exercise at Camp Pendleton, California, held over a three-week period.

Jan. 25, 2013: Abe Cabinet decides to review the National Defense Program Guidelines and Mid-Term Defense Plan (budget) and re-release both by the end of 2013.

Jan. 26-29, 2013: US Special Representative for North Korea Policy Glyn Davies visits Tokyo to exchange views with senior government officials.

Jan. 28, 2013: Public opinion polls by *Kyodo News* and *Nikkei/TV Tokyo* reveal support for the Abe Cabinet at 67 percent and 68 percent, respectively.

Jan. 28, 2013: US Trade Representative Ron Kirk and Agriculture Secretary Tom Vilsack announce an agreement to further open Japan's beef market; Japan would permit the import of beef from cattle less than 30 months of age, compared to the previous limit of 20 months.

Jan. 29, 2013: Abe Cabinet approves a record \$1.02 trillion draft budget for the fiscal year beginning in April 2013.

Feb. 3, 2013: FM Kishida congratulates John Kerry on being appointed secretary of state.

Feb. 4, 2013: *Mainichi Shimbun* poll finds 56 percent of the public supports the Abe Cabinet's plans to review the "zero nuclear energy" policy of the previous government, and 47 percent favor Japan's participation in the Trans-Pacific Partnership (TPP) trade negotiations.

Feb. 6, 2013: US and Japanese officials meet in Tokyo for consultations on Japan's possible entry into TPP negotiations.

Feb. 11, 2013: Approval rating for the Abe Cabinet is 71 percent according to a public opinion survey by *Yomiuri Shimbun*. Fifty-eight percent of respondents favor Abe's agreement with the BoJ to pursue inflation targeting and 56 percent supported Abe's plans to stimulate the economy through increased public works spending. LDP posts an approval rating of 42 percent compared to 6 percent for the DPJ and 5 percent for the Japan Restoration Party.

Feb. 11, 2013: US Undersecretary of the Treasury for International Affairs Lael Brainard expresses supports for Japan's efforts to end deflation and stresses that structural reform should accompany macroeconomic policies to reinvigorate growth.

Feb. 12, 2013: The G7 issues a statement reaffirming fiscal and monetary policies will remain oriented towards meeting respective domestic objectives using domestic instruments, and that members will not target exchange rates.

Feb. 12, 2013: Officials from Australia, Japan, and the US meet in Washington for the fifth Security and Defense Cooperation Forum (SDCF) to discuss humanitarian assistance/disaster relief, regional capacity development, and maritime security.

Feb. 13, 2013: President Obama and PM Abe speak by telephone and pledge to work closely on a response to North Korea's nuclear test.

Feb. 14, 2013: Joint survey by *Yomiuri Shimbun* and *Gallup* finds 50 percent of the Japanese public and 52 percent of Americans consider US-Japan relations "good." Seventy-four percent of Japanese respondents approve of the Abe's policies to strengthen the US-Japan alliance.

Feb. 22, 2013: PM Abe and President Obama hold a summit. Abe also addresses the Center for Strategic and International Studies on his economic and diplomatic agendas.

Feb. 22, 2013: FM Kishida and Secretary of State Kerry meet in Washington.

March 1, 2013: Chief Cabinet Secretary Suga Yoshihide announces a Cabinet decision to allow exports of parts produced by Japanese firms for the *F-35* stealth fighter jet as an exception to Japan's ban on weapons exports.

March 11, 2013: First Japan-US Comprehensive Dialogue on Space is held in Tokyo.

March 11, 2013: US National Security Adviser Thomas Donilon addresses the Asia Society on the US rebalance to Asia.

March 15, 2013: Prime Minister Abe announces Japan's intention to enter the TPP negotiations.

March 15, 2013: Acting USTR Demetrios Marantis welcomes Japan's decision to enter TPP negotiations and references bilateral consultations on market access in Japan.

March 17, 2013: Deputy Secretary of Defense Ash Carter meets Senior Vice Defense Minister Eto Akinori in Tokyo to discuss regional security and bilateral defense issues.

March 18, 2013: *Mainichi Shimbun* finds a 70 percent approval rating for the Abe Cabinet. Sixty-three percent 63 of the Japanese public express support for Abe's decision to join the TPP negotiations and 65 percent favor Abe's economic policies.

March 21, 2013: North Korea threatens to target US bases in Japan after the US flies *B-52* bombers over South Korea during US-ROK military drills.

March 22, 2013: Government of Japan submits a landfill permit request for the Futenma Replacement Facility to the Okinawa Prefectural Government

Mach 27, 2013: Acting Assistant Secretary of State for East Asian and Pacific Affairs Joseph Yun visits Tokyo for discussions on a range of bilateral, regional, and global issues.

April 4, 2013: BoJ announces monetary easing measures to meet the two percent inflation target such as doubling the monetary base over two years and extending the average maturity of Japanese Government Bonds (JGBs).

April 5, 2013: Defense Secretary Chuck Hagel releases a statement on the US-Japan Okinawa Consolidation Plan to reduce the footprint of the US military presence on Okinawa.

April 8, 2013: Government of Japan decides to permanently deploy *Patriot Advanced Capability-3 (PAC-3)* missile defense system on Okinawa and deploys two *Aegis* destroyers to the Sea of Japan to defend against the North Korean ballistic missile threat.

April 9-11, 2013: US and Japanese officials convene in Washington state for a bilateral extended deterrence dialogue.

April 10, 2013: Under Secretary of State for Economic Growth, Energy and the Environment Robert Hormats visits Tokyo for consultations with senior Japanese officials.

April 10, 2013: North Korea threatens to target US military bases in Japan.

April 10, 2013: Secretary Kerry and FM Kishida meet in London prior to G8 foreign ministers meeting.

April 12, 2013: US and Japanese officials conclude preliminary consultations on Japan's entry into TPP negotiations, signing a joint statement that allows the United States to maintain tariffs on automobiles and agreeing to parallel talks on non-tariff barriers in Japan.

April 14, 2013: Secretary of State Kerry meets FM Kishida in Tokyo to discuss bilateral and regional issues. The two governments also announce a new bilateral dialogue on climate change.

April 15, 2013: Secretary Kerry delivers remarks at the Tokyo Institute of Technology.

April 16, 2013: Abe Cabinet posts a 74 percent approval rating in a *Yomiuri Shimbun* survey.

April 19, 2013: Deputy Prime Minister and Finance Minister Aso Taro attends a G20 meeting in Washington and details the Abe government's economic policies in an address at CSIS.

April 21, 2013: Minister of Economy, Trade and Industry Motegi Toshimitsu and Acting United States Trade Representative Demetrios Marantis meet on the margins of an Asia Pacific Economic Cooperation (APEC) Trade Ministers Meeting in Surabaya, Indonesia.

April 21, 2013: Deputy Prime Minister and Finance Minister Aso Taro and other Abe Cabinet members visit the Yasukuni Shrine in Tokyo.

April 23, 2013: Deputy Secretary of State William Burns visits Tokyo for consultations with senior Japanese officials.

April 23, 2013: PM Abe states in a Diet session that the definition of wartime aggression is open to interpretation.

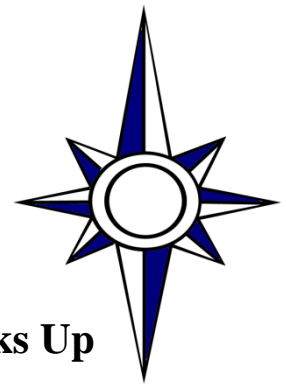
April 24, 2013: Obama administration notifies Congress of intent to include Japan in TPP negotiations.

April 26, 2013: US Chairman of the Joint Chiefs of Staff Gen. Martin Dempsey meets Defense Minister Onodera Itsunori, Japan Self-Defense Forces Joint Staff General Iwasaki Shigeru, and FM Kishida in Tokyo.

April 26, 2013: *Washington Post* and the *Wall Street Journal* publish editorials expressing concern over PM Abe's comments on history.

April 29, 2013: Defense Secretary Hagel and Defense Minister Onodera meet at the Pentagon in Washington to discuss bilateral and regional defense issues.

April 30, 2013: The 12th US-Japan Joint High Level Committee on Science and Technology Cooperation convenes in Washington.



US-China Relations:

Leadership Transition Ends, Bilateral Interaction Picks Up

Bonnie Glaser, CSIS/Pacific Forum CSIS
Brittany Billingsley, CSIS

With Xi Jinping's assumption to the presidency at the National People's Congress in March, China's leadership transition finally ended and high-level US-China contacts and exchanges picked up steam. Senior US officials traveled to China in succession to discuss urgent matters such as North Korea's third nuclear test as well as less pressing, but important questions such as how to define the "new type of major power relationship" between the US and China. Secretary of the Treasury Jacob Lew, Secretary of State John Kerry, Chairman of the Joint Chiefs of Staff Martin Dempsey, and Deputy Secretary of State William Burns consecutively visited Beijing. North Korea's third nuclear test provided an opportunity for the US and China to cooperate more closely. Cybersecurity rose to the top of the bilateral agenda as growing evidence revealed the extent of Chinese state-sponsored hacking into US government agencies and companies.

US and China respond to North Korea's third nuclear test

As North Korea ratcheted up tensions in the first four months of 2013 with provocative actions and bellicose threats, the US and China worked together to devise an effective response. In mid-January, Beijing and Washington struck a deal on a draft UN Security Council resolution condemning North Korea for its December rocket launch, which called for tightening existing UN sanctions and expressed the determination of the UNSC to take "significant action in the event of a further DPRK launch or nuclear test." On Jan. 22, 2013, the UNSC unanimously passed Resolution 2087. As evidence mounted that Pyongyang planned to conduct another nuclear test, US and Chinese officials urged North Korea to desist. China's Foreign Ministry summoned North Korea's Ambassador to China Ji Jae-ryong several times in late January and used other channels to urge North Korea to refrain from going ahead with a third nuclear test.

Pyongyang's decision to explode another nuclear device on Feb. 12 both frustrated and angered China. Beijing had hoped that Kim Jung Un would refrain from provocations and focus on developing the North Korean economy. It also hoped he would be more respectful of Chinese interests and less defiant than his father. China's Foreign Ministry issued an official statement that contained language similar to that used in response to prior tests in October 2006 and May 2009. The statement expressed China's "resolute opposition"; criticized Pyongyang for "ignoring widespread international opposition" to the test; strongly urged the DPRK to "honor its pledge of denuclearization and refrain from taking actions that may worsen the situation"; reiterated China's "consistent position to realize the denuclearization of the Korean Peninsula, prevent nuclear proliferation, and maintain peace and stability in Northeast Asia"; and called on all parties "to exercise restraint and seek peaceful resolution through dialogue." To underscore China's displeasure, Chinese Minister of Foreign Affairs Yang Jiechi summoned North Korean

Ambassador Ji to lodge “solemn representations.” Yang reportedly expressed China’s “strong dissatisfaction” and “resolute opposition” to the test.

Korea was a central topic of discussion between Secretary of State John Kerry and Chinese Foreign Minister Yang Jiechi in phone calls on Feb. 12 and 26. Once again, US-China consultations yielded a UNSC resolution, this time containing new sanctions against North Korea. On March 7, The UNSC unanimously adopted Resolution 2094, which included provisions for the implementation of tighter financial restrictions on North Korea and for a crackdown on its attempts to ship and receive banned cargo in breach of UN sanctions. The resolution also called on member states to deny aircraft permission to take-off, land, or fly over their territory if illicit cargo is suspected to be on board.

China’s willingness to support tougher sanctions raised hopes in the Obama administration for greater US-Chinese cooperation to pressure North Korea to give up its nuclear weapons. Articles by leading Chinese scholars calling for Beijing to revise its policy toward Pyongyang reinforced these hopes. For example, an article published in the Chinese-owned Hong Kong newspaper *Ta Kung Pao* argued that China “cannot be hijacked by the DPRK, or pick up the tab for it; if the DPRK still acts like its old self, China may be forced to get tough, and apart from cooperating with the international community’s multilateral measures, it may reduce aid in bilateral relations.” In an interview with *ABC News* in mid-March, President Obama said it was “promising” that China was changing its thinking. “You’re starting to see them recalculate and say, you know what? This is starting to get out of hand,” Obama said, adding that this would be helpful in forcing a recalculation on the part of the North Koreans.

In a speech delivered at the Asia Society on March 11, National Security Advisor Tom Donilon addressed the issue of US-China cooperation in dealing with North Korea:

... the prospects for a peaceful resolution also will require close US coordination with China’s new government. We believe that no country, including China, should conduct “business as usual” with a North Korea that threatens its neighbors. China’s interest in stability on the Korean Peninsula argues for a clear path to ending North Korea’s nuclear program. We welcome China’s support at the UN Security Council and its continued insistence that North Korea completely, verifiably and irreversibly abandon its WMD and ballistic missile programs.

A few days later President Obama called President Xi Jinping and raised concerns about North Korea among other issues. The White House press release on the phone call noted that “The President highlighted the threat to the United States, its allies, and the region from North Korea’s nuclear and missile programs and stressed the need for close coordination with China to ensure North Korea meets its denuclearization commitments.” Obama reportedly also briefed Xi about US plans to upgrade missile defenses and take other steps to deter North Korean provocations.

Defense Secretary Chuck Hagel subsequently announced that the US would increase the number of interceptors stationed in Alaska following North Korean threats to launch a preemptive nuclear strike on the US. Fearful that the US action would provoke a North Korean reaction that could escalate tensions on the peninsula, China urged restraint. China’s Foreign Ministry

spokesman Hong Lei asserted that “All measures seeking to increase military capacities will only intensify antagonism and will not help to solve the problem.”

Absent a concerted effort by China to enforce the provisions in UNSCR 2094 and all the resolutions preceding it, it is doubtful that they will be effective. Particularly critical is increased Chinese scrutiny of financial transactions with Pyongyang aimed at stopping illicit money flows. This message was conveyed by David Cohen, the US Treasury undersecretary for terrorism and financial intelligence, who visited Beijing in the third week of March. Cohen specifically urged China to follow the US lead and impose sanctions on North Korea’s Foreign Trade Bank, which serves as the main foreign exchange bank for North Korea. This would force the North Koreans to rely on cash, which would inconvenience Pyongyang elites. After his meetings with Chinese officials, Cohen voiced confidence that Chinese banks and Chinese regulators would implement UNSCR 2094. “We’ve heard nothing but the strong intention to implement the Security Council resolution, and we fully expect to work very cooperatively with the Chinese in the robust implementation of that resolution,” he told reporters in Beijing. The US also pressed China to strictly enforce Customs inspections to interdict the flow of banned goods to North Korea. On April 17, the Chinese Transport Ministry sent a memorandum to subsidiary agencies instructing them to strictly implement UNSCR 2094. A similar document was sent to the People’s Bank of China, public security agencies, Customs offices, and border patrol units.

Obama administration officials repeatedly voiced confidence that China was fed up with North Korea’s increasingly bellicose threats and provocative actions. They hoped that Chinese frustration with Pyongyang would cause Beijing to recalibrate its policy in favor of greater cooperation with the US and other nations to pressure North Korea to abandon its nuclear weapons. In an interview in early April with the *New York Times*, Donilon described China’s position as evolving. He also hinted that China’s handling of North Korea was viewed by the Obama administration as a litmus test of its willingness to cooperate with the US on other issues. “The timing of this is important,” Donilon said. “It will be an important early exercise between the United States and China, early in the term of Xi Jinping and early in the second term of President Obama.”

Speaking at CSIS on April 10, Deputy Secretary of Defense Ashton Carter also called for Beijing to use its leverage over Pyongyang. “China has more influence than any other country over North Korea,” Carter said, adding “I wish they would play a larger role in influencing the North Koreans to stop the provocations.” Secretary Kerry echoed that statement in Seoul on the first leg of his three-day trip to the region in mid-April. “China has an enormous ability to help make a difference here,” he told reporters.

In Beijing, Kerry discussed North Korea in most, if not all, of his meetings with Chinese leaders and senior officials. The most in-depth discussion was with State Councilor Yang Jiechi, where in a lengthy statement to the press at the top of the meeting, Kerry said that the US and China had underscored their joint commitment to the denuclearization of the Korean Peninsula in a peaceful manner and would take “actions in order to make good on that goal.” He also sought to breathe life in the virtually defunct Six-Party Talks process. Following Kerry’s remarks, Yang reiterated China’s continuing commitment to “upholding peace and stability and advancing the denuclearization process.” Later, in a separate press availability, Kerry remarked that Yang’s

willingness to send a message to North Korea in a joint statement was “unprecedented.” He also stated that the US and China had agreed to “immediately bear down with further discussion at a very senior level in order to fill out exactly what steps we can take together to make sure that this is not rhetoric, but that it is real policy that is being implemented.”

After Chairman of the Joint Chiefs of Staff Martin Dempsey’s meetings in Beijing toward the end of April, he also voiced optimism that China was urging North Korea to rethink its actions. He told the press “I will leave here with the belief that the Chinese leadership is as concerned as we are with North Korea’s march toward nuclearization and ballistic missile technology, and they have given us an assurance that they are working on it, as we are.”

On the heels of that visit, Chinese Special Representative for Korean Peninsula Affairs Wu Dawei traveled to Washington for an intensive set of discussions on policy toward North Korea. He met all the key US officials in charge of policy toward North Korea, including Special Representative for North Korean Policy Glyn Davies, Special Envoy for the Six-Party Talks Clifford Hart, Special Envoy for North Korean Human Rights Issues Robert King, Coordinator for Sanctions Policy Daniel Fried, Under Secretary of State Wendy Sherman, Acting Assistant Secretary of State for East Asia and Pacific Affairs Joseph Yun, and National Security Staff Senior Director for Asia Danny Russel. The goal, as articulated by the State Department spokesman, was to discuss how to get the North Koreans to come into compliance with their obligations and work toward denuclearization. No announcements were made following the visit and it was uncertain whether the US and China made any headway toward agreement on a joint approach to respond to North Korea’s provocations.

US Treasury Secretary Lew visits China

US Treasury Secretary Jacob Lew made his first-ever visit to China in March just one week after China completed its leadership transition. Prior to his arrival, a *Xinhua* commentary put the burden of improving bilateral relations on the US, saying that Lew’s main purpose during his visit should be to assure China that the US would resolve its debt problems and rejuvenate its economy.

Underscoring the importance of the US-China relationship, Lew visited as President Obama’s special representative and was the first foreign visitor received by President Xi Jinping. Xi told Lew that he attaches “great importance” to US-China relations and expressed his willingness “to work with the US to jointly advance the cooperative partnership.” Speaking candidly, China’s new leader noted that the two countries have “enormous shared interests,” but also have some differences. Describing the bilateral economic relationship as a “cornerstone” of the bilateral relationship, Xi urged the two countries to view each other’s stage of development in objective terms and to respect each other’s interests for further development.

After his meeting with Xi, Lew had separate discussions with Premier Li Keqiang, Finance Minister Lou Jiwei, Chairman of the National Development and Reform Commission (NDRC) Xu Shaoshi, and People’s Bank of China Governor Zhou Xiaochuan. He also participated in a roundtable discussion with business leaders from US companies operating in China.

China's new leaders shared their plans for carrying out economic reforms with the goals of generating greater domestic demand and promoting continued economic growth. Lew pressed his counterparts to permit the exchange rate of the Renminbi to be market-determined. Concern about the undervaluation of China's currency was also expressed by a bipartisan group of US lawmakers who reintroduced legislation to pressure Beijing to allow the Renminbi to rise further against the dollar. In addition to economic and trade issues, Lew raised Chinese cyber-attacks against US companies, which President Obama had highlighted in his phone call to Xi Jinping the week prior. "It has to be recognized, as the president indicated, this is a very serious threat to our economic interests. There was no mistaking how seriously we take this issue," Lew told reporters. Other matters that Lew discussed included North Korea's nuclear programs, European debt, global governance, and climate change.

New faces in charge of foreign affairs

On Feb. 1, John Kerry was sworn in as the 68th US secretary of state. In his confirmation hearings on Jan. 24, although China was not a major focus of questioning, it was addressed in the context of several issues. For example, Kerry noted that "China is all over Africa . . . buying up long-term contracts on minerals." On issues such as intellectual property, market access, and currency, Kerry said that there were "still significant challenges ahead with China." He mentioned China's cooperation with the US on Iran and called for greater cooperation on North Korea. He described relations with China as "a tough slog," and called for both countries to identify their common interests and goals to promote further cooperation. "It's critical for us to strengthen our relationship with China," Kerry asserted. Commenting on the US rebalance to the Asia-Pacific, he argued that the Chinese are worried that US actions are engendering Chinese concerns of encirclement: "every action has its reaction," Kerry said, adding that the US should be "thoughtful about . . . how we go forward."

In his first three months in office, Secretary Kerry held six phone calls with senior Chinese officials. The first took place on Feb. 5 with then Foreign Minister Yang Jiechi. Yang reportedly maintained that US-China bilateral ties "stood at a critical juncture that linked past and future and were faced with fresh opportunities for further development." He noted Beijing's willingness to promote a "cooperative partnership" with the US and explore ways to foster "a new type of inter-power relations." Kerry expressed Washington's desire to advance exchanges and cooperation with China. Kerry and Yang talked again by phone on Feb. 12 immediately following North Korea's third nuclear test. The third call took place on Feb. 26, and focused primarily on reaching a consensus on a UN response to Pyongyang's nuclear test.

On March 18, after Yang Jiechi's promotion to Chinese state councilor and a few days after President Obama and President Xi held their first phone call, Yang and Kerry again talked by phone. They discussed the bilateral relationship, expressed their hopes for greater cooperation, and agreed to make full preparations for the next round of the US-China Strategic and Economic Dialogue. On March 20, in a phone call to newly appointed Foreign Minister Wang Yi, Kerry said that the US looked forward to strengthening communication with China to build a more positive, constructive relationship. Kerry and Yang talked by phone again on April 4, during which Yang stated that the bilateral relationship is in a new era, "with a very good beginning." The Korean Peninsula and climate change were also discussed.

The following day, Secretary Kerry welcomed China's new Ambassador Cui Tiankai. He told Cui that "President Barack Obama and the US government attach great importance to China-US relations and stand ready to enhance dialogue and cooperation with China in the areas of economy, trade, people-to-people ties, climate change and international and regional hotspot issues, and further advance China-US partnership in the next four years." After Cui received his credentials, he met Deputy Secretary of State Burns and they exchanged views on US-China relations as well as international and regional issues.

On his trip to China in mid-April, Secretary Kerry met China's new leaders and the new foreign policy team, including Xi Jinping, Li Keqiang, Yang Jiechi, and Wang Yi. The meeting with Xi focused on the bilateral relationship. Xi called on the two nations to "blaze a trail for a new type of relations between major powers that features equality, mutual trust, tolerance, mutual learning, cooperation and common prosperity. It wasn't immediately clear whether Kerry presented a US vision for the content of the new type of major power relations that Obama and Xi have agreed to explore. In his press conference, Kerry indicated that the US "wants a strong, normal, but special relationship with China . . . because China is a great power with a great ability to affect events in the world."

Kerry's conversation with Foreign Minister Wang Yi centered on energy and climate change. A decision was made to elevate the existing mechanism on climate and energy to a ministerial level. The Climate Change Working Group under the US-China Strategic and Economic Dialogue will be led by Todd Stern, US special envoy for climate change and Xie Zhenhua, vice chairman of the National Development and Reform Commission. The working group will seek to find ways to advance cooperation on technology, research, conservation, and alternative and renewable energy.

Kerry and Premier Li Keqiang discussed the bilateral economic and trade relationship and agreed to pay greater attention to the problems of US businesses operating in China and Chinese business operating in the United States. Li asked Kerry to "take substantial actions to lift the ban on exportation of high-tech products to China." He also proposed that China and the US "participate in and promote the economic integration process in the Asia-Pacific region with open, transparent and inclusive spirits."

The overall tone of Kerry's visit was decidedly upbeat. Both sides stressed the importance of the bilateral relationship and the need to expand cooperation. On the heels of his departure, Deputy Secretary of State Burns arrived in Beijing for further consultations.

Cybersecurity leaps to forefront of the bilateral agenda

On Feb. 19, US computer security firm Mandiant released a report that provided strong evidence that Chinese state-sponsored hackers from a PLA unit based in Shanghai had systematically stolen confidential information from over 140 US organizations across 20 industries, including numerous US government agencies and businesses. While Western business and government entities have long suspected Chinese official involvement in hacking attempts, securing reliable evidence has been elusive due to the difficulty of tracing the origin of computer attacks.

Mandiant's report addressed this issue by turning the hackers' own methods against them: the firm back-tracked the hackers' communications to a compromised computer (called a "hop point"), notified the middleman organization of the intrusion and, with their cooperation, was subsequently able to monitor and capture the keystrokes of the hacking unit. The report also provided ample evidence to prove not only that Beijing was aware, but also that such attempts were state-sanctioned.

China's Foreign Ministry spokesman Hong Lei condemned the allegations as "groundless," and "unprofessional," and emphasized that cyber-crime is an international issue that can only be solved by "international cooperation on the basis of mutual trust and respect." He also cited a report by the China National Computer Network Emergency Response Technical Team Coordination Center that found 73,000 IP addresses had been responsible for conducting hacking attacks on 14 million computers in China. On Feb. 28, Chinese Ministry of National Defense spokesman Geng Yansheng claimed that 62.9 percent of the cyber-attacks against China's Defense Ministry and China Military Online websites in 2012 originated in the US.

A day later, the Obama administration released its own report entitled "Administration Strategy on Mitigating the Theft of US Trade Secrets." The proposed strategy adopts a "whole of government approach" in which the administration hopes to coordinate and improve federal efforts to prevent economic and cyber espionage attempts against the US from China and other countries. Actions the administration plans to pursue include increasing diplomatic engagement with countries known for trade secret theft; supporting industry-led efforts to develop best practices; investigating and prosecuting theft by foreign entities; improving law enforcement against theft; and increasing public awareness.

Since the release of Mandiant's report, the issue of cybersecurity has spring boarded to the forefront of the bilateral agenda. National Security Advisor Donilon explicitly singled out China as a threat to US cybersecurity in early March. In a speech delivered at the Asia Society in New York, Donilon said that cybersecurity now occupies a priority position in US policy as more and more businesses are raising concerns about hacking by Chinese entities. To address these concerns, he listed three specific actions that Washington seeks from Beijing: 1) public recognition of the problem's "urgency and scope" and its associated risks, 2) a commitment to take serious steps to investigate and stop activities related to hacking and theft, and 3) bilateral engagement in a "constructive direct dialogue to establish acceptable norms of behavior in cyberspace." A month later, US Under Secretary for Economic Growth, Energy, and the Environment Robert Hormats echoed Donilon's statements in a keynote address at the US-China Internet Industry Forum in Beijing. Hormats maintained that the two sides have a "common interest" in addressing the cybersecurity problem together through direct dialogue and advocated developing "shared understanding" of cyberspace norms and behavior.

While persistently denying US charges, Beijing signaled willingness to engage in dialogue on cybersecurity. As a rejoinder to Donilon's proposal, Beijing said that it favors "constructive dialogue" with the US and other countries about cybersecurity issues. On the sidelines of the National People's Congress (NPC), Chinese officials again rebutted the accusations of state-organized hacking activities against foreign targets. Foreign Minister, soon to be promoted to state councilor, Yang Jiechi said at a press conference that "cyberspace needs rules and

cooperation,” and that China refuses to “turn cyberspace into another battlefield, or capitalize on virtual reality to interfere in other countries’ internal affairs.” Premier Li Keqiang reiterated that China is a “main target” of cyber-attacks and insisted that Beijing is “opposed” to such activities. He called for China and the US to stop making “groundless accusations against each other and spend more time doing practical things that contribute to cybersecurity.”

During his congratulatory phone call to Chinese President Xi Jinping, President Obama raised his concerns about Chinese hacking. Obama emphasized the need to address cybersecurity threats, which he depicted as a “shared challenge” especially in the areas of business and economics. *Xinhua* reports claimed that Xi reiterated prior official statements that cybersecurity issues are becoming “increasingly acute,” that the Chinese side is firmly opposed to such activity, and that Beijing is willing to maintain communication with the US on the matter.

A step toward easing tensions was taken in mid-April during Secretary of State Kerry’s visit to Beijing when the US and China agreed to establish a working group on cybersecurity. The group would operate under the bilateral Strategic Security Dialogue (SSD), which is subsumed under the Strategic and Economic Dialogue. Chinese media reported that during his meeting with Kerry, Foreign Minister Wang Yi called for joint efforts to ensure a safe and open cyberspace and stated that cyberspace should be an opportunity for the two sides to “enhance mutual trust and boost cooperation.”

Later that month, Gen. Martin Dempsey, chairman of the US Joint Chiefs of Staff, met Gen. Fang Fenghui, chief of staff of the People’s Liberation Army (PLA) for the highest level military-to-military talks, during which the two sides discussed cybersecurity among other sensitive security issues. At a press conference following the meeting, Fang denied allegations of state-sanctioned hacking attacks. He took the matter seriously, however, going so far as to compare the damage wrought by such activity to be “as serious as a nuclear bomb.” Fang also urged the two sides to “jointly work on this issue” and acknowledged that he was amenable to establishing a cybersecurity “mechanism to enhance coordination and cooperation.”

Around the same time, Verizon released its annual Data Breach Investigations Report (DBIR), which combines the expertise of Verizon’s own RISK Team and 18 partners, including US and foreign government officials. Of the 120 incidents of government cyber-espionage detailed in the report, 96 percent originated from China (the remaining 4 percent was indeterminate). Wade Baker, the managing principal for Verizon’s RISK Team, acknowledged that while this statistic was “staggering,” it did not necessarily represent a spike in state-sanctioned hacking activity; rather, it reflected the IT industry’s ability to better track such activity.

The convergence between growing evidence of the Chinese military’s involvement in cyber-attack campaigns and greater willingness by US companies to acknowledge compromise and intrusion into their systems has emboldened US officials to take a stronger stance on the matter. On April 22, the *Wall Street Journal* reported that the Obama administration was considering several aggressive options to confront China, including trade sanctions, complaints through the World Trade Organization, diplomatic pressure, prosecutions of individual Chinese hackers in the US court system, and both offensive and defensive countermeasures. It is unlikely such actions would be imminent, however, due to concerns about possible unintended consequences

of such punitive measures. For instance, many intelligence agencies have raised concerns about trying federal court cases against hackers because of potential revelations of the intelligence community's methods in monitoring attacks. Officials also worry that taking economic action against cyber intrusions could instigate a trade war.

Building a new type of major power relations between militaries

The Obama administration signaled early that strengthening US-China military ties would remain a priority in the president's second term. In National Security Advisor Donilon's March speech to the Asia Society he stated that "a deeper US-China military-to-military dialogue is central to addressing many of the sources of insecurity and potential competition between us." Noting that such a dialogue is "a critical deficiency in our current relationship," he called for "open and reliable channels to address perceptions and tensions about our respective activities in the short-term and about our long-term presence and posture in the Western Pacific."

To reinforce this message, as new officials responsible for military matters assumed their posts in both the US and China, phone calls were arranged by Washington. In March, a phone call took place between Gen. Dempsey, chairman of the US Joint Chiefs of Staff, and Gen. Fang Fenghui, newly appointed chief of the PLA General Staff, a month in advance of Dempsey's trip to China. According to *Xinhua*, Fang told Dempsey that China is willing to work with the US to advance new-type military relations featuring equality, reciprocity, and win-win cooperation and to jointly maintain peace and stability in the Asia-Pacific region. Fang also expressed the willingness of the PLA "to strengthen its communications with the US military to enhance mutual trust, handle differences properly, and deepen cooperation." Apparently, under instruction from Xi Jinping, the PLA is more agreeable than in the past to bolstering defense ties with the US.

In early April, newly appointed US Defense Secretary Chuck Hagel called his counterpart Gen. Chang Wanquan. Both officials stressed the importance of the US-China military relationship and pledged to promote bilateral cooperation. According to Chinese press reports, Chang noted that the two militaries should seek to build "a new type of Sino-US military relationship of equality, mutual benefit, and win-win cooperation." The Pentagon's read-out of the call indicated that Hagel discussed "the importance of focusing on areas of sustained dialogue, practical areas of cooperation, and risk reducing measures." Hagel invited Chang to visit the US later in the year.

The PLA Navy accepted an invitation that was issued last September by then-Defense Secretary Leon Panetta to join the US-organized *RIMPAC 2014* military exercise. In the late 1990s, the PLA Navy was an observer at *RIMPAC*; next year will mark China's first time joining as a participant. In preparation for the drill, which will be held next summer, the US and China will hold several exchanges and exercises in the coming year.

In late April, Gen. Dempsey visited Beijing for four days and met President Xi Jinping, Vice Chairman of the Central Military Commission Fan Changlong, State Councilor and Defense Minister Chang Wanquan, State Councilor Yang Jiechi, and host of the visit Gen. Fang Fenghui. A recurring theme in all of his meetings was that the US and China should establish a new type

of major power relationship between the two militaries within the overall new type of major power relationship that Presidents Obama and Xi aspire to create. Dempsey called for a healthy, reliable, stable and sustained military-to-military relationship. Issues discussed between Fang and Dempsey, according to Chinese media reports, included Taiwan, the Senkaku/Diaoyu Islands, the South China Sea, missile defense, North Korea's nuclear program, and cybersecurity.

After their meeting, Fang and Dempsey met jointly with the press. They announced that the US and Chinese armies will conduct a humanitarian rescue and disaster relief drill with actual force deployments in 2013, building on the table-top exercise that was done in 2012. In addition, another anti-piracy joint drill will be conducted in the Gulf of Aden. While in Beijing, Dempsey visited the Army Aviation Academy, the 4th Aviation Regiment, and China's National Defense University. Upon his return, Dempsey provided additional details of his conversations with his military counterparts. According to Dempsey, there was agreement that both sides would recommend to their respective leaders: 1) more frequent and regular engagements at every level, including greater participation in each other's military training exercises as well as the establishment of a video teleconference link to facilitate communications; 2) staff consultations to compare visions; and 3) development of an agreed-upon approach or code of conduct to apply to encounters in the air, sea, and cyber domains.

The annual "Two Meetings"

From March 5-17, the 12th National People's Congress (NPC) with its nearly 3,000 delegates convened in Beijing. Concurrently, 2,200 delegates met during the Chinese People's Political Consultative Conference (CPPCC), held March 3-12. The two meetings went largely according to script and drew to a close China's once-a-decade leadership transition that began with the Party Congress last November.

Most of the top appointments were as expected, including Xi Jinping as president, Li Keqiang as premier, Zhang Dejiang as NPC chairman, and Yu Zhengsheng as CPPCC chairman. The announcement of Li Yuanchao as vice president was unanticipated, however, as it broke with recent practice of vice presidents serving as members of the Politburo Standing Committee. Nevertheless, Li is hardly a trailblazer as there have been other such exceptions in the past. Li's appointment has been interpreted by some analysts as an effort to restore some factional balance within China's top leadership, considering his reputed close ties to Hu Jintao. The new selections also included several new vice premiers, state councilors, and ministers. Among those of note for bilateral US-China relations are Yang Jiechi's appointment as state councilor in charge of foreign affairs, and Wang Yi's assignment as minister of foreign affairs, setting China's foreign policy leadership firmly in the hands of experienced diplomats. Other new ministers included Xu Shaoshi at the head of the National Development and Reform Commission (NDRC), Gao Hucheng as minister of commerce, Lou Jiwei at the helm of the Ministry of Finance, and Li Bin as minister for the newly created National Health and Family Commission. Fifteen of the 25 ministers were retained, suggesting that continuity and stability are key features of the new leadership's policies.

Prior to the NPC, speculation mounted that radical government reorganization would take place, including the establishment of new supra-ministries for key issue areas. Actual changes were far less dramatic, however, and what changes did take place reflected public pressure on the leadership for past failures. For instance, the Ministry of Railways, which has been condemned as highly corrupt and inefficient, was abolished and its regulatory functions were split between the Ministry of Transportation and the newly created China Railways Corporation. Other changes suggest the leadership's desire to demonstrate firmer, more efficient handling of social and health concerns. The new General Administration of Food and Drugs siphoned functions from several other regulatory bodies and replaced the State Food and Drug Administration (SFDA). Similarly, the National Health and Family Commission combined the former Ministry of Health and several other bodies. Meanwhile, both the NDRC and the Ministry of Science and Technology (MOST) remain intact, and steps have been taken to create a unified coast guard by consolidating previously separate maritime law enforcement agencies under the State Oceanic Administration (SOA).

At the opening of the NPC, the Chinese Ministry of Finance released the 2013 budget, which reflected considerable continuity with past years' budgets. Most categories of expenditures increased approximately 11 percent with only a few exceptions. Reflective of the leadership's desire to appear responsive to public concerns, spending tied to health care and environmental protection increased by 28 percent and 18.8 percent, respectively. Defense spending increased by 10.7 percent from 669.1 billion yuan to 740.6 billion yuan (about \$119 billion in total).

On March 5, China's out-going premier, Wen Jiabao, delivered his final government work report in which he reiterated several themes from past reports – including Hu Jintao's political work report delivered at the Party Congress last fall. Major economic objectives were outlined, but the road maps for achieving them were left to the new leadership. The goals articulated included expanding domestic consumption; promoting emerging industries; modernizing agriculture, spurring urbanization, and balancing economic development among regions; improving and reforming the social security, healthcare, and household registration systems; ensuring per capita income for rural and urban residents increases with the general rate of economic growth; reforming the financial, income distribution, and interest rate systems; and allowing the RMB exchange rate to be more market-determined.

Several targets set in the report reflected Beijing's desire to balance both public expectations and social stability against uncertainty surrounding China's economic development in the near-future. A modest target for GDP growth of 7.5 percent was set and inflation was pegged to about 3.5 percent, slightly less than the 2012 target of 4 percent. The report projected a 1.2 trillion yuan deficit, which accounts for 2 percent of the country's GDP and is 400 billion more than the previous year. Wen also pledged that the government would add more than 9 million urban jobs, keep registered urban unemployment rate at or below 4.6 percent, and work to ensure that real per capita income for both urban and rural residents increased in step with national economic growth. Wen said China would implement a "proactive fiscal policy" whereby social spending in the areas of education, health and social security would be given priority.

On the final day of the NPC, Xi Jinping and Li Keqiang delivered their first remarks as newly elected president and premier. Taken together, their statements provided only glimpses of the

new leadership's priorities and policy directions. Xi's speech was most notable for his attempt to promote national unity by promoting his concept of the "Chinese Dream." He called for citizens to "strive to achieve the Chinese dream of great rejuvenation of the Chinese nation" by pressing forward with "indomitable will . . . the great cause of socialism with Chinese characteristics."

During his first press conference on March 17, Premier Li alluded to reformist social and economic policies the new leadership plans to pursue. Li explained that reform was China's "biggest dividend" and emphasized that to sustain fast-paced economic development the country would have "no alternative" but to pursue comprehensive reforms. Li noted the need to "curb" the government's power; to establish an "anti-corruption mechanism" and create a "transparent environment" to fight corruption; and to lead by example – reducing administrative and hospitality spending while simultaneously increasing social spending that benefited the public. In addition, Li stressed the importance of improving quality of life for China's middle- and low-income households. With regard to financial reforms, Li reiterated Beijing's plans to pursue market-oriented reforms in setting interest rates and the yuan's exchange rate, increase the share of direct financing, and develop a "multi-tier capital market." Li stated that China's "trade will continue to grow and even at a high speed in the years ahead," and these reforms would help promote a new phase of economic growth and opportunity.

Looking ahead

As President Obama begins his second term and Xi Jinping starts what is likely to be a decade ruling China, both leaders are keenly aware of the areas of tension in the US-China relationship as well as the potential and need for greater cooperation. Domestic challenges are a top priority for both presidents, which will likely compel them to ensure that bilateral ties remain stable.

The fast tempo of US-China exchanges is likely to continue in the coming months. National Security Advisor Donilon will visit Beijing in May. Foreign Minister Wang Yi will travel to Washington for consultations in advance of the Strategic and Economic Dialogue, which is scheduled for the week of July 8. More high-level military exchanges are on the agenda, including a visit to the US by PLA Navy chief Wu Shengli and Defense Minister Chang Wanquan. President Xi and President Obama are not expected to meet until September, when they will engage on the margins of the G20.

Chronology of US-China Relations*

January – April 2013

Jan. 18, 2013: US Department of Commerce announces it is launching a countervailing duties investigation on frozen warm water shrimp from China and six other countries.

Jan. 24, 2013: Secretary of State Hillary Clinton announces the creation of the 100,000 Strong Foundation to expand opportunities for US students to learn Chinese and study in China.

* Chronology and research assistance by CSIS intern Sheridan Hyland

Jan. 25, 2013: China imposes 5-year anti-dumping duties on US and EU companies exporting glycol and diethylene glycol to China, arguing the products are harming the Chinese economy.

Jan. 25, 2013: Bipartisan legislation in US Congress introduces the Taiwan Policy Act 2013, which calls for deeper diplomatic relations with Taiwan and allowing Taiwanese leaders to meet US officials from all executive government branches.

Jan. 25, 2013: US Special Representative for North Korea Policy Glyn Davies visits Beijing to discuss North Korea on a trip that includes Japan and the Republic of Korea

Jan. 26, 2013: State Councilor Dai Bingguo and Secretary of State Clinton talk on the phone to discuss how the US and China should work to further fulfill their leaders' consensus and steer bilateral relations back to a more cooperative direction.

Jan. 31, 2013: Vice Premier Li Keqiang of the State Council meets a delegation led by Rep. Ed Royce, chairman of the US House Committee on Foreign Affairs.

Feb. 3-6, 2013: Thomas Countryman, assistant secretary of state for international security and nonproliferation, meets senior Chinese officials in Beijing to discuss bilateral cooperation on nonproliferation issues.

Feb. 5, 2013: Foreign Minister Yang Jiechi talks by phone with newly confirmed Secretary of State John Kerry.

Feb. 8, 2013: US International Trade Commission announces the antidumping order on imports of steam-activated carbon imported from China will remain in effect for at least five years.

Feb. 12, 2013: Foreign Minister Yang and Secretary of State Kerry hold a phone discussion regarding North Korea's nuclear test.

Feb. 19, 2013: US computer security firm Mandiant releases a report stating Chinese state-sponsored hackers associated with PLA Unit 61398 have accessed information from numerous US government agencies and businesses.

Feb. 20, 2013: Obama administration releases its "Administration Strategy on Mitigating the Theft of US Trade Secrets" in response to economic and cyber espionage attempts against the US from China and other countries.

Feb. 25, 2013: National Security Advisor Tom Donilon meets State Councilor Liu Yandong on the margins of the inauguration ceremonies for President Park in Seoul.

Feb. 27, 2013: Foreign Minister Yang and Secretary of State Kerry talk by phone to exchange views on US-China relations and the situation on the Korean Peninsula.

March 4, 2013: National People's Congress (NPC) opens and China's Ministry of Finance announces that the country will boost defense spending 10.7 percent to \$119 billion.

March 7, 2013: United Nations Security Council passes Resolution 2094, which includes a new round of sanctions against North Korea to impede development of nuclear and missile programs.

March 11, 2013: National Security Advisor Donilon calls on China to recognize the seriousness of cyber-espionage in a speech at the Asia Society in New York.

March 12, 2013: Gen. Fang Fenghui, chief of the General Staff, talks with Chairman of the Joint Chiefs of Staff Gen. Martin Dempsey to discuss strengthening military communications, enhancing mutual trust, handling differences properly, and deepening cooperation.

March 14, 2013: President Obama calls President Xi Jinping to congratulate him on his new position and discuss the US-China relationship.

March 18, 2013: State Councilor Yang Jiechi talks by phone with Secretary of State Kerry.

March 18-22, 2013: Under Secretary for Terrorism and Financial Intelligence David Cohen visits China to discuss implementation of economic sanctions against North Korea.

March 19-20, 2013: Treasury Secretary Jacob Lew visits China and meets President Xi, Premier Li Keqiang, Finance Minister Lou Jiwei, and People's Bank of China Gov. Zhou Xiaochuan.

March 20, 2013: Foreign Minister Wang Yi and Secretary of State Kerry talks by phone to discuss bilateral ties as well as Korea, climate change, and cybersecurity.

March 24, 2013: Acting Assistant Secretary of State for East Asian and Pacific Affairs Joseph Yun meets senior government officials in Beijing.

March 27, 2013: Delegation from the Senate Committee on Foreign Relations, headed by Sen. Bob Corker visits China and meets Wang Chen, vice chairman and secretary general of the Standing Committee of the NPC and Qi Jianguo, deputy chief of staff of the PLA.

March 27, 2013: US House of Representatives passes a spending bill that bars US government purchases of information technology systems that are “produced, manufactured, or assembled by one or more entities that are owned, directed, or subsidized by the People’s Republic of China.”

April 1, 2013: US Trade Representative releases its “National Trade Estimate” Report, stating that China impedes imports from US producers of steel, autos, beef, and copyrighted products.

April 3, 2013: Secretary of Defense Chuck Hagel and Minister of National Defense Gen. Chang Wanquan talk by telephone.

April 4, 2013: State Councilor Yang Jiechi and Secretary of State Kerry talk by phone on strengthening and enhancing bilateral relations.

April 8-9, 2013: US Department of State and Chinese Ministry of Foreign affairs co-lead the fourth US-China Dialogue on the Law of the Sea and Polar Issues in Alameda, California, hosted by the US Coast Guard.

April 9, 2013: Robert Hormats, undersecretary for economic growth, energy, and the environment, delivers the keynote address at the US-China Internet Industry Forum in Beijing.

April 13-14, 2013: John Kerry makes his first visit to Beijing as secretary of state.

April 15, 2013: President Xi Jinping meets the second US-China Governors' forum attendees and calls on governors of both countries to promote bilateral relations.

April 15, 2013: Chinese Ambassador to the US Cui Tiankai presents his credentials to President Obama at the White House.

April 19, 2013: US releases its annual *Country Reports on Human Rights Practices for 2012* in which it denounces China's human rights abuses.

April 21, 2013: China releases its report *The Human Rights Record of the United States in 2012*, criticizing US abuses of human rights around the world.

April 21-25, 2013: Wu Dawei, China's special representative for Korean Peninsula affairs, visits the US to exchange views on the current situation in Korea.

April 21-25, 2013: Chairman of the Joint Chiefs of Staff Gen. Martin Dempsey, travels to Beijing to discuss bilateral military relations with Chinese officials.

April 22-25, 2013: Ambassador at Large for International Religious Freedom Suzan Johnson Cook and Deputy Assistant Secretary for Democracy, Human Rights, and Labor Daniel Baer travel to China to promote human rights and religious freedom.

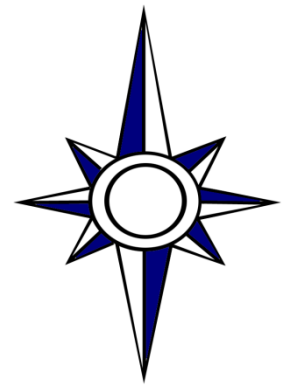
April 24-25, 2013: Deputy Secretary of State William Burns visits Beijing and meets Vice President Li Yuanchao and other senior Chinese officials.

April 25, 2013: US-China Economic and Security Review Commission holds a hearing on "China's Agricultural Policy and US Access to China's Market."

April 25, 2013: Acting Assistant Secretary for East Asian and Pacific Affairs Joseph Yun testifies to the House Committee on Foreign Affairs Subcommittee on Asia and the Pacific on "Security and Defense: Cooperation and Challenges."

Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



US-Korea Relations: Crisis Du Jour

Victor Cha, Georgetown University/CSIS
Ellen Kim, CSIS

In early 2013, the Korean Peninsula cycled back into crisis. Three weeks after the UN Security Council imposed sanctions on North Korea for its rocket launch in December 2012, North Korea conducted a third nuclear test. This led to a series of antics from the young leader, including a meeting with former basketball star Dennis Rodman, preparations for ballistic missile tests, and a pronouncement ending the armistice and declaring a new state of war on the peninsula. These threats were designed to test ROK President Park Guen-hye, who took office in February. Meanwhile, Seoul and Washington celebrated the one-year anniversary of the US-Korea Free Trade Agreement, agreed to a two-year extension of their civil nuclear agreement, and began preparations for special measures negotiations (a burden-sharing agreement for military forces).

Can you Google “nuclear test” or “the worm”?

The year started with an unlikely visit by Eric Schmidt, executive chairman of Google, and Bill Richardson, former governor of New Mexico, to North Korea in January. Schmidt went in his private capacity and toured North Korea’s fledgling computer and internet facilities. Presumably one of the last frontiers for Google, the country currently has about 15,000 internet users (according to members of the delegation who briefed CSIS upon their return). Hopes that the trip signified the regime’s interest in reform were dashed when the delegation was not invited to meet Kim Jong Un and Richardson failed in his efforts to gain the release of a detained Korean-American, Kenneth Bae.

To the surprise of many Korea-watchers, the DPRK leader shunned Google, but spent hours conversing, laughing, and breaking bread with the most unlikely of visitors, former National Basketball Association star Dennis Rodman. Participating in the filming of an HBO VICE documentary, Rodman arrived in the country with a film crew and several members of the Harlem Globetrotters in late-February. More bizarre than the pictures of the body-pierced, tattooed, and cross-dressing (6’ 7’ in height) Rodman and the plump, Mao-suit donned (estimated 5’5”) North Korean leader swooning over each other in Pyongyang was “the Worm’s” (Rodman’s nickname) interview with George Stephanopoulos upon his return. Many believed Rodman’s visit appealed to the boy leader’s love of the NBA and the Chicago Bulls (it could of course be because he watched HBO, too!). This most accidental diplomat told a national television audience that Kim was a “good guy,” that he did not want war, and that all he wanted was for Obama “to call him.” Really?

The casual observer might laugh all of this off as the latest example of reality TV except that the Google and Rodman visits bookended some rather serious actions by the North. Shortly after

UN Security Council Resolution 2087 was passed on Jan. 22, promising significant actions to be taken against North Korea in the event of a further rocket or nuclear test, the country conducted a third nuclear test on Feb. 12. The test created an “artificial earthquake” of magnitude 4.9-5.1 on the Richter scale, indicating that Pyongyang had detonated a more powerful device than its previous nuclear tests in 2006 and 2009. North Korea announced that it had successfully conducted a nuclear test using a smaller and miniaturized nuclear device. And while there were not enough noble gas emissions to determine whether the test was plutonium or uranium-based, the February 2013 nuclear test coupled with the December 2012 satellite launch were clear manifestations that the North is making substantive advances on both its nuclear and ballistic missile programs.

In South Korea, the test was seen as a parting shot at the outgoing Lee Myung-bak government and a test to the incoming Park government. It also sparked a public response. According to a *Korea Gallup* opinion survey conducted from Feb. 13 to 15, more than 60 percent of South Koreans were in favor of their country having a nuclear weapon capability. In Tokyo, Prime Minister Abe Shinzo released a public statement condemning North Korea’s nuclear test and calling upon the UN Security Council (UNSC) to convene promptly to deal with Pyongyang’s repeated violations of its resolutions. In Washington, the test came on the eve of President Obama’s first State of the Union address of his second term. He rebuked the test, calling it “a threat to U.S. national security” in a tersely-worded White House statement. Equally frustrated but also embarrassed by Pyongyang’s provocative behavior, Beijing joined Washington in drafting UNSC Resolution 2094 that included mandatory financial measures against North Korea. The resolution was unanimously adopted in the UNSC on March 7.

Pushing to the edge

In March and April, the situation with the North spiraled further downward. Unlike previous provocation cycles where Pyongyang alternated smile diplomacy with its next provocation, the regime under the young leader escalated tensions by ratcheting up threats of war presumably in response to the start of the annual and routine US-ROK joint military exercises *Key Resolve/Foal Eagle 2013*. The tempo and intensity of the hostile rhetoric and threats were unprecedented. Starting with unilateral nullification of all previous (defunct) nonaggression and denuclearization agreements with South Korea, the North then nullified the Korean Armistice Agreement, threatened a preemptive nuclear strike, released photos of a “US Mainland Strike Plan” that included Washington DC, Hawaii, San Diego, and possibly Austin, Texas, and issued evacuation orders to foreign embassies on the Korean Peninsula. The table* below lists all of the provocative statements by the North in this two-month period:

Date	North Korea’s Provocative Statements
March 5, 2013	We will take second and third countermeasures of greater intensity against the reckless hostilities of the United States and all the other enemies. Now that the US imperialists seek to attack the DPRK with nuclear weapons, we will counter them with diversified precision nuclear strike means of Korean style. The army and people of the DPRK have everything including lighter and smaller nukes unlike what we had in the past. (<i>Korean People’s Army</i>)

* Made with research assistance from Sun-myung Oh, Andy Sau Ngai Lim, and Youmin Kim

March 7, 2013	The revolutionary armed forces of the DPRK will exercise the right to launch a pre-emptive nuclear attack to destroy the strongholds of the aggressors and to defend the supreme interests of the country. (<i>Spokesman for the North Korea's Foreign Ministry</i>)
March 8, 2013	All agreements on nonaggression reached between the North and the South and the joint declaration on denuclearization of the Korean Peninsula are now nullified. (<i>Committee for the Peaceful Reunification of the Fatherland</i>)
March 8, 2013	We are ready for "all-out war" against our enemies. (<i>Kim Jong Un</i>)
March 10, 2013	We would exercise the right to conduct preemptive nuclear strikes if today's "Key Resolve" drills were to go ahead. (<i>North Korea's Foreign Ministry</i>)
March 11, 2013	The Korean Armistice Agreement is to be scrapped completely just from today and the annual training exercises called Key Resolve are an open declaration of a war. (<i>Spokesman for the Supreme Command of the Korean People's Army (KPA) reported by Rodong Sinmun</i>)
March 12, 2013	We would wipe out a South Korean island Baengnyeong and turn the island into a "sea of fire." (<i>Kim Jong Un</i>)
*March 13, 2013	North Korea's Air Force drastically increases jet fighter training flights. (<i>military source in Seoul</i>)
*March 14, 2013	North Korea conducts live-fire drills near a disputed maritime border. (<i>KCNA</i>)
March 20, 2013	North Korea military personnel are standing by to annihilate the US imperialist aggressors, only awaiting an order from Supreme Commander Marshal Kim Jong Un. (<i>KCNA</i>)
*March 20, 2013	North Korea conducts air-raid drills, issuing air raid warnings for its soldiers and citizens. (<i>Korean Central Broadcasting Station, KCBS</i>)
March 20, 2013	US B-52 bomber deployments in the Korean Peninsula prove the aggressive and adventurous nature of the drills as a test nuclear war rehearsal. If the US sends B-52 to Korea again, they will meet catastrophic end by the strong military counteraction of the DPRK. Time has gone when words worked. (<i>KCNA</i>)
March 21, 2013	The U.S. should not forget that Andersen Air Force Base on Guam, where B-52s take off, and naval bases in Japan proper and Okinawa, where nuclear-powered submarines are launched, are within the striking range of our precision strike means. Now that the US started open nuclear blackmail and threat, the DPRK, too, will move to take corresponding military actions. (<i>Spokesman for the Supreme Command of the KPA</i>)
March 25, 2013	Crack storm troops will occupy Seoul and other cities and take 150,000 US citizens as hostage. (<i>In the video, titled "A Short, Three Day War" posted on the North Korean website Uriminzokkiri</i>)
March 26, 2013	We will put on the highest alert all the field artillery units including strategic rocket units and long-range artillery units, which are assigned to strike bases of the US imperialist aggressor troops in the US mainland and on Hawaii and Guam and other operational zone in the Pacific, as well as all the enemy targets in South Korea and its vicinity. (<i>Supreme Command of the KPA</i>)

*March 27, 2013	North Korea cuts its last military hotline with Seoul. (<i>Message from the DPRK head of the delegation, inter-Korean general-level military talks</i>)
*March 29, 2013	North Korea reveals its US mainland strike plan in a map targeting primarily Hawaii, Washington, DC, Austin, Texas and Los Angeles, California. (<i>A picture shown on the report by KCNA</i>)
March 30, 2013	From this moment, the North-South relations will be put at the state of war, and all the issues arousing between the North and the South will be dealt with according to the wartime regulations (<i>KCNA</i>)
March 31, 2013	Nuclear weapons are the “nation’s life,” an important component of the country’s defense, and an asset that wouldn’t be traded even for “billions of dollars.” (<i>Declaration adopted by Kim Jong-un and top party officials</i>)
April 2, 2013	We will restart our 5-megawatt graphite-moderated nuclear reactor in Yongbyon to extract plutonium for nuclear weapons. (<i>KCNA</i>)
*April 4, 2013	North Korea moves its <i>Musudan</i> missiles to the launching site on the east coast of the country. (<i>ROK Ministry of National Defense</i>)
April 5, 2013	All embassies in Pyongyang should prepare to evacuate North Korea because their safety cannot be guaranteed during conflict. (<i>Spokesman for the Russian embassy in Pyongyang, Denis Samsonov</i>)
April 8, 2013	We will tentatively put operation at the Kaesong Industrial Complex on hold. How the situation will develop in the future will entirely depend on the South Korean government’s attitude. (<i>Statement by Kim Yang-gon, Secretary of Central Committee</i>)
April 9, 2013	Foreigners should leave South Korea to avoid getting caught up in the “all-out war, a merciless, sacred, and retaliatory war.” (<i>Korean Asia-Pacific Peace Committee</i>)
April 12, 2013	Japan is always in the cross-hairs of our revolutionary army and if Japan makes a slightest move, the spark of war will touch Japan first. (<i>KCNA</i>)
April 15, 2013	Our retaliatory action will start without any notice from now if anti-North Korean activities continue in South Korea. (“ <i>Ultimatum</i> ” by the Supreme Command of the KPA)
April 18, 2013	There will be no dialogue until Seoul halts provocations and apologizes. (<i>Statement by the Policy Department, National Defense Commission</i>)
Apr 20, 2013	We will not give up nuclear weapons. The US should not think about the denuclearization on the peninsula before the world is denuclearized. (<i>Rodong Sinmun</i>)
Apr 25, 2013	Our forces are ready to launch intercontinental ballistic missiles and kamikaze-like nuclear attacks at the US. (<i>Statement by the North Korean generals including Ri Pyong-chol and Kim Rak-gyom. Reported by KCNA</i>)
Apr 26, 2013	We will take “final, decisive and serious measures” if President Park Geun-Hye’s government continues to issue ultimatums. (<i>National Defense Commission</i>)

(* indicates North Korea’s hostile response and military actions taken)

The threats of a nuclear strike on the US prompted “wall-to-wall” coverage by cable news networks, leading to the impression that the peninsula was on the brink of war. In Washington, experts dismissed North Korea’s ability to launch a missile strike on the US mainland and downplayed the possibility of US military engagement. However, there were palpable concerns that the young leader might inadvertently start a military confrontation with South Korea that could easily escalate out of control. Questions arose as to whether the young leader simply had no idea of how dangerous the situation was.

In response to the threats, the US undertook several measures. On March 15, Secretary of Defense Chuck Hagel announced the deployment of 14 additional missile interceptors in Alaska and California, sending a clear signal of US readiness to counteract any long-range missile threats from North Korea. The US also signed a new agreement with South Korea to cooperate and coordinate their combined responses to North Korea’s possible conventional military provocations. Signing this Combined Counter-Provocation Plan bolsters deterrence against North Korea’s limited, local provocations but it also helps avert inadvertent escalation on the peninsula. On March 28, the US dispatched two nuclear-capable *B-2* stealth bombers on a simulated bombing run from Whiteman Air Force Base in Missouri to the South Korean island of Jikdo off Gunsan. This mission had been part of regular *Foal Eagle* training exercises in the past, but was publicly disclosed this time to signal US extended nuclear deterrence commitments to South Korea and Japan. On April 1, US *F-22* stealth fighter jets were also dispatched from Japan to participate in *Foal Eagle* drills following North Korea’s warning of a “state of war” on the Korean Peninsula. In response to North Korea’s missile threats to US military bases in the Pacific, the Pentagon announced plans to deploy to Guam the *Terminal High Altitude Area Defense (THAAD)* system, a sophisticated anti-missile defense system that can shoot down incoming short- medium- and intermediate-range ballistic missiles. All of these actions were designed not just to bolster defense and deterrence commitments to the allies, but also to signal to the young leader in the North that he was drawing close to a redline with his action, in case he was too young and inexperienced to understand that.

Amidst the tensions, Secretary Kerry made his first trip to Asia in April as North Korea appeared to be gearing up for multiple missile tests in celebration of the 101st birthday of Kim Il Sung. The North pulled back from the test possibly for technical reasons. Before April ended, tensions shifted to inter-Korean relations when Pyongyang expelled all workers from the Kaesong Industrial Complex, which eventually led to the shutdown of the facility.

Alliance “hwangap”

2013 marks the 60th anniversary of the alliance as well as the armistice agreement that ended the Korean War. Earlier this year, Park’s transition team sent its first special envoy to Beijing, raising questions as to whether she was shifting in the direction of China. The Chinese are clearly infatuated with the daughter of Park Chung-hee as Korea’s new leader – Xi Jinping reportedly broke with protocol and opened her letter immediately upon receiving it from the envoy. Park’s first overseas trip as head of state, however, was to the US which her advisors assured was a sign that her center of gravity remains the 60-year old alliance, even as she seeks to build trust with China. The US rolled out the red carpet given the historic significance of this president, including an address to a joint session of Congress, an honor rarely bestowed on

heads of state, but one that six South Korean presidents have enjoyed (as opposed to one Japanese prime minister).

Yet even birthdays do not allow one to escape realities. The alliance has several issues to deal with including the timetable for operational control (OPCON) transition, the special measures negotiations (burden-sharing agreement), and civil nuclear cooperation. The most pressing over the last several months was the last of these.

With the announcement of the first summit between Presidents Park and Obama in May, the hope was that a successful conclusion of a new US-ROK civil nuclear cooperation agreement would be the deliverable for the meeting. However, this was not possible given the need for Congressional approval of any new agreement – never mind that negotiators from both sides were hard pressed to meet a timetable of early summer of 2013 to cut a deal. In April, Secretary of State John Kerry and Foreign Minister Yun Byung-se met to discuss the negotiation deadlock and restart official negotiations on April 16-17. But both sides remained entrenched in their positions. The ROK demanded advanced US consent on its right to enrich uranium and reprocess spent fuel, while the US remained opposed to granting such consent. In the end, the two sides agreed to a two-year extension of the current agreement on April 24 rather than seek a revised agreement. Coming 13 days before the summit, this decision gave Park some political face in the absence of a new deal, and it also gave the private sector a degree of stability, at least for two more years. While an extension was certainly better than an expiration of the agreement, few experts are optimistic that the wide gap between the US and ROK negotiating positions can be narrowed in just two years without some sort of high-level political intervention.

KORUS and TPP

March marked the one-year anniversary of the US-Korea Free Trade Agreement (KORUS). From the implementation of KORUS until the end of February 2013, benefits were clearly evident on FTA beneficiary items following two rounds of tariff cuts and non-tariff barrier elimination. Both the US and South Korea saw an increase in exports in their FTA beneficiary items by 4.1 percent y/y and 10.4 percent y/y, respectively. By contrast, US-Korea bilateral trade volume in non-FTA beneficiary items decreased in both countries. US overall exports to Korea dropped by 9.1 percent y/y while South Korea's exports to the US increased by a mild 1.4 percent y/y, according to [US Korea Connect](#). These numbers may not look terribly impressive, but they have to be discounted for the global economic downturn and the need for more than one year's figures to gain a full sense of the positive effect. In spite of global economic headwinds, the fact that both countries saw an increase in the exports of FTA beneficiary items is an indicator of benefits of KORUS FTA for both countries' bilateral trade. For both sides, full implementation of the agreement remains a key agenda item.

The US continues to probe South Korea's interest in joining TPP. South Koreans have responded that their priority is a China-ROK FTA, but in the past months there were some whispers that the Koreans are warming to TPP. Japan's announcement of its joining the negotiations in February gave TPP much more weight, and this registered with the South Koreans. The realization that joining TPP might also give Seoul more leverage in their FTA talks with China appears to be another factor. For the moment, Koreans will be watching closely

from the sidelines and will pay special attention to how Japan is handled in the negotiations. If Tokyo is given exceptions, this will reduce Seoul's appetite for joining.

Chronology of US-South Korea Relations* **January – April 2013**

Jan. 1, 2013: US House of Representatives passes the North Korean Child Welfare Act of 2012 calling for the secretary of state to take measures to aid the North Korean children who live in dangerous environments outside of North Korea.

Jan. 2, 2013: House of Representatives passes a resolution condemning North Korean December 2012 rocket launch.

Jan. 3, 2013: US Department of State spokeswoman Victoria Nuland states that the upcoming trip to North Korea by Eric Schmidt, the executive chairman of Google, is strictly private and does not carry any messages from the US government.

Jan. 4, 2013: US Forces Korea (USFK) defers again tour normalization, which would have increased the number of US troops allowed to bring their families into South Korea.

Jan. 7-10, 2013: Former New Mexico Gov. Bill Richardson and Google Executive Chairman Eric Schmidt visit North Korea.

Jan. 16, 2013: US Assistant Secretary of State for East Asian and Pacific Affairs Kurt Campbell leads a delegation to Seoul and meets ROK President-elect Park Geun-hye.

Jan. 22, 2013: UN Security Council unanimously adopts resolution 2087 to sanction North Korea over its December 2012 ballistic missile launch.

Jan. 24, 2013: Glyn Davies, US special representative for North Korea policy, meets ROK nuclear envoy Lim Sung-nam in Seoul.

Jan. 25, 2013: Special Representative Davies travels to China and meets Vice Foreign Minister Fu Ying and Special Representative for Korean Peninsula Affairs Wu Dawei in Beijing.

Jan. 28, 2013: Special Representative Davies meets Japanese counterpart Sugiyama Shinsuke in Tokyo.

Jan. 29, 2013: ROK Defense Ministry spokesman Kim Min-seok states that the US and ROK have been jointly conducting small-scale crisis management task force in preparation for a possible third nuclear test by North Korea.

* Chronology compiled by Sun-myung Oh and Andy Sau Ngai Lim.

Jan. 30-31, 2013: Mark Lippert, assistant secretary of defense for Asian and Pacific security affairs, Lim Kwan Bin, ROK deputy defense minister for policy, and Nishi Masanori, director general of the Japanese Defense Ministry's Defense Policy discuss regional security issues.

Jan. 31, 2013: ROK Defense Minister Kim Kwan-jin orders fast development and deployment of long-range ballistic missiles to reach all of North Korea.

Feb. 3, 2013: Secretary of State John Kerry and Foreign Minister Kim Sung-hwan discuss North Korea's possible nuclear test on the phone and agree on the need to "ensure that North Korea understands that it will face significant consequences from the international community if it continues its provocative behavior."

Feb. 4-7, 2013: US and South Korea conduct a joint naval exercise in the East Sea.

Feb. 5, 2013: Secretary Kerry has a phone call with Chinese Foreign Minister Yang Jiechi to discuss UNSC Resolution 2087 commitments.

Feb. 7, 2013: ROK delegation led by Lee Hahn-koo, the floor leader of the ruling Saenuri Party, meets Under Secretary for Political Affairs Wendy Sherman in Washington to discuss revision of the 123 civil nuclear agreement and KORUS FTA implementation.

Feb. 8, 2013: ROK presidential delegation meets White House National Security Advisor Tom Donilon and delivers President-elect Park's message to President Obama. The delegation also meets Secretary Kerry, Deputy Secretary of State Bill Burns, Deputy Defense Secretary Ashton Carter, and Special Representative Davis.

Feb. 12, 2013: North Korea announces it conducted a third underground nuclear test.

Feb. 12, 2013: President Obama calls North Korea's nuclear test "a highly provocative act" and vows to pursue firm action in response. He also urges North Korea to meet international obligations at the first State of the Union Address of his second term.

Feb. 13, 2013: Presidents Obama and Lee Myung-bak discuss North Korea's nuclear test and agree to work closely together to seek a range of measures aimed at impeding North Korea's nuclear and ballistic missile programs and reducing the risk of proliferation.

Feb. 13, 2013: Secretary of Defense Leon Panetta and Defense Minister Kim Kwan-jin discuss collaboration in the wake of North Korea's nuclear test. Panetta reaffirms US commitment, including extended deterrence commitment, to defend the ROK from aggression.

Feb. 14, 2013: ROK and US launch a three-day joint naval exercise on the East Coast of the Korean Peninsula to test combat readiness in response to North Korea's recent nuclear test.

Feb. 14, 2013: House of Representatives passes a bill condemning North Korea's provocations and repeated violations of multiple UN Security Council resolutions.

Feb. 20, 2013: North Korean diplomat Jon Yong-ryong threatens to inflict the “final destruction” of South Korea at a UN Conference on Disarmament meeting held in Geneva.

Feb. 20, 2013: US Ambassador to the ROK Sung Kim expresses opposition to South Korea’s nuclear armament and the redeployment of US tactical nuclear weapons to the peninsula.

Feb. 25, 2013: Park Geun-hye is inaugurated as South Korea’s first female president.

Feb. 25, 2013: US Senate adopts a bill condemning North Korea for its nuclear test and urges tougher action against the country.

Feb. 26, 2013: President Park and US National Security Advisor Tom Donilon meet at the Blue House and discuss cooperation over North Korea's nuclear programs.

Feb. 28, 2013: Former NBA player Dennis Rodman watches a basketball game and has dinner with Kim Jong Un in Pyongyang.

March 1, 2013: South Korea and the US begin *Foal Eagle*, a two-month military field training exercise focused on the Korean Peninsula.

March 2, 2013: Two US soldiers are accused of firing a BB gun at pedestrians and leading police on a 12-km high-speed car chase in Seoul.

March 5, 2013: North Korea threatens to nullify the Korean Armistice Agreement if the US and South Korea conduct *Key Resolve* military exercise. Jay Carney, White House spokesperson, responds by stating that North Korea will achieve “nothing by threats or provocations.”

March 6, 2013: North Korea threatens to turn Seoul and Washington into “seas of fire” through a “precise nuclear strike.”

March 6, 2013: Maj. Gen. Kim Yong-hyun, the ROK joint chiefs of staff’s head of operations, says the ROK military will retaliate at point of origin, supporting forces, and command structures to the next North Korean provocation.

March 7, 2013: North Korea vows to launch a pre-emptive nuclear strike against the US. Several hours later, the UN Security Council unanimously adopts resolution 2094 imposing tougher sanctions on North Korea.

March 8, 2013: DPRK announces that it is nullifying all nonaggression and denuclearization agreements with South Korea. ROK Defense Ministry spokesman Kim Min-seok says if North Korea attacks with a nuclear weapon, Kim Jong Un’s regime will be “erased from the earth.”

March 10, 2013: North Korea’s official newspaper *Rodong Sinmun* claims its military has entered the “final all-out war stage, awaiting the final order to strike.” It also warns that the country's nuclear arms are prepared for combat.

March 11, 2013: DPRK cuts the Red Cross telephone line that serves as a hotline with the ROK.

March 11, 2013: *Rodong Sinmun* writes that the time for a showdown war is at hand and claims the Korean Armistice Agreement to be null and void.

March 11-25, 2013: South Korea and the US conduct annual *Key Resolve* military exercises.

March 14, 2013: President Obama and China's new president Xi Jinping agree on the need for cooperation on the denuclearization of North Korea during their phone call conversation

March 15, 2013: Defense Secretary Chuck Hagel announces plans for 14 additional ground-based missile interceptors in Alaska and California to counter North Korean military threats.

March 16, 2013: Secretary Kerry congratulates South Korean Foreign Minister Yun Byung-se in a phone call and suggests the ROK and US work more closely together at the UN Security Council, and on global issues including climate change.

March 17, 2013: Drunken US soldiers are arrested for allegedly assaulting local South Korean police in two separate cases.

March 18, 2013: Deputy Defense Secretary Ashton Carter meets Foreign Minister Yun and Defense Minister Kim in Seoul.

March 18, 2013: ROK lawmaker Chung Mong-joon of the Saenuri Party says in a *CNN* interview that it is necessary to redeploy tactical nuclear weapon in South Korea.

March 18, 2013: The 8th US Army public affairs officer vows to prevent misconduct of soldiers after a recent series of criminal incidents involving US soldiers.

March 22, 2013: ROK Chairman of the Joint Chiefs of Staff Jung Seoung-jo, and Commander of the Combined Forces Command James Thurman, sign a combined counter-provocation plan, which guarantees a joint counterattack against any surgical strike on the South from the North.

March 25, 2013: South Korea's Navy conducts maritime drills in the western sea.

March 25, 2013: North Korea stages a national-scale combined army and naval exercise near Wonsan, Kangwon Province.

March 26, 2013: *KCNA* releases a statement saying the DPRK military has ordered all of its artillery units, including strategic rocket and long-range artillery units, to adopt "combat readiness posture No. 1" in order to strike the continental US, its overseas bases and South Korea and in retaliation against US *B-52* bombers flights over the Korean Peninsula.

March 27, 2013: North Korea announces that it has cut a military hotline with South Korea. State Department's deputy spokesman Patrick Ventrell condemns North Korea for severing the hotline but says the US will maintain its own direct communication channel with North Korea.

March 27, 2013: Defense Secretary Hagel and Defense Minister Kim Kwan-jin speak by phone reaffirming the US commitment to South Korean defense, including extended deterrence. They also discuss the plan to increase US ground-based interceptors and early warning and tracking radar in response to the North Korean threat.

March 28, 2013: US Strategic Command sends *B-2* stealth bombers to conduct a simulated attack on the Korean Peninsula as part of the ongoing *Foal Eagle* training exercise.

March 28, 2013: *Rodong Sinmun* calls on countries involved in the "nuclear standoff" on the Korean Peninsula to come forward with their views on what future actions should be taken that can either lead to war or peace.

March 28, 2013: Secretary of Defense Hagel says that the US has to be prepared for "any eventuality" on the Korean Peninsula during a news conference at the Pentagon.

March 29, 2013: *KCNA* says Kim Jong Un has ordered the strategic rockets to be on standby so that they may strike the US mainland, its military bases in the Pacific and those in south Korea."

March 29, 2013: President Park meets Bob Corker, US Senate Foreign Relations Committee ranking Republican, in Seoul and asks for congressional attention to ROK-US nuclear pact and for revisions that enable South Korea to expand its peaceful use of atomic power.

March 31, 2013: US *F-22* stealth fighter jets from Japan arrive at Osan Air Base to participate in US-ROK *Foal Eagle* field exercise.

April 1, 2013: President Park orders the military take a strong response without political considerations in the event of any provocation by North Korea.

April 2, 2013: Foreign Minister Yun meets Secretary Kerry in Washington.

April 2, 2013: North Korea announces its intentions to restart the five-megawatt nuclear reactor at Yongbyon. State Department spokeswoman Nuland reiterates that the US will not accept the DPRK as a nuclear state.

April 3, 2013: North Korea bans South Korean workers from entering the Kaesong Industrial Complex (KIC) and only allows those inside to go home. Defense Minister Kim Kwan-jin says the military is considering all available options, including possible military action, to ensure the safety of the South Korean workers in Kaesong.

April 3, 2013: Foreign Minister Yun meets Secretary Hagel, Deputy Secretary of State Burns and National Security Advisor Donilon.

April 3, 2013: In an interview with *ABC News*, Gen. Thurman calls the situation in Korea "volatile" and "dangerous," and fears that a "miscalculation" can cause "a kinetic provocation."

April 3, 2013: Secretary Hagel calls North Korean behavior a “real, clear danger and threat to the US and its Asia-Pacific allies” in a speech made at the National Defense University.

April 3, 2013: The Pentagon announces that it will deploy the *Terminal High Altitude Area Defense (THAAD)* system to Guam in response to the North Korean threat.

April 4, 2013: South Korean government officials confirm that North Korea has moved *Musudan* missiles to the East Coast.

April 4, 2013: Korean People’s Army announces that they have “final approval for merciless operations” against the US.

April 5, 2013: North Korea sends warning messages to foreign diplomatic missions asking all embassies in Pyongyang to move out for their security.

April 5, 2013: White House spokesman Carney urges North Korea to stop its provocations.

April 8, 2013: KWP Secretary in Charge of South Korean Affairs Kim Yang-gon announces North Korea will tentatively suspend operations at the KIC.

April 9, 2013: DPRK’s Asia-Pacific Peace Committee releases a statement that foreigners living in South Korea should work out measures for evacuation to avoid being hurt in the event of war.

April 9, 2013: Foreign Minister Yun Byung-se warns North Korea that it will gain “absolute nothing” from its threats and provocations.

April 9, 2013: ROK lawmaker Chung Mong-joon calls for South Korea to withdraw from the Nuclear Nonproliferation Treaty in the face of the North Korean threat, develop its own nuclear weapons, and for the US to redeploy nuclear weapons back to the Korean Peninsula.

April 9, 2013: Adm. Samuel Locklear, commander of US Pacific Command, testifies before the Senate Armed Services Committee that the US and South Korean forces are confident in their ability to intercept a North Korean ballistic missile.

April 9, 2013: US Forces Korea hands over the soldier in the BB gun shooting incident to the Seoul Correction Service after South Korea made the request under the “sympathetic consideration” clause of the Status of Forces Agreement.

April 10, 2013: US-ROK Combined Forces Command raises surveillance status from Watchcon 3 to Watchcon 2 to monitor an imminent missile test by North Korea.

April 10, 2013: ROK Ministry of Science, ICT and Future Planning announces the results from its investigation into the cyber-attacks of March 20-26, and identify the DPRK’s Reconnaissance General Bureau as the mastermind behind the attacks.

April 10, 2013: Secretary Hagel warns that North Korea, “with its bellicose rhetoric, its actions, has been skating very close to a dangerous line” and that it should be “neutralized” during a press conference at the Pentagon.

April 11, 2013: Unification Minister Ryoo Kihl-jae asks for the KIC standoff to be normalized through dialogue.

April 11, 2013: Representative Doug Lamborn (R-CO) discloses a new assessment by the Defense Intelligence Agency which concludes with “moderate confidence” for the first time that North Korea has the capability to make a nuclear weapon small enough to be deliverable by a ballistic missile. This assessment was later refuted by the Department of Defense and also by the Director of National Intelligence James Clapper.

April 12, 2013: Secretary Kerry warns North Korea not to carry out the *Musudan* missile tests during a press conference with Foreign Minister Yun in Seoul, but also stresses that the US is open to talks in order to accomplish the goals of denuclearization and reunification. He reiterates that North Korea will not be accepted as a nuclear power.

April 12, 2013: Secretary Kerry meets President Park at the Blue House and pledges firm and strong US support for South Korea against North Korean threats and provocations.

April 14, 2013: DPRK’s Committee for the Peaceful Reunification of Korea calls President Park’s offer to “activate the trust-building process” a “cunning ploy to hide the South’s policy of confrontation and mislead its responsibility for putting the KIC into a crisis.”

April 14, 2013: Korean People’s Army issues an ultimatum to South Korea vowing retaliation without notice if anti-North Korean activities continue.

April 14, 2013: Senate Committee on Armed Services releases the report “Inquiry into U.S. costs and allied contributions to support the U.S. military presence overseas,” in which the committee finds that “South Korea’s contribution has not kept pace with the growth in U.S. costs,” in referring to burden-sharing in the alliance.

April 16, 2013: KCNA publishes a statement by Supreme Command of the Korean People’s Army that Seoul must apologize first for its “hostile acts” before dialogue can resume.

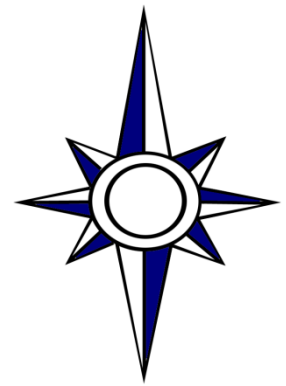
April 16, 2013: President Obama says in an interview that “based on our current intelligence assessments, we do not think that they have that capacity,” to arm a ballistic missile with nuclear weapon, but cautions that the US has to “make sure that we are dealing with every contingency out there” when it comes to North Korean threats.

April 18, 2013: ROK Foreign Ministry spokesman Cho Tai-young calls North Korea’s conditions for dialogue “totally incomprehensible” and “illogical,” and asks for them to “make the right choice.”

April 24, 2013: US and ROK sign a two-year extension of the 1972 US-ROK Nonproliferation Agreement after failing to revise the agreement, moving the deadline to March 2016.

April 25, 2013: Unification Ministry proposes talks with the DRPK to resolve and normalize the KIC issue and warns of “grave action” if the North rejects the offer.

April 30, 2013: US-ROK exercise *Foal Eagle* concludes.



US-Southeast Asia Relations:

Military Commitments and Human Rights Concerns

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In emphasizing the Southeast Asian component of the US rebalance to Asia, US officials have particularly noted the “whole of government” approach that involves economics, strengthening regional institutions, and expanding partnerships. Moreover, much of the motivation for the rebalance, according to these officials, comes from Southeast Asians pressing for US leadership. In the realm of defense, the US emphasizes assisting partners to improve their own capabilities and working within security-related institutions such as the East Asia Summit – the premier forum for political-security issues in Asia. Washington is supporting security improvements in a number of countries in the region, including the Philippines, Thailand, Singapore, Vietnam, Indonesia, and Malaysia. Alongside these growing partnerships, however, are US criticisms of human rights problems in the Indochinese countries, Burma, and Indonesia that add friction to the relationships.

The “rebalance” and Southeast Asia

Although the Obama administration’s Asia rebalance emphasizes Southeast Asia and a “whole of government” approach, incorporating diplomacy, educational support, and international trade, the primary concerns of Southeast Asian leaders are fixed on US security relations. As National Security Adviser Tom Donilon stated in a major foreign policy address to The Asia Society in New York on March 11: “[T]he United States is implementing a comprehensive, multi-dimensional strategy: strengthening alliances, deepening partnerships with emerging powers, building a constructive relationship with China, empowering regional institutions, and helping to build a regional economic architecture that can sustain shared prosperity.” In the same speech, he averred that the US rebalance “is also a response to the strong demand signal from leaders and publics across the region for US leadership, economic engagement sustained attention to regional institutions and defense of international rules and norms.” Donilon also reiterated a point made a few months earlier that within Asia the rebalance is designed “to recognize the growing importance of Southeast Asia.”

In contrast to the Bush administration, whose security orientation to Southeast Asia seemed exclusively focused on counterterrorism, the Obama administration accentuates the buildup of traditional air and naval assets in the region, collaboration with partners and allies to develop their own defense capabilities, and cooperation with Asian states in regional political institutions, including ASEAN’s many iterations. Giving pride of place to the East Asia Summit (EAS) – which the US joined in 2011 – Donilon noted that the president would attend the summit every year and that the US goal is “to elevate the EAS as the premier forum for dealing with political and security issues in Asia.” Among the ASEAN states, the national security advisor singled out

US allies Thailand and the Philippines as well as Indonesia. The relationship with Jakarta is now termed a “Comprehensive Partnership,” recognizing the country’s important role as a leader in ASEAN-based political-security matters.

Linking East Asia to the Indian Ocean region on Feb. 26, in a statement before the US House Committee on Foreign Affairs titled “The Rebalance to Asia: Why South Asia Matters (Part I),” acting Assistant Secretary of State for East Asian and Pacific Affairs Joseph Yun described the Indian Ocean region and East Asia as strategically integrated. He noted that Washington’s ally, Australia, borders the Indian Ocean as did several ASEAN members, including Indonesia, Malaysia, and Thailand. While acknowledging the negative effects of the sequestration budget cuts for the US Department of Defense, Yun stated they will not negatively affect “...in concrete terms – our firm and unwavering commitment to the Asia-Pacific region.” And, since the Seventh Fleet traverses the Indian Ocean as well as the China seas, at least for the US Navy, the two regions have been seen as an integrated theater for a long time. Yun insisted that the US Asian alliances and partnerships were of “fundamental importance to our future prosperity and security,” and that they “created the conditions for robust market and trade expansion.” Southeast Asian states have welcomed this engagement, according to Yun: “The most frequent message ... has been the same – the United States’ role in Asia is critical, and we want to see you even more engaged on all fronts – diplomatically, militarily, and economically.”

The specifics of the rebalance to Asia include a shift of 60 percent of US naval assets to the region by 2020, enhancement of the US air force presence by 2017 with additional *F-22s* and bombers, as well as ISR assets such as the *MQ-9 Reaper*, the *U-2*, and the *Global Hawk*. Marine rotations through Darwin were described by Deputy Secretary of Defense Ashton Carter in a March 20 speech in Jakarta as a “key first step” in more bilateral and multilateral exercises throughout the region. Carter also noted that the US is working to improve Philippine military capacities and is increasing “our rotational presence and partnerships with this key treaty ally.” In Singapore – a crucial strategic partner – this spring, the US is deploying the first of four scheduled Littoral Combat Ships (LCS), designed specifically to work with regional partners. (However, it should be noted that while the LCS is quite satisfactory for maritime law enforcement and other low-intensity missions, it is not a frigate that can form part of an open ocean naval formation. Limited in both fire power and the ability to defend itself, the ship is not designed to be a component of a main battle fleet.)

Secretary Carter surveyed the region, highlighting the November 2012 update of the US-Thailand Joint Vision Statement – the first in 50 years; a new Washington Declaration with New Zealand that improves maritime security cooperation; a new memorandum of understanding with Vietnam that also covers maritime security; and for Indonesia and Malaysia, the “build[ing] of partner capacity to conduct maritime security and humanitarian assistance and disaster relief.” These statements by US military and diplomatic leaders are designed not only to reassure Southeast Asian counterparts of a continuing and enhanced US military presence, but also to show that the profile of US activities in the region will emphasize collaboration with partners and the buildup of these countries’ own maritime defense capacities so that they can better protect their own exclusive economic zones (EEZs) and maritime space claims under the UN Convention on the Law of the Sea (UNCLOS). Even the new ASEAN Secretary General Le Luong Minh in a Feb. 11 meeting with US Pacific Command (USPACOM) Commander Adm.

Samuel Locklear expressed ASEAN's appreciation for "the important role the United States plays in the region."

The most elaborate annual US military exercise in Southeast Asia is *Cobra Gold*, held in Thailand with several thousand military personnel from a number of Asian countries, though primarily involving US and Thai armed forces. Designed to demonstrate US state-of-the-art capabilities in land, sea, and air maneuvers, the 10-day exercise also provided collaboration opportunities for Malaysia, Philippines, Vietnam, Brunei, Singapore, and Indonesia as well as South Korea and Japan. While the exercises in recent years have emphasized humanitarian assistance, disaster relief, and search and rescue, the 2013 *Cobra Gold* included a beach landing component that could be relevant to a hypothetical joint effort to take islands in the South China Sea that have been occupied by an adversary. Noteworthy, too, is that Burma sent observers for the first time to the staff planning and military medicine portions of the exercise. To round out ASEAN participants, Laos and Cambodia sent observers, while Thai, Malaysian, Singaporean, and Indonesian troops were deployed in the name of ASEAN.

One of the most prominent Southeast Asian security commentators, Kavi Chongkittavorn, whose widely read columns appear regularly in Bangkok's *The Nation* and *Khom Chat Luk*, although praising *Cobra Gold*'s comprehensive participation, expressed concern about Thai security relations with the US. Despite co-hosting *Cobra Gold* on Thai territory for 32 consecutive years, Kavi wrote of his disappointment in mid-February commentaries on Thailand's relative lack of interest compared to other ASEAN participants. He noted that Singapore, Malaysia, and Indonesia sent some of their best military strategists to the exercise to learn as much as they could about US military technologies and communications gear as well as joint operations with other forces. However, Thai participants were lower-level officers, frequently lacking English language capabilities – the language of the exercise – and seemed to view the 10 day event as an unwelcome disruption to their usual routine. Based on past experience, according to Kavi in the Feb. 11 *The Nation Online*, "Thai military leaders seldom read the reports or follow up with the lessons learned."

The other Southeast Asian state with which elaborate combined military maneuvers occur is the Philippines. The 29th *Balikatan* exercise was held April 5-17. It was preceded in December 2012 by a new Armed Forces of the Philippines Modernization Act that allocated nearly \$2 billion to upgrade the country's military capacity. That, in turn, was followed by discussions with the US assistant secretaries of state and defense, Kurt Campbell and Mark Lippert, as well as the USPACOM's Adm. Locklear. These talks focused on increasing military cooperation and possibly establishing US facilities for joint use in the Philippines. Foreign Affairs Secretary Albert del Rosario at the launch of the 12-day *Balikatan* declared: "For my country, we need to secure our borders and protect our territorial integrity more vigorously than we have before. *Balikatan*, with its complicated and complete set of exercises, is an important contribution in not only preparing our armed forces to work together but also in building my country's own capacity to defend itself."

Del Rosario went on to say that it was vital for the country to have more US forces rotate throughout the year in addition to those involved in *Balikatan*. Placing US exercises in the context of disputes in the South China Sea, he stated that *Balikatan* came "at a crucial time [as]

excessive and exaggerated maritime and territorial claims have not only created uncertainty but have undermined the rule of law; regional peace and stability had been placed at serious risk.”

In an endeavor to further solidify the US defense commitment to the Philippines by emphasizing the symmetrical nature of their defense treaty, on April 13, Foreign Secretary del Rosario and Defense Secretary Voltaire Guzman averred that in light of tensions on the Korean Peninsula, the Philippines was prepared to allow US forces the use of Philippine bases in the event of war with North Korea. Both Philippine secretaries emphasized that just as the defense treaty calls on the US to defend the Philippines, so the latter has an obligation to assist the US in its time of need.

Discussing the March visit of Deputy Secretary of Defense Carter, del Rosario implied that US officials endorsed the Philippine legal challenge to bring China before an UNCLOS arbitral tribunal that would interpret Chinese and Philippine obligations under the UNCLOS, specifically what the treaty means by territorial sea, contiguous zone, EEZ, and continental shelf. Additionally, the Philippines asked that the arbitral tribunal determine the legal status of features in the South China Sea and whether these features were qualified to obtain a maritime zone greater than 12 nautical miles. Manila believes that China’s claims violate UNCLOS and that if the arbitral tribunal agrees to hear the Philippine challenge, China’s legal interpretation of its extensive South China Sea claims would be shown to be inconsistent with the convention. Of course, China has rejected the Philippine legal challenge. Washington’s support for the Philippine presentation to the UN arbitral tribunal seems to fit with US support for any peaceful, legal, and UNCLOS-based efforts at resolving the South China Sea disputes.

The US is also strengthening its defense relationship with Indonesia. Since the US resumed military ties with Jakarta in 2005, joint exercises have focused on counter-piracy and enhanced maritime warfare techniques. During a Feb. 12 visit by US Seventh Fleet Commander Vice Adm. Scott Swift, Indonesian Navy Chief of Staff Vice Adm. Marsetio expressed a desire for increased naval exercises at a higher level of technical skill. Currently, the two navies engage annually in four significant exercises: *Flash Iron*, *Joint Combined Exchange Training (JCET)*, *Cooperation Afloat Readiness and Training (CARAT)*, and *Salvex*. Swift expressed confidence that the Indonesian Navy would play a bigger role in the region.

Southeast Asian multilateralism in the rebalance

While Washington has long identified ASEAN as a premier international body for politico-security discussions in Asia, for the first time in 2013 under the auspices of the ASEAN Defense Ministers Meeting-Plus (ADMM+) framework, the Association plans to hold its inaugural military exercise June 17-20. In early February during a visit to Brunei – ASEAN’s current rotating chair – Adm. Locklear announced that the US would provide a logistics ship, a medical team, and planning expertise for the event. He noted that the planners would be sent not to run the exercise but “to assist the military of Brunei in all of the complexities of planning such a large exercise.” The inaugural exercise will not be combat-oriented but will focus on humanitarian assistance and disaster relief/military medicine. It will involve 18 countries for the purpose of strengthening their interoperability. Locklear described the forthcoming event as landmark cooperation among the ASEAN defense forces and its dialogue partners, including the US, China, Japan, South Korea, Australia, India, New Zealand, and Russia as stated in the Feb. 7

Brunei Times Online. During his visit, the PACOM commander also endorsed the conclusion of a code of conduct for the resource-rich South China Sea. He said a code of conduct would govern how military and law enforcement agencies from claimant countries interact in the disputed waters. Nonetheless, he demurred from any prospect of US intervention on ASEAN's behalf: "Ultimately, it will be up to ASEAN and China to come to terms with what the code of conduct looks like. We're very supportive of it and hope it comes quickly." He did go on, however, to support the Philippine submission of definitional claims concerning South China Sea features to a UN tribunal.

Both Deputy Secretary of Defense Carter and acting Assistant Secretary of State Yun in major statements over the past few months insisted that officials at the secretarial level from both departments would attend all ASEAN ministerial meetings as a sign of the US commitment to strengthen ASEAN-based regional institutions, including the EAS. In Feb. 26 testimony before the House Committee on Foreign Affairs, Yun stated that the US "supported efforts to shape the Summit into the region's premier forum to discuss political and strategic issues." The EAS is seen as "defining the agenda for other ASEAN-related institutions such as the ASEAN Regional Forum and the ADMM+."

Philippines: an embarrassing naval accident

For decades, US forces have exercised in and around the Philippines. In the course of these activities mistakes and accidents have occurred. One of the most embarrassing transpired on Jan. 17 when the US Navy minesweeper *USS Guardian* ran aground at the Tubbataha Reefs Natural Park, a coral sanctuary, designated by UNESCO in 1992 as a World Heritage Site. The Philippine Navy expressed dismay since there are designated sea lanes where ships are supposed to sail far from the reefs. Moreover, the marine park rangers were not allowed to board the US ship to inspect the damage and were told instead to contact the US Embassy in Manila. The accident occurred as US Navy ships were increasing the tempo of their visits to the Philippines for joint exercises, bunkering, and rest and recreation as part of the US rebalance.

While Vice Adm. Swift expressed regret over the grounding and the US armed forces newspaper *Stars and Stripes* attributed the accident to inaccurate navigational charts, a Palawan Congressman, Antonio Alvarez, on Jan. 21 accused the minesweeper of "willfully trespassing" on Philippine territory and not even reporting the incident to park authorities or the Philippine Navy. Other anti-American protests were sparked by the minesweeper's misfortune.

By late January, it was clear the *USS Guardian* could not be floated from the coral reef, and a decision was made to dismantle the vessel and remove it piece by piece. This plan kept salvage equipment in deeper water and minimized further damage to the reef. The loss of the vessel is a serious blow for the stressed US minesweeper force. Including the *Guardian*, 12 of its 14 ships are forward deployed and have been called upon to expand operations in the Persian Gulf.

Although initially rejecting Philippine involvement in the investigation of the minesweeper's mishap, when the decision was made to dismantle the ship, the US Navy shared its information with the Philippine Maritime Casualty Investigating Team for its own independent inquiry. On April 8, the two governments agreed that damage was inflicted on 2,345 sq. meters of coral,

much lower than the initial estimate of 4,000 sq. meters. The US has agreed to pay \$1.4 million in fines to the Philippines, though the fine paled in comparison to the estimated \$45 million salvage operation as reported in the April 8 Philippine *Inquirer.net*. There are longer term concerns: in a Feb. 15 *RSIS Commentaries* article, Australian naval expert Sam Bateman noted that archipelagic countries such as the Philippines are likely to take a harder line on warships moving through their waters. The Philippines, Indonesia, and China already have laws requiring countries to give prior notification of innocent passage in archipelagic waters. The US disputes this requirement and, as Bateman writes, this disagreement could stress bilateral relations at a time when the US Navy is increasing its activities in the region as part of the rebalance.

Burma: ethnic conflicts strain relations

Age-old ethnic conflicts predating both the military junta in the 1960s and the more liberal transition under Thein Sein have surged with Buddhist pogroms against Rohingya Muslims in Rakhine state and in the central part of the country as well as military clashes with the Kachin minority along the China border. Referencing the military attacks on Kachin villages while a government ceasefire was supposedly in place, on Jan. 9 US Ambassador to Burma Derek Mitchell expressed “concern,” but stopped short of condemning the attacks, possibly because of Washington’s two-year-old engagement with the new government. On Jan. 23, the US called on both sides to establish dialogue and for Burma to provide “unhindered access for UN and international aid agencies.” A day later, the embassy issued a statement that “strongly opposes the fighting” and implied the army was the sole aggressor.

Perhaps most disappointing to Burma’s ethnic minorities, however, were the Nobel laureate and opposition leader Aung San Suu Kyi’s remarks in Hawaii that expressed admiration for the Burmese military in contrast to her silence about its campaign against the Kachin. Suu Kyi’s apparent courtship of the military may well be related to her probable desire to run for president, an opportunity that could only occur if the country’s constitution is amended, since current provisions prohibit her candidacy.

While acknowledging that Burma still has a long way to go in human rights reforms, especially with respect to women, ethnic minorities, religious tolerance, land rights, and international standards on anti-corruption, and transparency, testimony by the State Department’s Special Representative for Burma W. Patrick Murphy before the Tom Lantos Human Rights Commission on Feb. 28 nevertheless praised the government for releasing political prisoners, establishing workers’ rights, relaxing media censorship, outlawing forced labor, and eliminating child soldiers. Murphy noted that the US government has responded by reestablishing a USAID Mission in Rangoon and supporting Burma’s reengagement with the World Bank, the Asia Development Bank, and the IMF. Washington has also modified earlier sanctions so that US businesses are better able to invest in the country.

Priscilla Clapp, a long-time Burma specialist in the State Department and former charge d’affaires in Rangoon, visited the country in March to assess the ethnic strife. She suggested it was at least partly instigated by elements within the military along with militant Buddhists who wanted to strengthen the army’s role in maintaining order. By April, estimates were that 13,000 Rohingyas had fled by sea, seeking refuge in Thailand, Malaysia, and Indonesia, though many drowned in

the effort or were turned back by local authorities. In an early April interview with the *Washington Post*, Clapp stated she believed there were divisions between the uniformed military who feared a weakening of their role and the ex-generals who ran the government. Moreover, she pointed out that Burma had yet to sever its relations with North Korea, though the US continues to raise the issue with the government.

Human rights concerns persist in Indochina

In wide-ranging testimony before the US Senate Committee on Foreign Relations on March 21, acting Assistant Secretary of State Yun stated that the three Indochinese states (Vietnam, Laos, Cambodia) continued to fall short on freedom of expression and open media as well as the arrest of dissidents. He also expressed disappointment in the November 2012 ASEAN Human Rights Declaration, which appears to validate its member-states' right to place national security concerns over individual liberties as well as continue to emphasize noninterference in members' internal affairs. Yun stated: "We urge ASEAN, in consultation with civil society, to amend and strengthen its Declaration to reflect a commitment to protect and advance fully the fundamental freedoms of its people and to bring the document in line with the ... UDHR and the International Covenant on Civil and Political Rights." Yun said the US will "work closely with our partners in the Asia-Pacific region to promote a variety of human rights and democracy issues [and] to strengthen judicial systems and rule of law."

In January, a court in central **Vietnam** convicted 14 writers and political activists for plotting to overthrow the government, with sentences ranging from three to 13 years. Members of the redemptory group in the Roman Catholic Church, the convicted had taken up the causes of governmental land seizures and corruption. The US Embassy in Hanoi issued a statement on Jan. 10 that the convictions "deeply troubled" the US government and called them "part of a disturbing human rights trend in Vietnam." The 14 were also accused of links to Viet Tan, an overseas Vietnamese group that lobbies for political change in Vietnam, one the Vietnamese government labels a terrorist organization – charges that the US says lack any evidence. The US statement averred that the conviction of these individuals was "inconsistent with Vietnam's obligations under the International Covenant on Civil and Political Rights as well as ... the Universal Declaration of Human Rights relating to freedom of expression and due process."

The convictions follow a pattern of jailing reporters and bloggers who protest the government's impunity in seizing land from poor people and then selling it to real estate and industrial interests. Vietnam is the sixth worst jailer of journalists in the world. As Southeast Asian specialist Carlyle Thayer pointed out in a Feb. 7 *Background Briefing*, the country's human rights record is a major obstacle to the conclusion of a strategic partnership with Washington.

The human rights situation in **Laos** is equally problematic. Currently, the US is expressing concern over the disappearance of a US-trained agricultural specialist, Somboth Samphone, who appeared to be abducted at a police checkpoint in December and has not been seen or heard from since. The US has been unable to obtain any information on what has happened to Somboth. Although Laos has initiated some liberal changes over the last few years, permitting the operation of nonprofit organizations and allowing the National Assembly to more openly debate government policy, general freedom of expression in the society is still not tolerated.

In March, Washington sent a team of investigators to look into the disappearance of Somboth and three other Laotian-Americans, but the government refused to give the team access to the southern province of Savannakhet where the other three disappeared. The US investigating team was seeking access to a site where a van was reportedly discovered with the remains of three bodies inside. Thomas Fuller, a Southeast Asia correspondent for the *New York Times*, noted on March 20 that Laotian security services have been linked to the assassination of Laotian dissidents seeking refuge in Thailand. Activists who challenge rampant land seizures are regularly arrested or disappear. Visiting Vientiane, Secretary of State John Kerry on March 25 asked the government to make public the results of its investigation into the Somboth disappearance to no avail. The governments of ASEAN have remained silent on the Laotian disappearances. Human Rights Watch claimed that ASEAN had failed its first test in Laos since the adoption of the ASEAN Declaration on Human Rights.

An assessment

Virtually all Southeast Asian states welcome the US rebalance to the Asia-Pacific, especially in light of China's growing naval and civilian maritime law enforcement fleets' presence throughout the South China Sea. While ASEAN states are building their own anti-access capabilities with aircraft and ship acquisitions, including submarines, they do not have the ability to balance the PRC presence – hence the gratitude for the US commitment to deploy the largest portion of its overseas air and naval assets to the western Pacific. Nevertheless, Southeast Asian leaders look askance at the political gridlock within the US Congress and between Congress and the White House that is embodied in sequestration. This potentially decade-long \$500 billion overall reduction in the US defense budget on top of the Obama administration's previous defense cuts have led to growing skepticism about Washington's ability to sustain the rebalance. If the US air and naval presence stagnates or declines over time while the PLA's increases, Southeast Asian security policies could well be modified to adjust to China's growing profile to the detriment of US interests in the region. The US government must come up with a budgetary alternative to sequestration – one that can reassure allies and partners in the region.

Chronology of US - Southeast Asian Relations January - April 2013

Jan. 2, 2013: US condemns Burma's use of air strikes against Kachin rebels in northern Burma.

Jan. 4, 2013: US Ambassador to Malaysia Paul Jones meets Deputy Prime Minister Muhyiddin Yassin to discuss strengthening the American English Teaching Assistance program.

Jan. 8, 2013: The Islamist group Hizbut Tahir Indonesia (HIT) meets the Jakarta Provincial Government to protest the expansion and renovation of the US Embassy, saying it will strengthen the US ability to interfere in Indonesia's political affairs.

Jan. 8, 2013: Derek Mitchell, US ambassador to Burma, says he raised the Burmese military attacks on the Kachins with authorities in Naypyidaw but in a newspaper statement did not appear to condemn them.

Jan. 9, 2013: In response to a Vietnamese court conviction with long prison sentences for 14 bloggers and other political and social activists, the US embassy states it was “deeply troubled” with the convictions, which are seen as “part of a disturbing human rights trend in Vietnam.”

Jan. 16, 2013: US Secretary of State Hillary Clinton calls on the Lao government to investigate the disappearance of US-educated activist Sombath Somphone.

Jan. 17, 2013: The minesweeper, *USS Guardian*, runs aground causing extensive damage to Tubbataha Reef, a UNESCO world heritage site and Philippine national park located in the Sulu Sea near the island of Palawan.

Jan. 22, 2013: Philippines announces it submitted its dispute with China over territorial claims in the South China to a UN Convention on the Law of the Sea (UNCLOS) arbitration tribunal.

Jan. 24, 2013: US Embassy in Rangoon issues a statement claiming the Burmese Army offensive in Kachin state is causing civilian casualties and undermining efforts at national reconciliation.

Jan. 25, 2013: US Ambassador to the Philippines Harry Thomas apologizes for the grounding of the *USS Guardian* on Tubbataha Reef and attributes the accident to faulty digital navigation charts, though an investigation into the cause continues.

Jan. 27, 2013: World Bank announces a long-awaited deal that allows Burma to clear part of its decades-old foreign debt. This opens the door for new lending to the country.

Jan. 28, 2013: Twenty of the world’s largest creditors, including the US, agree to cut nearly 50 percent of Burma’s foreign debt and provide a seven year grace period for the remainder.

Jan. 28-30, 2013: US House of Representatives Foreign Affairs Committee delegation led by its chair Ed Royce visits the Philippines for discussions. They express regret for the grounding of the *USS Guardian* and voice support for Manila’s decision to bring South China Sea claims to arbitration under the UN Convention on the Law of the Sea.

Jan. 30, 2013: US and Timor-Leste navies begin their first *CARAT* exercise. US Coast Guard personnel are also participating. The exercise includes at sea and classroom components.

Feb. 8, 2013: US Pacific Command (USPACOM) Commander Adm. Samuel Locklear addresses the US-Indonesia Society in Jakarta on the US “rebalance” to the Asia-Pacific and the various components of the US-Indonesia Comprehensive Partnership.

Feb. 8, 2013: US State Department welcomes the Burmese government’s announcement of the formation of a Committee on Political Prisoners, including both officials and society members to review the potential release of all remaining political prisoners.

Feb. 11, 2013: US Ambassador to ASEAN David Carden and Adm. Locklear meet the new ASEAN Secretary General Le Luong Minh to discuss regional security concerns, including US support for “rules-based Asia-Pacific regional architecture.”

Feb. 11-21, 2013: The 32nd annual *Corbra Gold* exercise is held in Thailand involving 13,000 military personnel from a several Asian states plus observers from a dozen others.

Feb. 12, 2013: Secretary of State John Kerry telephones Philippine Foreign Affairs Secretary Albert del Rosario to reaffirm US support for Philippine territorial defense.

Feb. 12, 2013: Some 180 Filipinos, calling themselves the “Royal Army of Sulu,” land at the village of Tanduo in Lahad Datu town in Sabah and claim the region as part of the Sultanate of Sulu and North Borneo.

Feb. 19, 2013: US Assistant Secretary of State for Democracy, Human Rights and Labor Michael Posner visits Phnom Penh and presses Cambodia to release Mam Sonondo, owner of Beehive Radio, who was sentenced to 29 years in prison for covering Cambodia’s military crackdown on demonstrators protesting land evictions. He also urges the government to permit the return of self-exiled opposition leader Sam Rainsy to run in the forthcoming July election.

Feb. 19, 2013: Burma and the US resume counter-narcotics cooperation. An agreement signed in Naypyidaw restarts joint opium poppy yield surveys and counter-narcotics training.

Feb. 21-March 1, 2013: Assistant Secretary of State Jose Fernandez, specializing in economic matters, visits the Philippines, Burma, Thailand, and Singapore to discuss commercial, trade policies, and regional economic integration.

Feb. 22, 2013: US Treasury Department eases sanctions on four Burmese banks, allowing them to do business with US companies, even though some bank officials are on a list of former junta military personnel who have been ostracized by the US.

March 4, 2013: Malaysian military engages in an assault on a group of armed Philippine nationals known as the Royal Sulu Army that is occupying parts of Sabah state.

March 9-12, 2013: The Sultan of Brunei visits the US and meets President Obama and Secretary of Defense Chuck Hagel. Brunei chairs ASEAN this year and hosts the US-ASEAN Summit.

March 13, 2013: Singapore Foreign Minister K. Shammugan visits Washington for talks with Secretary of State John Kerry.

March 19, 2013: In the Philippines, US Deputy Secretary of Defense Ashton Carter assures Foreign Affairs Secretary Albert del Rosario that the US will continue efforts to strengthen the Philippine Armed Forces.

March 19, 2013: Deputy Secretary Carter meets Indonesia’s minister of defense and members of the ASEAN Committee of Permanent Representatives in Jakarta.

March 20, 2013: US registers its concern about Vietnam's allegation and China's denial that a Chinese boat fired at a Vietnamese fishing boat, setting its cabin ablaze near the Paracel Islands.

March 25, 2013: Secretary Kerry urges the Laotian government to make public the results of an investigation into the disappearance and possible abduction of Samboth Somphone.

April 1, 2013: Secretary Kerry meets Foreign Secretary del Rosario in Washington and seems to endorse an arbitration solution to the South China Sea conflicts.

April 1-4, 2013: Singapore Prime Minister Lee Hsien Loong visits Washington for meetings at the White House, State Department, Pentagon, and the US Trade Representative.

April 5-17, 2013: The annual *Balikatan* US-Philippine military exercise is held, this year emphasizing humanitarian assistance and disaster relief.

April 8, 2013: Philippine government announces that the US Navy has turned over a variety of documents relating to the grounding of the *USS Guardian* on Tubbataha Reef so the Philippine Maritime Casualty Investigating Team can carry out its own assessment.

April 9, 2013: US Coast Guard Rear Adm. William Lee pledges US support for Vietnam's fishing protection force at a meeting in Maryland.

April 13, 2013: Foreign Secretary del Rosario says that US forces could be stationed at Philippine military bases under the terms of mutual support in the defense treaty if the US went to war with North Korea.

April 16, 2013: Philippine President Benigno Aquino expresses deep sympathy to the people of Boston in the aftermath of the bombing at the Boston Marathon.

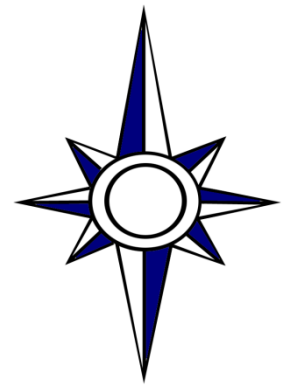
April 16, 2013: Muhammadiyah, Indonesia's second largest Muslim organization, condemns the Boston Marathon bombers as "inhumane" and "humankind's common enemy."

April 18, 2013: The King and Queen of Thailand send a condolence message to President Obama over the Boston Marathon bombing.

April 18, 2013: The *USS Freedom*, a Littoral Combat Ship (LCS), arrives in Singapore for a 10-month deployment.

April 24, 2013: State Department welcomes Burma's release of 56 political prisoners as a gesture to the European Union's lifting of economic sanctions. However, the State Department also urges the government to release all remaining political prisoners estimated at 175.

April 24-25, 2013: ASEAN leaders meet in Brunei for their annual summit. The South China Sea conflicts and agreeing on an ASEAN Code of Conduct are high on the agenda.



**China-Southeast Asia Relations:
China's Growing Resolve in the South China Sea**

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Tensions in Chinese relations with Southeast Asian countries caused by disputes over territorial claims in the South China Sea posed less serious challenges for China's newly installed leadership than the intense international crisis in Korea or the Sino-Japanese confrontation over disputed East China Sea islands. Nevertheless, Chinese leaders from President Xi Jinping and Prime Minister Li Keqiang on down reinforced the sinews of China's power that were used in extraordinary ways in 2012 to coerce and intimidate others from challenging Beijing's South China Sea claims. They averred unwavering determination to defend and advance the claims and uphold China's sovereignty and territorial integrity. At the same time, Chinese leaders continued to emphasize China's broad commitment to following a path of peaceful development and expanding mutually beneficial relations with neighboring countries, the US, and others. Unlike many observers abroad, the senior Chinese leaders denied there was a contradiction between the increased exertions of Chinese power and intimidation on the one hand and avowals of peaceful development on the other. In effect, they sustained the pattern of the past year, which established a choice. Those countries that pursue policies and actions at odds with Chinese claims to the South China Sea and elsewhere will meet the kinds of extraordinary coercive and intimidating measures seen in 2012; those that mute opposition or acquiesce regarding Chinese claims are promised a peaceful and mutually beneficial relationship with a more powerful China.

Addressing the "contradiction"

At one in a series of policy study sessions of the top Chinese Communist Party leaders held in recent months, newly installed party General Secretary Xi Jinping on Jan. 29 underlined the firm stance he has taken in various venues on defending Chinese security and sovereignty. Though committed to following the road of peaceful development, Xi emphasized that under his leadership China "will never give up" our legitimate rights or sacrifice our national core interests. He added "No country should presume that we will engage in trade involving our core interests or that we will swallow the 'bitter fruit' of harming our sovereignty, security or development interests."

Newly installed Prime Minister Li Keqiang went out of his way at his first press conference after his appointment at the National People's Congress (NPC) on March 17 to explain to foreign observers how China's "steadfast" determination to uphold national sovereignty and territorial integrity fits together with its avowed focus on peaceful development. According to Li, these two "principles" of Chinese foreign policy "do not contradict each other, and they comply with the rules that maintain regional stability and world peace."

Other officials addressed in greater detail the seemingly awkward meshing of these two recently salient principles in Chinese policy. An official with the China Institutes of Contemporary International Relations in an editorial in *China Daily* on March 7 explained that popular pressure for a stronger Chinese government policy on territorial issues and the Chinese leadership's judgment that previous, more moderate Chinese policies on territorial disputes were viewed abroad as signs of weakness explain the stronger Chinese leadership determination to advance and defend disputed territorial claims. The author foresaw difficulty for China in explaining a more forthright and determined Chinese stance on territorial issues along with China's ongoing commitment to peaceful development.

Stronger power, advancing control

Along with prominent statements of leadership resolve on sovereignty and territorial integrity, evidence of China building a wide range of government power and control in the South China Sea steadily advanced. In January, China issued a new official map that increased the number of disputed areas from 29 to 130, including those in the South China Sea, marked as officially part of the People's Republic of China. A feature story in *China Daily* reported rapid development in the Sansha administrative region, created in 2012 with jurisdiction over all the Chinese claimed territories in the South China Sea. It highlighted plans to establish a fishing fleet of 200 ships, an upgraded port on Yongxing (Woody) Island, regular visits by tourist cruise ships, and development of oil and gas industries.

In February, the official in charge of South China Sea fisheries told the media that because of greater protection provided by Chinese maritime forces, no Chinese fishing boats operating legally in the South China Sea were detained by foreign powers in 2012. He pledged that China's growing maritime surveillance capacity would allow for daily fishery patrols in the South China Sea in 2014. A *China Daily* report on President Xi Jinping's visit with fishermen in Hainan Island in April highlighted the president's satisfaction that Chinese fishermen feel safe as the growing Chinese maritime security fleet provides protection in the South China Sea. Xi also pointed to the role of the fishermen as China's maritime militia and urged them to collect information and support Chinese advances in the South China Sea. On Feb. 26, the Philippines Department of Foreign Affairs protested increased Chinese fishery patrols in areas of the Spratly Islands claimed by the Philippines. Meanwhile, in early February, a destroyer and two frigates from China's North Sea Fleet held publicized exercises in the South China Sea. Carlyle Thayer from Australia observed that the exercises were notable for involving only North China Sea ships – a demonstration of the growing reach of Chinese naval forces.

March's meeting of the NPC featured plans for restructuring and strengthening Chinese maritime law enforcement forces (discussed below) that will reinforce Chinese ability to counter and coerce competing claimants. Also in March, a four-ship amphibious task force of China's South Sea Fleet, headed by one of the People's Liberation Army (PLA)'s "advanced landing ships," conducted exercises near the Philippines and as far south as James Shoal off the coast of Malaysia and near Brunei. There was extensive Chinese media coverage showing marines storming beaches backed by hovercraft and helicopters. In April, Chinese media highlighted President Xi Jinping touring the ship and talking with the crew during a visit to the South Sea Fleet base on Hainan Island. The Philippines publicly complained about the March exercises.

Coincidental with the fleet's appearance off the coast of Malaysia, Vietnam protested a Chinese naval ship firing flares that seriously damaged a Vietnamese fishing boat in the disputed Paracel Islands of the South China Sea. Chinese government reaction was to criticize the Vietnamese for fishing in Chinese territory and claim that the flares were used to warn the Vietnamese ships to leave Chinese waters.

The March PLA exercise near Malaysia along with more robust maritime surveillance prompted significant reaction from regional specialists. Malaysian expert Tang Siew Mun highlighted Malaysian efforts to mute conflict with China over the South China Sea to argue that the PLA move was "a grave strategic mistake." Ian Storey from Singapore judged that Malaysia and nearby Brunei, another South China Sea claimant, "can no longer afford the luxury of downplaying China's increasing assertiveness in the South China Sea." China-based International Crisis Group expert Stephanie Kleine-Ahlbrandt argued that recent episodes show a greater emphasis on Chinese maritime interests and increased assertiveness over those disputed maritime claims.

Few US officials have commented on the Chinese actions. Director of National Intelligence James Clapper told Congress in his annual global threat assessment on March 14 that China would maintain uncompromising positions on the South China Sea and other territorial disputes, and it would seek to expand its control over the relevant territories and to obstruct regional efforts to manage the disputes. The Chinese posture in part is a response to the Obama government's enhanced engagement with the Asia-Pacific region, according to Clapper. At a conference in San Diego on Jan. 31, Capt. James Fanell, deputy chief of staff for intelligence at the US Pacific Fleet, was more direct in criticizing China, according to media reports. He claimed that the growing Chinese maritime surveillance fleet is focused on the mission of harassing other nations into submitting to China's claims. He argued that China's use of these ships in 2012 to seize control of Scarborough Shoal, a reef claimed by the Philippines, was a clear example of Chinese "aggression" and of how Beijing "bullies" other claimants to submit to Chinese preferences. According to US media, nongovernment specialist Michael Auslin warned that Washington's low-key public posture in the face of Chinese actions in the South China Sea and the East China Sea sends the message to the region that the United States will not confront China on these matters; he warned of serious consequences for US interests.

Stressing peaceful development

President Xi Jinping's keynote speech at the annual Boao Forum for Asia in Hainan Island on April 7 headed the list of authoritative Chinese commentary during the reporting period emphasizing Beijing's determination to develop closer and mutually beneficial relations with Chinese neighbors in Southeast Asia and with other concerned powers, including the US. Xi referred briefly to China's concurrent determination to uphold its sovereignty and territorial integrity in a speech that was replete with forecasts of advancing cooperative economic and other relations to the benefit of China and its neighbors. Chinese media highlighted positive reactions of Southeast Asian leaders attending the forum regarding China's role in advancing their economies. At the forum, Xi devoted special attention to building closer ties with Australia and visiting Prime Minister Julia Gillard and her large delegation amid publicity about the close

economic ties in Australian-Chinese relations. He also met Cambodia's Prime Minister Hun Sen and New Zealand's Prime Minister John Key, both of whom had discussions with Prime Minister Le Keqiang that advanced their economic and other relations with China.

Signs of greater cooperation with ASEAN over the South China Sea appeared in Chinese reporting following the 19th China-ASEAN Senior Officials Consultations in early April. *Xinhua* reported on April 2 that participants agreed to commit themselves to fully implement the 2002 Declaration on the Conduct of the Parties in the South China Sea and to continue to make joint efforts toward reaching a code of conduct in the South China Sea. Brunei, the chair of ASEAN in 2013, has made pursuing a code of conduct a top priority, according to various media. On April 11, a meeting of ASEAN foreign ministers in Brunei featured the announcement by Indonesia's foreign minister that China has proposed and all ASEAN countries have agreed to a special meeting to advance progress on the code of conduct in the South China Sea. The foreign minister said the date and location of the meeting had not yet been set. On April 25, an ASEAN Summit agreed to a "two step" approach to South China Sea issues, according to Brunei Sultan Hassanai Bolkiah. Step 1: overlapping claims must be dealt with by the claimant states, and step 2: ASEAN and China work on efforts to promote calm and establish a code of conduct.

Philippines and China dispute South China Sea arbitration

In a surprise move, the Philippines in January initiated an international arbitration process regarding the South China Sea under the UN Convention on the Law of the Sea (UNCLOS). The arbitral panel cannot rule on the boundary between the Philippines and China in the disputed sea territories. The Philippines nonetheless has sought rulings on its assertion that China's broad claim to South China Sea islands and resources based on the historic nine-dashed line appearing on Chinese maps is invalid; rulings on the legal implications of Chinese territorial claims of China's occupation of Scarborough Shoal and some other submerged features in the South China Sea; and rulings on Chinese harassment of Philippines nationals in the South China Sea.

In February, China rejected the arbitration process. The Philippines then asked the president of the International Tribunal on the Law of the Sea (ITLOS) to appoint a judge as China's arbiter as part of the appointment of a five-judge panel needed for the arbitration proceedings.

A Chinese Foreign Ministry official visiting Manila in April warned of negative implications for the Philippines trade, tourist industry, and other interests if the arbitration process, anticipated to take as long as four years, went forward. The Philippines foreign minister underlined US Secretary of State John Kerry's support for the Philippines and the arbitration process in a meeting in Washington on April 2, reinforcing reports of Kerry's support for the Philippines initiative during the first phone conversation between the two secretaries in February.

In late April, Philippine officials highlighted the formation of the five-judge arbitration panel and said they expected a decision by the body in July as to whether it had jurisdiction over the matters raised. In reaction, China's Foreign Ministry spokesperson explained in detail China's opposition to the process, repeated Beijing's call for Manila to engage in bilateral talks on the matter, and strongly underlined Chinese claims, demanding that the Philippines withdraw from "illegally occupied" islands and reefs in the South China Sea claimed by China.

The Philippine concern with Chinese economic and other punitive measures seemed offset by the country's rapidly expanding ties with Japan. It was announced in February that Japan would provide the Philippines with 10 patrol boats worth \$11 million each; and that foreign investment in the Philippines economy grew strongly in 2012, with half of the investment coming from Japan. While China is the leading trading partner of most of its neighbors, Chinese sources show it is the Philippines third largest trading partner. An analysis from Nanyang Technological University in Singapore in February disclosed that Japan has been the Philippines largest trading partner, largest export market, and the primary source of foreign investment. It also noted that while the current Philippine government is repaying a Chinese loan for a now cancelled railway project marred with corruption and other irregularities undertaken by the previous Philippines government, Japan has stepped up to provide official development assistance for the Manila commuter rail system and airport construction, pledging over \$3 billion in assistance in 2012.

Restructuring and strengthening Chinese maritime security forces

The impressive use of power and coercive influence by Chinese leaders over the past year against perceived territorial intrusions by the Philippines and Vietnam in the South China Sea is based partly on existing and planned efforts establishing more coherent and better integrated Chinese decision making, according to Chinese and foreign reporting. An analysis in April by Singapore specialists Li Mingjiang and Zhang Hongzhou showed that the overall impact of the reforms has strengthened the "heavy-handed approach" China has adopted to territorial issues with neighboring countries.

Heading the list of recent changes was the establishment of a Central Leading Small Group on the Protection of Maritime Interests in 2012. The body reportedly involves senior officials from the State Oceanic Administration (SOA), Ministry of Foreign Affairs (MFA), Ministry of Public Security (MPS), Ministry of Agriculture (MOA), and the PLA Navy. Western analysts have reported that Xi Jinping has played a leading role in the group's decision making.

At the NPC in March 2013, officials announced plans to restructure China's main maritime law enforcement agencies. In particular, four of the major maritime law enforcement forces [i.e., SOA maritime surveillance forces; MPS coast guard forces; MOA fishery enforcement forces, and Customs administration's maritime anti-smuggling police] will be merged as part of SOA with operations supervised by MPS. The Ministry of Defense spokesperson on March 28 pledged to strengthen cooperation with the maritime law enforcement forces in order to better protect China's maritime rights and interests.

Among outstanding questions were how quickly the reorganization will be implemented; how the dual leadership of the new coast guard will be handled by SOA and MPS; and how influential the representatives of SOA, still not a ministerial body, will be in policy deliberations with more senior ranking officials from the Ministry of Foreign Affairs and other ministries.

New developments in China-Myanmar relations

Relations between China and Myanmar remain an important priority for the new Chinese leadership. The Ministry of Foreign Affairs appointed Wang Yingfan, a seasoned diplomat and

former vice foreign minister, as the country's first special envoy and representative on Asian affairs. While his portfolio covers Asia writ-large, it is widely understood that Wang's primary task will focus on China's policies toward Myanmar. On the economic front, the oil and natural gas pipelines running through Myanmar have been completed and will become operational in May 2013. The pipelines will bring important economic growth to China's southwest region, supplying it with critical natural resources for development. The pipelines will also shorten the shipping route from the Indian Ocean and reduce China's overall reliance on the Malacca Strait.

The significant amount of sunk investments in the oil pipelines and other economic projects has made the Chinese authorities more attuned to conflict sensitivities in Myanmar. A Kachin rebel group controls a large area in the border region and recent fighting in the area has disrupted other economic projects and activities such as the Chinese hydroelectric plants and jade mining. Most recently, China lodged protests to the Myanmar government over the number of bombs that were detonated in China's borders as a result of the armed conflict between the Myanmar Army and the Kachin group.

The growing tension and unrest along the China-Myanmar border areas has been a longstanding source of concern for Beijing, particularly with the potential influx of refugees into China's Yunnan Province. It has requested the Myanmar authorities to stop dropping bombs in the border areas, and urged all sides to exercise the "utmost restraint" and resolve the conflict through talks. China has also been pressuring the disputing parties to honor a ceasefire along the border areas and helped broker peace talks between the two sides. In late January 2013, Lt. Gen. Qi Jianguo, deputy chief of the General Staff of the PLA, arrived in Nay Pyi Taw for the first Strategic Security Consultation between the armed forces of China and Myanmar; shortly after the newly negotiated ceasefire was announced. Qi sought confirmation from Myanmar's government that the ceasefire will restore peace and stability along the China-Myanmar border areas. The deepening economic ties and China's role in the peace talks will see continued Chinese involvement in Myanmar's ethnic conflict. What balancing role China will play in the ongoing dispute will merit continued observation in the next several months.

Outlook

An anticipated annual Chinese ban lasting several months on fishing in South China Sea waters risks incidents between Chinese expanded maritime patrols and fishermen from countries disputing China's claims. ASEAN officials are publicly hopeful that progress can be made with China on a code of conduct in the South China Sea prior to an ASEAN-China Summit proposed by Thailand for October.

Chronology of China-Southeast Asia Relations January – April 2013

Jan. 2, 2013: China National Petroleum Corporation (CNPC) announces that it has completed the oil and natural gas pipelines linking China with Myanmar. The 1,100-km pipelines will transport crude oil and natural gas from the Middle East and Africa to China via Myanmar.

Jan. 4, 2013: Chinese Ministry of Foreign Affairs raises concerns over the spillover effect of the armed conflict between the Myanmar government and the Kachin Independence Army. China confirms that three bombs were dropped inside China's borders in December 2012.

Jan. 10, 2013: Philippine Foreign Secretary del Rosario warns that the Chinese nine-dash line claim in the South China Sea poses a threat to the Asian region's security.

Jan. 11, 2013: Fan Changlong, vice-chair of the Central Military Commission (CMC), meets Indonesian Deputy Defense Minister Sjafrie Sjamsoeddin in Beijing. They agree to strengthen security cooperation, expand military-to-military exchanges, and jointly promote the development of their strategic partnership.

Jan. 20, 2013: Lt. Gen. Qi Jianguo, deputy chief of the General Staff of the People's Liberation Army (PLA), arrives in Nay Pyi Taw for the first Strategic Security Consultation between the armed forces of China and Myanmar.

Jan. 22, 2013: Philippines announces that it submitted its dispute with China over claims in the South China to a UN Convention on the Law of the Sea (UNCLOS) arbitration tribunal.

Jan. 23, 2013: Chinese and Cambodian militaries sign a Memorandum of Understanding to coordinate in military human resources development.

Feb. 3, 2013: Jia Qinglin, chairperson of the National Committee of the Chinese People's Political Consultative Conference, arrives in Phnom Penh to attend the royal cremation ceremony of the late Cambodian King Norodom Sihanouk.

Feb. 4, 2013: Negotiators from the government of Myanmar and the Kachin Independence Organization (KIO) meet in Ruili, China to discuss reducing military tensions.

Feb. 7, 2013: Le Luong Minh, secretary-general of ASEAN, says progress is needed on the code of conduct to prevent clashes and accidents in the South China Sea.

Feb. 20, 2013: Reports in the *International Herald Tribune* and the *South China Morning Post* note that China considered the use of unmanned aircraft – drones – in the month-long manhunt for Naw Kham, the ringleader responsible for drug trafficking in the Golden Triangle area.

Feb. 19, 2013: China formally rejects a Philippine proposal to take their dispute regarding sovereignty issues in the South China Sea to the UN for arbitration.

Feb. 26, 2013: Chinese Foreign Minister Yang Jiechi meets Brunei's Foreign and Trade Minister Prince Mohamed Bolkiah in Beijing. They agree to deepen bilateral ties, as well as the ASEAN-China partnership.

March 11, 2013: Wang Yingfan, a former vice foreign minister, is appointed China's first special representative for Asian affairs. The Ministry of Foreign Affairs indicates that Wang's primary task will be handling and managing China-Myanmar relations.

March 22, 2013: Adm. Marsetio, Indonesia's navy chief, proposes at the third Jakarta International Defense Dialogue that ASEAN and China should carry out joint naval exercises. Participation in the two-day dialogue includes senior-level military delegations from the region.

March 24, 2013: Four Chinese ships begin military drills at James Shoal, located near the coast of Malaysia in the southernmost part of the South China Sea.

March 28, 2013: PLA Navy acknowledges that one of its ships fired at a Vietnamese fishing boat near the disputed Paracel Islands on March 20. Beijing initially denied such reports, but subsequently admits that the incident did occur, insisting that only flares were shot.

March 29, 2013: Newly appointed Chinese Ambassador to Myanmar Yang Houlun arrives in Nay Pyi Taw and meets Myanmar President Thein Sein to present his credentials. They agree to strengthen bilateral political, economic, and security ties.

April 2, 2013: The 19th ASEAN-China Senior Officials' Consultation concludes with an agreement by the participants to work toward a code of conduct in the South China Sea.

April 4-7, 2013: Hassanal Bolkiah, the sultan of Brunei, visits China to meet President Xi Jinping and attend the Boao Forum, where he gives a keynote address.

April 5, 2013: Lt. Gen. Qi Jianguo, deputy chief of the General Staff of the PLA, visits Kuala Lumpur and meets his Malaysian counterpart. They agree to strengthen high-level exchange, strategic consultations, and joint training.

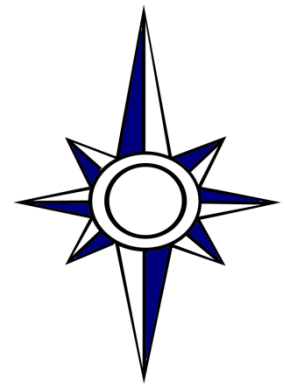
April 6-8, 2013: The Boao Forum is held in Hainan Province.

April 8, 2013: President Xi Jinping meets Cambodian Prime Minister Hun Sen in Beijing. Xi indicates that China will continue to strengthen bilateral ties and will increase support for infrastructure and economic development in Cambodia.

April 24-26, 2013: The 2013 ASEAN Summit convenes in Brunei. ASEAN leaders agree to work toward a binding code of conduct in the South China Sea and to resolve differences over the South China Sea through peaceful and diplomatic means.

April 25, 2013: Representatives from China and Vietnam meet in Beijing for the third round of bilateral consultations on maritime cooperation programs. The two sides identify several areas of cooperation in low-sensitivity areas, including environmental protection, search and rescue operations, and disaster prevention programs.

April 26, 2013: Chinese Ministry of Foreign Affairs releases a statement that China will adhere to bilateral negotiations to resolve the current disputes with the Philippines and other claimant states in the South China Sea. China reiterates its objection to the Philippines' request and proposal to establish the Arbitral Tribunal on the South China Sea.



**China-Taiwan Relations:
Relative Calm in the Strait**

**David G. Brown, Johns Hopkins School of Advanced International Studies
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The contrast between tensions elsewhere in the region and the relative calm in the Taiwan Strait, evident for some time, was clearly in focus in the first months of 2013. In a late April event commemorating the 20th anniversary of cross-strait exchanges, President Ma Ying-jeou said recent progress is “an example for East Asia and the world by demonstrating peaceful resolution of disputes.” With little fanfare, Taipei and Beijing continue to make slow but steady progress in expanding and institutionalizing cross-strait ties. Health and crime issues, which provoked controversy in the past, have been addressed cooperatively and talks on an exchange of unofficial representative offices have begun. Nevertheless, fundamental policy divergences and differences over the pace and scope of interaction will likely place real limits on future integration. Taipei and Tokyo successfully concluded a landmark fisheries agreement with respect to the Senkaku/Diaoyutai Islands that constructively focuses on resource cooperation.

Cross-strait progress

During the first four months of 2013, the region was threatened by hostile rhetoric from North Korea as well as continuing tensions in the East and South China Seas. In the midst of this turmoil, relative stability prevailed in the Taiwan Strait, where the two sides continued to make modest but steady progress in expanding economic relations and institutionalizing ties.

The most significant step was the implementation of the Cross-Strait Currency Settlement Memorandum of Understanding (MOU), which provides a framework for the use of the Renminbi (RMB) in Taiwan and the New Taiwan Dollar (NT\$) in China. RMB services began Feb. 6 in Taiwan. As Taiwan banks offered attractive interest rates on RMB deposits and with the RMB gradually appreciating, money flowed into such accounts. By the end of March, domestic bank units held 18.5 billion in RMB deposits and experts forecast the total may reach 150 billion RMB by yearend, equivalent to about 3 percent of a broad definition of the money supply in Taiwan. Some of these deposits represent funds moving from the grey market into authorized accounts. Taipei has authorized denominating customs declarations in RMB, and it is expected that an increasing portion of cross-strait trade will be conducted in RMB. Plans are also being made for issuing RMB (Bao Dao) bonds on Taiwan. These changes have been implemented without political controversy and without opposition charges that use of the RMB is threatening Taiwan’s sovereignty. Economists note that RMB is not and will not be legal tender in Taiwan and depositors and investors have been guided by economic considerations.

Behind the scene, negotiations have continued on the long-delayed services trade agreement called for in the 2010 Economic Cooperation Framework Agreement (ECFA). In April, the new

Taiwan Affairs Office (TAO) Minister Zhang Zhijun stated that the negotiation had been completed, and Straits Exchange Foundation (SEF) Secretary General Kao Koong-lian said the agreement would be signed after a new president of the Association for Relations across the Taiwan Strait (ARATS) had been appointed by Beijing, which occurred in late April.

Health and law enforcement issues that had created controversy in years past have been handled cooperatively under the relevant cross-strait agreements. Beijing's handling of the developing H7N9 bird flu outbreak is the clearest example. As soon as Beijing announced the first H7N9 deaths, it notified Taipei through the contact mechanism established under the 2010 Medical and Health Cooperation Agreement. A week later, two Taiwan health experts were received in Shanghai. Beijing agreed to provide Taipei a sample of the H7N9 virus, and this sample was delivered on April 20. Beijing has clearly learned lessons from the mistakes in its handling of the 2003 SARS outbreak, and its positive response on the Taiwan aspects have made H7N9 thus far a positive example of cooperation. Unfortunately, a businessman returned to Taiwan with the illness in late April, becoming the first case detected outside the mainland.

On April 12, bombs were discovered on a Taiwan High Speed Railway (THSR) train and outside the office of a local politician. When the suspects fled to China, Taipei, working through channels established under the 2009 Cooperation Agreement on Crime Fighting and Judicial Cooperation, asked Beijing to arrest them. On April 16, Beijing repatriated the two suspects. President Ma cited this as an example of prompt cooperation in fighting terrorism. However, many other Taiwan fugitives remain at large on the mainland.

Progress has been made in other areas. Taipei has expanded the number of mainland universities whose academic degrees will be recognized in Taiwan. Cruise ship operators have agreed to procedures for cross-strait tours. A new undersea cable has been opened between Tamsui in Taiwan and Fuzhou in China.

Early in the year, the TAO began urging an early start to discussion of an exchange of offices between SEF and ARATS. In late January, SEF President Lin Join-sane indicated the issue was being actively considered, and informal discussions followed. In April, Mainland Affairs Council (MAC) Chairman Wang Yu-chi reported that a first round of negotiations had taken place, and the Executive Yuan presented draft legislation to authorize the exchange of offices. Some of the main issues under consideration are nomenclature, office functions including travel document issuance, number of offices for each side, use of national flags, personnel including level of the office head, and immunities. Both sides envisage the offices focusing on practical services to travelers and businesses, but many of the issues involve politically sensitive aspects with potential sovereignty implications. In the first hearing on the issue, legislators urged that the office issue passports and conduct prison visits. In late April, President Ma commented that the offices did not need to use flags as neither side recognized the other and that since the offices would not be "consulates," it would be inappropriate for them to issue "visas." The two sides now talk of concluding the negotiations by yearend. However with many controversial aspects, it will be a challenge to meet that timetable.

Limitations

While there has been continued progress in improving relations, differences between the two sides remain wide and domestic political constraints in Taiwan limit the scope for progress. The gaps are widest on sovereignty and related political issues. Statements issued for the New Year illustrated the differences. President Ma's [New Year's statement](#) focused on the present and appealed for cooperation in maintaining cross-strait peace. General Secretary Xi Jinping's statement mentioned briefly Beijing's long-term unification goal and reiterated the "one country, two systems" proposal that has long been rejected in Taiwan.

After Kuomintang (KMT) Honorary Chairman Lien Chan met Xi Jinping in Beijing, Lien commented that political issues would have to be addressed and urged development of a framework for such talks. Lien was not speaking for President Ma or the KMT, and certainly not for the Taiwan public. The Ma administration quickly released a statement that political issues were not a priority. In recent interviews, Ma reiterated that in the absence of domestic consensus the time was not ripe for talks on political issues. Recognizing this, Beijing's TAO spokesmen continued to encourage think tanks to address political issues and there were some Track-2 meetings held on the subject in the past months.

Security issues also place limits on progress as the military advantage continues to shift in Beijing's favor. Taiwan's [Quadrennial Defense Review](#), which was released in mid-March, stated that the time is not ripe for discussions on military confidence building measures (CBMs). Vice Minister of Defense Andrew Yang explained that negotiating CBMs would require a level of mutual trust that does not yet exist. In Beijing, the Ministry of Defense reiterated its interest in developing military trust measures.

China completes its leadership transition

Highlighted by the annual meetings of the National People's Congress (NPC) and the Chinese People's Political Consultative Conference (CPPCC) in March, China completed the leadership transition that began last November. Xi Jinping was inaugurated as president of China, and other positions in the party and state bureaucracies, including those responsible for relations with Taiwan, were filled.

Zhang Zhijun was named TAO minister. Zhang had been vice minister of foreign affairs since 2009, and was elected to the Chinese Communist Party Central Committee (CCPCC) in November. Zhang replaced Wang Yi at the TAO, who was named minister of foreign affairs. On April 26, Chen Deming was named president of the ARATS; noticeably, Chen was not elected to the CCP Central Committee in November. Though he said in his first remarks that he is a newcomer to cross-strait relations, Chen is said to have been a member of the Party's Taiwan Affairs Leading Small Group for the past few years. There is no doubt that he is a veteran negotiator, having served as commerce minister from 2007-2013.

Policies of the Xi administration: continuing "peaceful development"

Xi Jinping and other officials made clear they will continue Hu Jintao's Taiwan policy. The new CCPCC Chairman, Politburo Standing Committee member Yu Zhengsheng, continued his

predecessor Jia Qinglin's prominent role in Taiwan affairs by making the opening address to the annual Taiwan Affairs Work Conference in February. Yu emphasized continuity in Hu's "peaceful development" policies that prioritize economic engagement and doing easier issues before difficult. Specific policy measures were spelled out in a March 22 [speech](#) by Zhang Zhijun, under the theme "moving steadily forward, developing on all fronts" – including political issues. He listed four main goals:

- Develop political relations based on the 1992 consensus and opposition to Taiwan independence.
- Accelerate economic dialogue, and finalize agreements under ECFA.
- Institutionalize cross-strait cooperation in trade, investment, and finance.
- Strengthen exchanges in intellectual, cultural, and education areas, emphasizing traditional Chinese culture and a common ethnic (Chinese) identity.

Zhang acknowledged the difficult political issues and urged open discussion of all political issues by think tanks on both sides to explore ideas and gradually build consensus.

At the same time, Xi Jinping placed cross-strait relations and the unification of the motherland into the framework of his trademark "Chinese dream" for the "great rejuvenation of the Chinese nation." More than their predecessors, Xi and other officials emphasized the common ethnic heritage, viewing the two sides as "one family." Xi emphasized these two themes in his meeting with Lien Chan and again when he met Vincent Siew at the Boao Forum. In the same vein, Premier Li Keqiang said on March 17 that the people of mainland and Taiwan are of one flesh. In April, *Xinhua* highlighted Zhang Zhijun's expression of his good feelings from working on "family" matters (Taiwan) in contrast to his previous work at the Foreign Ministry.

The emphasis on shared heritage and "one family" is designed to address Taiwan's strong sense of a separate identity. However, this kind of rhetoric is seen as old-fashioned to most in Taiwan – and as hostile by many. A MAC statement released after Li's remarks said, in part, "the Republic of China is our nation, and Taiwan is our home." There is a disconnect between Xi's focus on one family and unification as part of his dream for China's rejuvenation and the reality of a strong sense of separate identity in Taiwan. Promoting these themes is unlikely to pay dividends for Beijing and could pose a problem further down the road.

A point of light in the Diaoyutai/Senkaku dispute

In late January, Taiwan's Coast Guard escorted activists from Taiwan who were attempting to land on one of the Diaoyu/Senkaku Islands and warned Japanese Coast Guard vessels, as well as a People's Republic of China (PRC) ship, to leave Republic of China (ROC) waters. Taiwan and Japan ships exchanged water cannon volleys, contributing to a sense that Taiwan was part of the problem; an article in *The National Interest* in late February inaccurately characterized Taiwan's involvement in the dispute as a new development, and called it "troubling." A US Congressional Research Service report noted that possible willingness in Taipei to cooperate with Beijing where interests align could be an "issue" for US policy. This idea of cooperation is promoted by many in China, but only a few in Taiwan and is consistently rejected by the Ma administration.

That Taipei's Coast Guard ships had warned off a PRC ship protecting Chinese sovereignty in January was seen by Beijing as bordering on a traitorous act.

Later, on April 10, representatives from Taiwan and Japan signed an agreement to allow fishermen from each side to operate in a large part of the disputed area free of the jurisdiction of the other side. Taiwan ships are excluded from a 12 nautical mile radius surrounding each island, and a smaller "special cooperation zone" will be jointly managed. The agreement establishes a joint committee for the two sides to conduct further talks on remaining issues and opens up 4,530 sq. km of ocean to eastern Taiwan's fishermen, and could generate US\$6.7 billion in revenue.

This agreement dramatically changed the narrative on Taiwan's role in the dispute, showing it to be a positive actor – a "responsible stakeholder and a facilitator of peace" as President Ma said. Indeed, the agreement conforms to Ma's August 2012 East China Sea Peace Initiative. Both sides made concessions: Taiwan "set aside" – but did not forfeit – its sovereignty claims, while Japan agreed to establish a "special cooperation zone" rather than designating exclusive areas for fishing rights.

The sovereignty issue was shelved to cooperate on shared fisheries resources. Taiwan's foreign minister said both Taiwan and Japan agreed that sovereignty claims remain unchanged. It is unclear whether Japanese ships are also excluded from the 12 nm radius surrounding each island; on April 10, Taiwan's Coast Guard commander called for fishermen from both Japan and China to avoid the exclusion zone, and vowed to adopt unspecified measures to protect the rights of Taiwanese fishermen.

Beijing was "extremely concerned" according to a Foreign Ministry spokesman who demanded that Japan abide by its "one China" agreements. In Japan, the agreement was portrayed in part as a successful move to divide Beijing and Taipei on the issue. The *Global Times* sniffed that Taiwan had "neglected the mainland's feelings."

Taiwan's international participation

The tug of war over Taiwan's participation in multilateral activities also continued. At his meeting with Xi Jinping in April, former ROC Vice President Vincent Siew stressed the need for Taiwan to be involved in the trend toward multilateral trade regimes; the TAO said that Xi received Siew's views favorably. Despite some visible successes for Taiwan, there is no evidence of increased flexibility in Beijing's opposition to Taiwan's international participation.

On March 11, Taiwan's representative to Japan attended a high-profile ceremony in Tokyo marking the second anniversary of the 2011 earthquake and tsunami. China boycotted the ceremony, its Foreign Ministry claiming that the invitation to Taiwan "violated the principles and spirit of the China-Japan Joint Statement and the commitments of the Japanese side." While Taiwan was included, after having been left out of a similar event in 2012, its representative was classified as a "miscellaneous guest" from the "Taipei Economic and Cultural Representative Office in Japan," rather than from "Taiwan" or the "ROC."

The chairmen of the US Senate and House Foreign Relations Committees introduced identical bills instructing the secretary of state to “develop and implement” plans to enable “Taiwan” to participate as an observer in the triennial International Civil Aviation Organization (ICAO) Assembly meeting in Montreal in September. The bills state – and Taiwan has long argued – that participation will help Taiwan uphold international safety norms and protect the safety of international travelers. TAO spokesman Yang Yi objected to these bills as interference in an internal affair, also arguing that ICAO membership is restricted to “sovereign states.”

On March 19, President Ma attended the Investiture Mass for Pope Francis, a very rare appearance on the world stage for a leader of Taiwan. Ma spoke with Pope Francis and others, including US Vice President Joseph Biden and German Prime Minister Angela Merkel, adding substance to the significant public relations value. This does not signify privileged treatment for Taiwan, even though the Holy See is the only European state to recognize the ROC. A Vatican spokesman said that no specific invitations to the Mass were extended. Beijing chose not to participate, and the Foreign Ministry called on the Vatican to break its ties with the ROC and “recognize the Chinese government as the sole legal representative of all China.” This is a standard demand, and one of three major issues in Beijing’s decades-long stalemate with the Vatican, but seems counter to the spirit of the “diplomatic truce” that was proclaimed by President Ma in 2008 and tacitly accepted by the mainland.

Also, in mid-March, two Taiwan scholars and two staff members from Taiwan’s representative office in Indonesia were disinvited by the Indonesian government from the March 20-21 Jakarta International Defense Dialogue (JIDD) just days before the event began. The *Financial Times* reported that the Chinese Embassy had protested to Indonesia’s Defense Ministry and asked it to “discourage” the Taiwan delegates from attending. A group from Taiwan participated in the JIDD in 2012 without complaint; the *FT* reported that the delegation this year had planned to approach participants from the United States and the Philippines to discuss “security in the South China Sea” and other issues.

DPP and China

Democratic Progressive Party (DPP) leaders continue to talk about their efforts to reach out to China. The most noteworthy effort was the visit by Hsu Tain-tsair, a long-time independence advocate and popular former Tainan mayor, who visited Shanghai and Beijing in January. Beijing interpreted the visit as a further sign that the DPP saw the need to deal with China.

Debate is ongoing within the party on policy toward China. Frank Hsieh has continued to promote his “respective interpretation of constitutions” reform proposal, both through speeches in Taiwan and travel to the United States. On the other side, in late April, a group of older generation fundamentalists, including Mark Chen and Trong Chai from the DPP, organized a pressure group called the “Anti-One China Alliance.” Since February, party leaders have been working behind the scenes to organize the DPP’s China Affairs Committee, with Party Chairman Su Tseng-chang as convener. In addition, advisory groups of scholars and party members have been drafting reports to be presented to the committee, once it is formed. On May 1, the DPP announced the initial name list of eight committee members that included former Premier Yu Shyi-kun, former head of the National Security Council (NSC) Chiou I-jen, Kaohsiung Mayor

Chen Chu and others. After originally declining to take a seat on the committee, Frank Hsieh joined on May 6. The committee held its first meeting on May 9 and announced that future meetings will take place every two months. Convening the committee is a significant step, but there is no sign the DPP is any closer to reaching consensus on policy toward China.

Su Tseng-chang visited Japan in February. In comments there, Su advocated that Japan and Taiwan join in a democratic alliance and criticized China's handling of the Senkaku/Diaoyutai issue. The DPP views the visit as a successful effort to strengthen ties with Japan. In Beijing, the TAO spokesman criticized Su's statements saying they indicated that he lacked a sense of (Chinese) nationalism.

Next media drama ends well

Want Want group leader Tsai Eng-meng's efforts to buy the Next Media Group and China Network Services ended in failure. The opposition parties and freedom of press advocates had organized opposition to these purchases both because they would give Tsai a dominant position in Taiwan's print media and out of fear that Tsai's strong pro-Beijing views would give Beijing greater opportunities to manipulate the Taiwan media. Tsai, the wealthiest man in Taiwan, had enlisted financial support from two other prominent family conglomerate heads: William Wang of Formosa Plastics and Jeffery Koo of China Trust. However, the two deals required approval from regulators in the Fair Trade Commission (FTC) and National Communications Commission (NCC). To their credit, the regulators stood their ground against a formidable coalition. The NCC put conditions on the purchase of China Network Services, and rejected the purchase in February because those conditions were not met. The purchase of Next Media fell through in late March when the purchasers chose not to provide the required documentation within the established deadline. Consequently, the risk that Tsai's purchase of these media assets would give Beijing new opportunities to influence Taiwan media has been averted.

Looking ahead

The coming months are likely to see further modest steps forward in cross-strait relations. Now that a new ARATS president is in office and the services trade negotiation concluded, the way is clear for the ninth ARATS-SEF meeting somewhere in China. Press reports indicate that ARATS President Chen Deming and SEF Chairman Lin Join-sane may hold a first meeting in Beijing in May to sign the services trade agreement. The way would also be clear for a semi-annual meeting of the Cross-strait Economic Cooperation Committee (CSECC) to be led by newly appointed commerce vice-ministers. How quickly the negotiations on an exchange of SEF and ARATS offices proceed will be a test of the two sides' ability to finesse the sensitive political issues involved in such an exchange.

The triennial ICAO Assembly meeting in September will focus attention on Beijing's continued unwillingness to remove its objections to Taiwan's participation. As Taiwan's approach seeking observer status as a health entity using the name Chinese Taipei, does not create the political problem Beijing objects to the way should be clear for Beijing to remove its objections – a step that would be welcome by Taipei and the international community.

The implementation of the Taiwan-Japan Fisheries Agreement and the evolution of the territorial disputes in the East and South China Seas have the potential to affect both cross-strait rhetoric and the international perception of Taiwan as a responsible stakeholder. Taiwan faces a challenge in ensuring that its claims and interests are not overshadowed by the two larger parties, but it must do so in a constructive way to maintain international goodwill.

Chronology of China-Taiwan Relations

January – April 2013

Jan. 1, 2013: President Ma Ying-jeou and General Secretary Xi Jinping's both deliver New Year's speeches outlining their views on the challenges in the coming year.

Jan. 11, 2013: Association for Relations Across the Taiwan Straits (ARATS) Chair Chen Yunlin calls for early talks on exchange of ARATS/SEF (Straits Exchange Foundation) offices.

Jan. 11, 2013: Delegation of retired ambassadors from Taiwan holds talks in Beijing.

Jan. 14, 2013: President Ma calls for expanded recognition of degrees granted by educational institutions from the People's Republic of China (PRC).

Jan. 16, 2013: Taiwan Affairs Office (TAO) spokesman says Beijing wants to start office exchange talks soon.

Jan. 16, 2013: President Ma says Taiwan must maintain strong defense despite political détente.

Jan 18, 2013: Tamsui-Fuzhou fiber cable starts operation.

Jan. 23, 2013: Democratic Progressive Party's (DPP) Hsu Tian-tsair meets scholars and businessmen in Beijing.

Jan. 23, 2013: SEF President Lin Join-sane reiterates no need for cultural agreement.

Jan.24, 2013: Activists seek to place Matsu figure on Senkaku/Diaoyutai Islands, escorted by Taiwan Coast Guard.

Jan. 25, 2013: Congresswoman Ileana Ros-lethinen introduces Taiwan Policy Act of 2013.

Jan. 25, 2013: People's Bank of China (PBOC) authorizes Bank of China's (BOC) Taipei branch to handle currency clearance.

Jan. 26, 2013: Congressman Ed Royce leads a large delegation to Taiwan.

Jan. 29, 2013: Cross-strait securities and futures talks are held in Taipei.

Jan. 30, 2013: China's trade association China Chamber of Commerce for Import and Export of Machinery and Electronic Products (CCCME) office opens in Taipei; Minister of Commerce (MOC) Vice Minister Jiang Yaoping is in Taipei for the opening.

Jan. 30, 2013: President Ma meets American Institute in Taiwan Chairman Raymund Burghardt.

Jan. 30, 2013: TAO Deputy Director Ye Kedong leads a delegation to Taiwan.

Jan. 30, 2013: TAO states defending sovereignty of Diaoyu Islands is a common responsibility.

Jan. 31, 2013: Taiwan's Premier Sean Chen resigns and is replaced by Jiang Yi-huah.

Jan. 31, 2013: Retired generals attend cross-strait meeting in Hong Kong.

Feb. 1, 2013: Investment protection agreement comes into force.

Feb. 4, 2013: DPP Chairman Su Tseng-chang visits Japan.

Feb. 4, 2013: The US and Taiwan sign Privileges & Immunity Agreement.

Feb. 5, 2013: TAO criticizes Su Tseng-chang's comments made in Tokyo as lacking sense of nationalism.

Feb. 6, 2013: Taiwan banks begin offering RMB services.

Feb. 18, 2013: President Ma explains that Taiwan has no plans to cooperate with PRC policy on Diaoyutai Islands.

Feb. 19, 2013: Yu Zhengsheng addresses annual Taiwan Affairs Work Conference.

Feb. 20, 2013: Taiwan's National Communications Commission rejects *Want Want* purchase of China Network services.

Feb. 20, 2013: PRC blocks DPP Frank Hsieh's new Weibo site.

Feb. 21, 2013: Taipei authorizes customs declarations denominated in RMB.

Feb. 25, 2013: Lien Chan meets Xi Jinping in Beijing.

Feb. 26, 2013: Mainland Affairs Council (MAC) says political talks not a priority for Taiwan.

Feb. 28, 2013: ARATS Deputy Wang Zaixi leads media delegation to Taiwan.

March 7, 2013: TAO Minister Wang Yi reiterates think tanks should address political issues.

March 10, 2013: US-Taiwan Trade and Investment Framework Agreement (TIFA) talks are concluded “successfully.”

March 11, 2013: Yu Zhengsheng becomes chairman of Chinese People’s Political Consultative Conference (CPPCC).

March 11, 2013: PRC protests Japan treatment of Taiwan at Tsunami anniversary.

March 12, 2013: Taipei increases the number of recognized mainland university degrees.

March 12, 2013: Taiwan’s Quadrennial Defense Review is submitted to Legislative Yuan (LY).

March 13, 2013: Second Taiwan-Japan Fisheries preparatory talks are held.

March 13, 2013: Ministry of National Defense of Republic of China Vice Minister Yang explains confidence-building measures policy at the LY.

March 14, 2013: Bills supporting Taiwan International Civil Aviation Organization (ICAO) participation submitted to the US Congress.

March 17, 2013: Zhang Zhijun is appointed TAO minister; Wang Yi becomes foreign minister.

March 19, 2013: President Ma attends Pope Francis’s Investiture Mass.

March 19, 2013: DPP’s Tsai Ing-wen visits Indonesia.

March 20, 2013: MAC states that office exchange is on agenda for next SEF–ARATS agenda.

March 20, 2013: Taiwan participants are forced to withdraw from 3rd Jakarta International Defense Dialogue.

March 22, 2013: TAO sponsors 11th Cross-strait Relations Symposium in Pingtan, Fujian.

March 26, 2013: Premier Jiang states China is obstructing Singapore economic agreement.

March 27, 2013: Executive Yuan (EY) announces Free Economic Pilot Zones (FEPZ) proposal.

March 27, 2013: Next Media sale falls through at deadline.

March 27, 2013: TAO spokesman hopes peace forum will be held to discuss political issues.

March 27, 2013: China reports two H7N9 bird flu deaths; China notifies Taiwan under Medical and Health Cooperation Agreement.

April 6, 2013: Two Taiwan health experts visit Shanghai regarding the H7N9 virus.

April 8, 2013: Xi Jinping meets Vincent Siew at Boao Forum.

April 9, 2013: DPP Chairman Su Tseng-chang visits Singapore.

April 10, 2013: TAO spokesman says China to share H7N9 virus strain with Taiwan.

April 11, 2013: Japan Taiwan Fisheries Agreement signed.

April 11, 2013: DPP's Frank Hsieh visits Washington.

April 12, 2013: Taiwan High Speed Rail (THSR) bomb incident.

April 14, 2013: DPP Chair Su Tseng-chang warns of China's increasing soft power in Taiwan.

April 15, 2013: DPP's Hsu Hsin-liang's Weibo site block by China.

April 15, 2013: Next Media signs a deal to sell TV assets to ERA Communications.

April 16, 2013: Two Taiwan High Speed Rail (THSR) bomb suspects repatriated from China.

April 16, 2013: China's Defense White Paper released.

April 17, 2013: Live-fire drill included in annual Han Kuang exercise for first time since 2008, citing public opinion.

April 20, 2013: Beijing delivers an H7N9 virus sample to Taipei.

April 24, 2013: Taipei reports first case of H7N9 outside mainland.

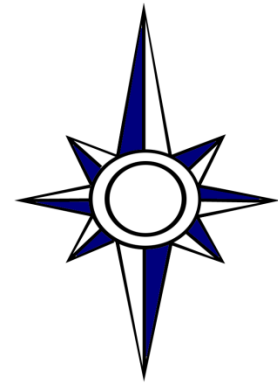
April 26, 2013: Chen Deming appointed ARATS president at the ceremony marking 20th anniversary of the ARATS-SEF talks.

April 29, 2013: President Ma speaks at the ceremony marking 20th anniversary of the first SEF-ARATS talks.

May 1, 2013: DPP announces initial membership of China Affairs Committee.

Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



South Korea-North Korea Relations: Curtains for Kaesong?

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In a triumph of hope over experience, our last report ended with the cautious thought that new leaders in the two Koreas, each with a dynastic background, might have “a tacit basis for understanding.” It is early days yet, but so far 2013 has gone in the opposite direction. This was one of those regular periods when storms on the peninsula make headlines around the world, so few readers will need informing of the broad contours of the past few months. The tensions fomented by Pyongyang, which seem to have died down for now (though one can never be quite sure), lasted longer – two months – and used more extreme rhetoric than usual. As so often, inter-Korean relations were more a victim than a main driver in all this. But they have suffered tangible damage with the closure, at least for now, of the Kaesong Industrial Complex (KIC), which had been the last remaining North-South joint venture.

A rational North?

Not for the first time, and doubtless not for the last, Pyongyang’s recent behavior has been hard to explain. This view is not universally shared. Experts as diverse in their perspectives as Japan’s Michishita Narushige and my UK compatriot Hazel Smith have argued in the past that the DPRK is a rational actor, despite appearances. Andrei Lankov is of the same mind, declaring on the first page of his new book that “North Korea is not irrational.”

Of course, rationality is context-dependent. But as Ralph Cossa has said, North Korea never misses an opportunity to miss an opportunity. The latest chance lost came on Feb. 25 with the inauguration of Park Geun-hye as president of South Korea. Though the daughter of the dictator Park Chung-hee and a conservative like the man she succeeded, Lee Myung-bak, Park had visited Pyongyang a decade ago as a private citizen; she dined with Kim Jong Il.

Moreover, since at least 2011, starting with an article in the US journal *Foreign Affairs*, Park had been at pains to distance herself from Lee’s hard line, advocating then as now what she calls “Trustpolitik.” So far this is more slogan than policy. But those in Pyongyang who track such things had no reason to doubt that, with Park in the Blue House, relations could improve – without Lee’s insistence that the North must first denuclearize. Even if cynically, they could have chosen to play her along and, as during the decade of the former “Sunshine” policy (1998-2007), enjoyed renewed flows of aid and investment. If indeed as reported the DPRK is worried about Chinese domination of its economy since “Sunshine” was eclipsed by Lee, what better remedy than to let the South back in and play off the two rivals in time-honored DPRK fashion? Even Southern rightists are keen to see that North Korea does not become economically a fourth province of Manchuria, as the daily *Chosun Ilbo* has put it.

But this was the road not taken – and which will now be much harder to take in future, even if a way is found to row back from recent tensions. Instead, using the same malign playbook honed by his father and grandfather before him, Kim Jong Un chose to embark on and then escalate another cycle of provocation and reaction, of a dreadfully familiar kind.

A familiar one-two

This began last year, with the successful launch – after April’s embarrassing failure – of a satellite on Dec. 12. After over a decade of experience and (in the past) negotiations, not to mention previous UN Security Council (UNSC) sanctions, the North Korean regime knew perfectly well that the global community would regard this as tantamount to a banned long-range missile test – and punish it accordingly. The response took time, owing partly to the holiday break and the usual backstage negotiations between the US and China as to how strong a form of words and scope of actions the latter was prepared to countenance.

When it finally came on Jan. 22, UNSC Resolution 2087 was stronger than some – that may include North Korea – expected. Basically, it extended existing sanctions under earlier UNSC resolutions (1695 and 1718 in 2006, then 1874 in 2009) to six further organizations and four individuals. As always, Pyongyang at once rejected this as a US plot – despite the fact that, like all previous UN censure of the DPRK, the resolution was passed unanimously, including support from both Russia and China as permanent UNSC members – and vowed that it would not be cowed. Fears at once arose that the same sequence would unfold as in 2006 and 2009; namely that, like his late father Kim Jong Il, Kim Jong Un would follow up a de facto missile test with the much more serious provocation of a nuclear test.

And so it proved. North Korea’s third nuclear test took place on Feb. 12. DPRK media boasted that this involved a miniaturized device, but that cannot be independently confirmed. Nor can the all-important question of whether it used plutonium, as in previous tests, or for the first time the North’s newer, largely unknown program based on highly enriched uranium (HEU). Radiological samples gathered by the US and others proved inconclusive.

UNSC reaction was quicker this time. Resolution 2094 of March 7, 2013, once again unanimous, further tightened existing sanctions to include more monitoring of cargoes, diplomats and banks – especially bulk cash transfers. Banned luxury items were itemized for the first time, having hitherto been left to member states to decide. North Korea once again angrily dismissed this censure. (It cannot have helped Pyongyang’s temper that South Korea is currently a UNSC member state, having been elected in October to serve for the two calendar years 2013-2014.)

War games: taking umbrage

This oft-repeated cycle of tests, censure, sanctions, and defiance was not the only pretext that North Korea used to foment a sense of crisis. Pyongyang also took violent exception to what are in fact routine joint US-ROK military exercises held on the peninsula every spring: the computer-based *Key Resolve*, and the larger-scale *Foal Eagle*. (The DPRK is even informed of their starting dates, so its annual claims that these are a prelude to imperialist invasion cannot be

taken seriously.) This year such shrieks were even louder than usual. North Korean rhetoric has always been fierce, but this spring it reached new heights (or plumbed new depths), including for the first time threats of pre-emptive nuclear strikes. The rhetorical target here was as much the US as South Korea. In one much-publicized picture, Kim Jong Un was seen pondering documents, surrounded by KPA officers, against a background of a map of the Pacific showing flight paths to various named US cities – including Austin, which caused no little head-scratching in that inoffensive corner of Texas. (Ed. note: Some later speculated that the target might have actually been Barksdale AFB, Louisiana, which at least makes more sense given it is home to a B-52 wing.) Fortunately, North Korea as yet lacks any such capacity, so this all had a staged and cartoonish character. That did not make it any less unsettling.

Though little remarked, there may be a parallel here with last spring's vicious and highly personalized propaganda campaign against South Korea's then President Lee Myung-bak, including vile cartoons of him as a rat being bloodily done to death in a variety of ways. We covered this [here](#) in detail at the time. These cartoons can no longer be found on KCNA, but Jeffrey Lewis has usefully [preserved some for posterity](#). One comment there is worth quoting for its wider resonance: "How do you negotiate with a government that presents propaganda posters showing your president's gory dismemberment?"

This year's campaign lacked the cartoons' visual nastiness and personal animus, but was no less extreme in its language. Quoting this *in extenso* would be tedious. Any reader – except in South Korea; will President Park end this needless ban? – has only to turn to KCNA.kp, which helpfully files its main diatribes under the telling sidebar "DPRK in All-Out Action Against Enemies," and scroll back over the past two months. Of late they have toned this down, but only slightly. As recently as May 10, party daily *Rodong Sinmun* could still write: "The DPRK remains steadfast in its attitude to meet any challenge of the hostile forces for aggression through an all-out action based on nuclear deterrent of justice, **bring earlier the day of the final victory in the great war for national reunification** (*emphasis added*) and guarantee the prosperity of a reunified country and the independent dignity of the nation for all ages."

Leaving aside the bizarre idea of nuclear "all-out action" as a way to "guarantee prosperity" – guarantee poverty, more like – taken literally what can this mean except that North Korea would welcome a "unification" achieved by the nuclear defeat (as if!) of South Korea, with all the catastrophic material and human loss of innocent lives that would entail? Or if they don't really mean it, why do they say it? To adapt the question above, how can you talk usefully to a regime which purports to gleefully contemplate nuking you into submission?

True, most such threats including this one are formally posed as conditionals. If the enemy attacks – or in this case, merely "challenges" – then we strike. Richard Lloyd Parry in a review in the *London Review of Books* stresses this point in a useful recent overview, tellingly titled "[Advantage Pyongyang](#)," "The noises from the North are widely misunderstood. They are not unilateral threats of war, but promises of retaliation in the event of US and South Korean attack. (This gets lost in much of the reporting because of the famous verbosity of North Korea's official communiqués: the threat is quoted, while the balls-aching conditional preamble is cut.)"

Amen to that striking adjective, but I would make less of this. The fact is, Pyongyang cranks up the war talk relentlessly – as though itching to be given an excuse to attack. The tone, if by no means the eloquence, is essentially as in Clint Eastwood’s famous “Make my day.”

One more example, from late April when tensions were starting to subside. One could expect Army Day, April 25, to spawn some bombastic and bellicose speeches. But they were never quite like this before. *KCNA* reported DPRK Air Force Commander Ri Pyong Chol as boasting that “Stalwart pilots, once given a sortie order, will load nuclear bombs, instead of fuel for return, and storm enemy strongholds to blow them up.” Not to be outdone, “Strategic Rocket Force Commander Kim Rak Gyom said that the DPRK’s inter-continental ballistic missiles have already set the dens of the brigandish U.S. imperialists as their first target and officers and men of the Strategic Rocket Force are one click away from pushing the launch button.”

A “state of war”

Regarding South Korea specifically, on March 30 *KCNA* issued what it termed a “special statement” of “the government, political parties and organizations of the DPRK.” This was headlined: “North-South Relations Have Been Put at State of War.” *Inter alia*, it warned that the “time when words could work has passed,” hence “the Supreme Command of the KPA was just when it made the judgment and decision to decisively settle accounts with the US imperialists and south Korean puppets by dint of the arms of Songun [military-first policy].”

Accordingly, “the dear respected Marshal Kim Jong Un, brilliant commander of Mt. Paektu, convened an urgent operation meeting on the performance of duty of the Strategic Rocket Force of the Korean People’s Army ... and finally examined and ratified a plan for firepower strike.” And so on and so on: “the strong will of the army and people of the DPRK to annihilate the enemies”; “Time has come to stage a do-or-die final battle.” And this, notably: “[Enemies] should clearly know that in the era of Marshal Kim Jong Un, the greatest-ever commander, all things are different from what they used to be in the past.... The hostile forces will clearly realize the iron will, matchless grit and extraordinary mettle of the brilliant commander of Mt. Paektu that the earth cannot exist without Songun Korea.”

Greatest-ever? Compared even to his grandfather, a genuine guerrilla against Japan who also really did take on the US in battle (a disastrous error, though Pyongyang calls it a victory)? No doubt Kim Jong Un has to establish a pedigree, but this is arrogance indeed by a wholly untried youth. Yet the warning that “all things are different” now may prove only too true.

Importantly, this was not provoked by anything South Korea or the US had done. True, the March 30 statement singled out *Foal Eagle*’s unprecedented use of *B-52* and *B-2* bombers as “an unpardonable and heinous provocation.” Lloyd Parry calls this deployment “a very stupid thing to do”, since it “sprinkle[d] gunpowder on the North’s indignation.” Maybe so; but given the lurid threats that North Korea was issuing, the US faced a very difficult choice. The new US defense secretary, Chuck Hagel, was frank about his dilemma: “It only takes being wrong once, and I don’t want to be the secretary of defense that was wrong once.”

Kaesong sacrificed

Nor did all this remain at the level of rhetoric. Fortunately, Kim Jong Un had more sense than to actually attempt a military provocation. The judgment that he was never going to do so has thus turned out to be correct, so far. Yet the airy view quoted by *Yonhap* on March 12 of an unnamed ROK defense spokesman, saying that “Barking dogs don’t bite,” might easily have proved too sanguine. They sure bit in 2010, twice: sinking the *Cheonan* and shelling Yeonpyeong. (We discussed both of these attacks at length at the time: see all four issues of *Comparative Connections* for that year (Volume 12).

While Austin, Texas proved safe from North Korea’s non-existent ICBMs, a softer target lay closer to home. As Pyongyang’s rhetoric mounted, some in Seoul called their bluff. How can you be in a state of war, even while running a joint venture with the enemy where everything is normal and calm? Not for long, it turned out. Though Pyongyang predictably professed to be outraged by such comments, the sad sequence of events which unfolded at Kaesong was almost certainly something it had planned well in advance. As discussed below, one does not shut down a resource that was bringing in \$90 million a year on a whim or out of pique.

Little noticed at the time, North Korea’s first threat to the Kaesong Industrial Complex (KIC, as South Korea calls it; the North says zone, thus KIZ) came as early as Feb. 7. A report that the South would henceforth inspect inbound cargoes more rigorously in line with UNSC sanctions enraged the North’s National Economic Cooperation Committee (NECC). *KCNA*’s prophetic headline read: “S. Korea Will Have to Pay Dearly for ‘Sanctions’ against KIZ.” The North warned that in the event of any provocation, it would “take such resolute counter-actions as withdrawing all privileges for the KIZ and restoring the area as a military zone.”

In fact, the KIC carried on as normal, nor is it clear if inspections were in fact stepped up. However, on March 30 – the same day as the “state of war” announcement, but separately – the North’s General Bureau for Central Guidance to the Development of the Special Zone (GBCGDSZ) released a statement that *KCNA* headlined: “DPRK Warns Future of Kaesong Industrial Zone Depends on S. Korea’s Attitude.” Taking offense at Seoul media suggestions that the North was keeping the KIC open because it needed the money – to the contrary, they claim (as in the Feb. 7 statement) that it is their act of charity, based on “compatriotic feeling for the minor enterprises and poor people in south Korea” – this went on: “It is an extremely unusual thing that the Kaesong Industrial Zone is still in existence under the grave situation.” It warned, ominously: “The south Korean puppet forces are left with no face to make complaint *even though we ban the south side’s personnel’s entry into the zone and close it*” (emphasis added)

And that is precisely what happened. On April 3, without notice (although with hindsight the GBCGDSZ’s threat quoted above was a warning) the North began refusing entry to Southern personnel and vehicles. The ironically named Demilitarized Zone (DMZ) is still the world’s most heavily armed frontier, but in recent years it was no longer totally sealed. The former “Sunshine” policy saw two border crossing points opened: near the east coast for access to the Mt. Kumgang resort, and Dorasan north of Seoul – not far from Panmunjom, previously the sole point of contact under the 1953 Armistice Agreement – for the KIC. The east coast route fell into disuse since July 2008, when the South suspended tourism after a middle-aged female visitor was shot

dead at Mt. Kumgang and the North refused to let the South send in its own investigators. But Dorasan stayed busy. Southern managers and other staff commuted (weekly or in some cases daily) from in and around Seoul, while trucks took raw materials and other supplies in and finished goods out. Last June, as we reported, Dorasan clocked up its millionth border crosser in nine years. (There used to be a railway service too, briefly. But the North was never keen, and this was also less economic for the 123 SMEs in the zone than road transportation. So Dorasan's gleaming new station now stands forlorn.)

The road crossing looks set to join it in disuse. The North had restricted border crossing in the past, so at first the hope in Seoul was that this too would only be a temporary blip. The ban was one-way: South Koreans were allowed to leave the KIC, but few did for fear of not being let in again. On April 4, a day after the entry ban began, the North's Committee for the Peaceful Reunification of Korea (CPRK) – which despite its name issues threats as fierce as every other DPRK body – warned “the puppet group” over its “provocative racket.” ROK Defense Minister Kim Kwan-jin – an unplanned holdover from the Lee Myung-bak era after Park Geun-hye's first choice for the post withdrew in face of allegations of scandal – is an especial Northern bugbear. This time the “die-hard warmonger” had spoken – unsurprisingly in the circumstances – about potential hostage scenarios. Seething with faux fury, the CPRK warned the “puppet group that “it had better control its mouth, mindful that the Zone is less than 40 km from Seoul.” And then this: “[T]he shutdown of the Zone has become imminent. If the south Korean puppet group and conservative media keep vociferating about the Zone, we will take a resolute measure of withdrawing all our personnel from the Zone.”

And so they did. Four days later on April 8, Kim Yang Gon, a senior secretary of the Central Committee (CC) of the North's ruling Workers' Party (WPK), visited the KIC. Declaring it to be “in the grip of a serious crisis ... due to such hideous confrontation maniacs as Kim Kwan-jin,” Kim announced two “important steps.” First, the DPRK would “withdraw all its employees from the zone.” Second, “it will temporarily suspend the operations in the zone and examine the issue of whether it will allow its existence or close it.”

Sometimes North Korea is as good as its word. Next day, April 9, none of the 53,448 DPRK workers in the KIC showed up for work; nor have they since. Still hoping this might just be a temporary ploy, Southern businesses at first kept going as best they could. Their government naturally protested, while offering talks which the North rebuffed. As the month wore on the situation became unsustainable, as food and other supplies (e.g., medicine) began to run short.

On April 26, the ROK government felt it had no option but to tell its remaining citizens in the KIC to come home. All did so by May 1, bar seven who were still discussing unpaid wages and the like; with typical perversity, the trucks the North turned away included one carrying \$7 million for March's wages. Seoul quickly scotched some media spin implying this was in any way a hostage situation. The final seven returned early on May 3; at the same time as the North let in a truck carrying \$13 million for wages and taxes. Rude and petty to the last, North Korea thus even made the South in effect pay for the privilege of being kicked out.

Can the KIC come back?

Is this the end? Some in Seoul still harbor hope. Pyongyang sent a high-level negotiator, but only to discuss details of the closure. As of May 6 the South, which supplies electricity to the KIC, was still doing so – but on a much smaller scale than before, given the fall in demand. This suffices to keep a water purification plant running, which by some accounts serves part of nearby Kaesong city as well. The center-right Seoul daily *JoongAng Ilbo*, in an article on May 6 headlined “A ray of hope to reopen Kaesong park still blinking,” said that the DPRK had asked for electricity and water supplies to be maintained. That can be seen as barefaced cheek – or as the *JoongAng* put it, a ray of hope. This being North Korea, perhaps it is both.

Turning power or water on and off is easy. Not so a project like the KIC, where real damage has been done that will not quickly be undone. A precedent here is Mt. Kumgang, whose five-year impasse has seen the North confiscate Hyundai and other ROK assets worth some \$400 million – but not sell them or get much use from the resort, which is only really viable for South Korean tourists. One conceivable way out could be to swap one suspension for another: If the South lets tours to Mt. Kumgang resume, the North could reopen Kaesong.

Yet unlike the late Chung Ju-yung, the Hyundai patriarch whose long-term vision and deep pockets underwrote both the Kumgang and Kaesong zones, the Southern SMEs in the KIC are strapped for cash. They invested there in good faith, mainly for cheap labor; only to be kicked in the teeth by the North for no fault of theirs. Are many or any of them ready to risk it again? Their own government is offering 300 billion won (\$272 million) compensation, but that hardly suffices; it cannot repair the reputational damage from their inability to fulfil contracts since Pyongyang pulled the plug. The global marketplace is even less forgiving than the DPRK, if more impersonally. If you don’t deliver, there may be no second chance.

Does North Korea understand this, or care? Unconfirmed reports reaching Seoul suggest that the North may have planned this move long ago, and has no intention of rescinding it. The evidence for this, such as it is, is of two kinds. First, it is claimed that Kim Jong Il, having allowed the creation of the KIC, changed his mind for fear of its long-term impact. On April 29 the Seoul-based *Daily NK* quoted what it said was an anonymous source in Pyongyang: “Kim Jong Il’s greatest concern of all was that as the Kaesong Industrial Complex got bigger it would cause a growing number of workers to harbor feelings of interest and longing for South Korean society. Kim Jong Eun is now focusing on Kim Jong Il’s injunction that ‘you must move decisively to close it as soon as you see a chance.’”

Second, other anecdotal data indicate that the KIC workers have now been widely dispersed in North Hwanghae province, and perhaps further afield. By all accounts they are not pleased at losing their jobs and being assigned to quite different ones (e.g., on collective farms), nor at having to undergo ‘study sessions’ where they must relate every encounter they ever had with South Koreans. This too hardly suggests that the KIC has a future.

Guns and butter

But does North Korea’s left hand even know what its right hand is doing? A further puzzle is that at the very same time that it was gratuitously sabotaging its only established and fully

functioning special economic zone – there are two new ones with China, but it is early days yet – the DPRK was claiming to want more of these. In a significant but baffling move, if mainly beyond our scope in a journal whose remit is bilateralism, even while threatening the world in practice the regime was also busy backing this up with a brand new theory.

On March 31, a hastily called plenary meeting of the WPK Central Committee (announced only on March 27), self-described as “historic,” proclaimed a new party line: the simultaneous development of nuclear weapons and the economy (*Byungjin* in Korean). “Guns or butter” is a term used in Economics 101 to signal the inexorability of choice in allocating resources, but Kim Jong Un seems to think he can have his cake and eat it. The same meeting promoted the DPRK’s sole certified reformer, former Premier Pak Pong Ju, to the Politburo. Pak impressed South Koreans when he visited there as chemical industry minister leading an economic delegation in 2002, in happier times. Appointed premier in 2003, he spearheaded the tentative reforms instituted (but never formally announced) in 2002, but was sacked in 2007 as the tide turned in favor of diehard anti-marketeters. So his return to the top echelons is good news.

Better yet, next day on April 1 the Supreme People’s Assembly (SPA), the rubber-stamp parliament, reappointed Pak as premier. The man he replaced, elderly loyalist Choe Yong Rim, as usual gave an economic report. This concluded with an unexpected peroration:

All the fields and units of the national economy should build under a long-term plan export bases for producing second-stage and third-stage processed goods and finished goods of high competitiveness at international markets by relying on locally available resources and indigenous technology. Latest scientific and technological achievements should be positively introduced to increase the varieties of exports and remarkably raise their quality. Trade should be made diversified and multilateral while conducting a variety of trade activities. The joint venture and collaboration should be actively promoted and the work for setting up economic development zones be pushed forward.

Good advice indeed. But how can one reconcile this with destroying the KIC? South Korean Unification Minister Ryoo Kihl-jae, the architect of Park’s “trustpolitik” approach and as such a very disappointed man currently, made the obvious comment: “If they act like this, who will invest in the North?” For all sorts of reasons, from capital shortage to UNSC sanctions and reputational issues, *byungjin* is a non-starter. Nuclear weapons and economic development are not a both/and, but an either/or.

Finally, the news on May 13 that North Korea has appointed its fourth defense minister in barely a year is a reminder that below the surface all is far from smooth in Pyongyang. Among the several hypotheses advanced to explain the DPRK’s threatening demeanor in recent months, one is that Kim Jong Un still needs to impress the military by acting tough. Changing the minister of People’s Armed Forces so frequently suggests he is not impressing them that much, and that he is failing to control them. If behind the scenes a power struggle is raging in Pyongyang, North Korea’s stance toward the South and the wider world could yet change – hopefully for the better.

Chronology of North Korea-South Korea Relations January – April 2012

Jan. 1, 2013: Kim Jong Un's first New Year speech, replacing the joint editorials of his father's era, includes pro forma calls for an end to North-South confrontation – but also a threat to reunify Korea by force “if the aggressors dare launch a preemptive attack.”

Jan. 2, 2013: The North's National Defense Commission (NDC) says that the next South Korean government “must choose between confrontation and peace.”

Jan. 2, 2013: ROK Ministry of Unification (MOU) reports that Northern defector arrivals fell to 1,508 in 2012, down from 2,706 in 2011 and the first annual total under 2,000 since 2006. The decline is attributed to tighter border control after Kim Jong Il's death. The cumulative total of Northern escapees residing in South Korea at end-2012 was 24,613.

Jan. 3, 2013: MOU sources tell *Yonhap* that the ROK's 2013 budget, finally passed by the National Assembly on Jan. 1, allocates 1.09 trillion won (\$1.02 billion) to the fund for inter-Korean cooperation. This is 9.1 percent more than in 2012, anticipating some easing of tensions. This breaks down as 735.7 billion won for humanitarian assistance (up 13 percent, and including allocations to send 400,000 tons of rice and 300,000 tons of fertilizer); 265 billion won for economic cooperation; and 90.2 billion won for the Kaesong Industrial Complex (KIC).

Jan. 4, 2013: MOU data show that in 2012 no North Koreans visited the South: the first zero score since 1998. Peaking at 1,313 in 2005, numbers fell from 332 in 2008 to 14 in 2011. Last year 110,116 South Koreans went north, almost all (99.8 percent) of them to the (KIC).

Jan. 9, 2013: Survey by the ROK National Veterans Association reports that 78.7 percent of South Koreans surveyed reckon that a second Korean war is possible. Almost half (45.7 percent) believe that the nation's division will last for at least 20 more years.

Jan. 16, 2013: ROK National Police Agency (NPA) says North Korea was behind last June's cyber-attack which temporarily crippled the center-right Seoul daily *JoongAng Ilbo*'s website and server. This is the fifth separate such attack on ROK entities since 2009.

Jan. 16, 2013: The *JoongAng Ilbo* reports that the National Intelligence Service (NIS) has reorganized its tracking of North Korea, with separate departments for analysis and “early warning management” and increased use of “humint.” Under Lee Myung-bak the agency arrested 23 Northern infiltrators and caught 132 spies disguised as defectors, while 169 South Koreans were charged with praising or propagandizing the North. This compares to 43 arrests in total under Lee's liberal predecessor Roh Moo-hyun, president during 2003-08.

Jan. 21, 2013: MOU refuses requests by Incheon city and Gangwon province to contact the North about possible inter-Korean games at a youth soccer tournament in Hainan, China on Jan. 24-27. Both Koreas are already sending teams.

Jan. 21, 2013: ROK intelligence confirms Seoul press reports that a Northern defector aged 33 named Yu was arrested on Jan. 11. Working for Seoul Metropolitan Government, Yu is suspected of passing on to Pyongyang details of over 10,000 defectors in South Korea.

Jan. 22, 2013: UN Security Council (UNSC) unanimously passes Resolution 2087, condemning and sanctioning North Korea's Dec. 12 rocket launch. As usual, Pyongyang at once rejects this as a US conspiracy and "a fraudulent document devoid of any legality."

Jan. 24, 2013: Apropos UNSCR 2087, the NDC – the DPRK's top executive body – criticizes "big countries, which [should] take the lead in building a fair world order" for "abandoning without hesitation even elementary principle."

Jan. 24, 2013: At a press conference in Pyongyang, former defectors Kwang Ho and his wife Ko Kyong Hui denounce the South for deceiving them and tearfully thank Kim Jong Un for forgiving them. Theirs is the third such re-defection in recent months.

Feb. 4, 2013: MOU reports to the ROK National Assembly (NA) that in view of sanctions under UNSCR 2087 there will be enhanced inspection of goods entering the KIC.

Feb. 7, 2013: The DPRK's National Economic Cooperation Committee (NECC) warns the South that if it imposes "reckless" sanctions on the KIC, it will "have to pay dearly."

Feb. 8, 2013: ROK president-elect Park Geun-hye names former Defense Minister Kim Jang-soo, to head a new national security office within the Blue House (presidential office).

Feb. 9, 2013: (South) Korea Customs Service (KCS) data show that despite tensions inter-Korean trade in 2012 reached a record high of \$1.97 billion. Southern exports rose 13.4 per cent year on year to \$896.26 million, topped by Northern exports up 19.3 percent at \$1.07 billion. 99 percent of this involved the joint venture KIC.

Feb. 12, 2013: North Korea conducts its third nuclear test, at the usual site of Punggye-ri near the east coast. Its claim that this involved a miniaturized device cannot be confirmed; nor is it known whether this used plutonium or enriched uranium.

Feb. 13, 2013: President-elect Park names her foreign policy adviser Yun Byung-se as foreign minister, and retired Army Gen. Kim Byung-kwan as defence minister. The latter is immediately criticized for a variety of alleged ethical and judgmental lapses.

Feb. 17, 2013: A further and final batch of Cabinet nominations by President-elect Park includes Ryoo Kihl-jae as unification minister. An academic specialist on North Korea, Ryoo is the architect of Park Heun-hye's "trustpolitik" philosophy.

Feb. 19, 2013: At the UN Conference on Disarmament in Geneva, DPRK diplomat Jon Yong Ryong warns: "As the saying goes, a new-born puppy knows no fear of a tiger. South Korea's

erratic behavior would only herald its final destruction.” Jon is roundly criticized by other delegates for “completely inappropriate language” and threatened with expulsion.

Feb. 25, 2013: Park Geun-hye is inaugurated as president of the ROK, the first ever woman to hold that post. Her inauguration speech expresses the hope that “North Korea will abide by international norms and make the right choice so that the trust-building process ... can move forward” towards “an era of harmonious unification.”

March 1, 2013: The annual joint US-ROK *Foal Eagle* exercises, “one of the largest and longest war games in the world,” get under way. They end on April 30.

March 7, 2013: The UNSC unanimously passes Resolution 2094, condemning the DPRK’s Feb. 12 nuclear test and further tightening sanctions to include more monitoring of cargoes, diplomats and banks – especially bulk cash transfers. Banned luxury items are itemized for the first time. North Korea once again angrily dismisses this censure.

March 8, 2013: The North’s Committee for the Peaceful Reunification of Korea (CPRK) declares that “the DPRK abrogates all agreements on nonaggression reached between the north and the south.” Furthermore, it “totally nullifies the [1992] joint declaration on the denuclearization of the Korean Peninsula”. Third, “the DPRK will close the Panmunjom [Red Cross] liaison channel between the north and the south.” The statement ends: “We will never miss the golden chance to wage a great war for national reunification.”

March 11-21, 2013: Joint US-ROK military exercise *Key Resolve* is held.

March 11, 2013: ROK Red Cross confirms the North has cut the mutual hotline at Panmunjom.

March 12, 2013: *Yonhap* quotes an unnamed defense ministry (MND) source as dismissing recent DPRK threats: “Barking dogs don’t bite.” The same source also claims that the North’s Korean People’s Army (KPA) is experiencing growing rates of desertion.

March 18, 2013: *Yonhap* quotes prosecutors as saying that a North Korean woman recently arrested after entering the South as a defector last August claimed she had been an “ordinary housewife” in the North, whose regime had coerced her into spying (initially on South Koreans in China) by threats to harm her family.

March 22, 2013: Kim Byung-kwan, President Park’s nominee as defense minister, withdraws amid continuing criticism on various ethical grounds. To avoid any hiatus at a time of high tension, Park announces that she will instead retain the incumbent Kim Kwan-jin.

March 27, 2013: North Korea severs its military hotline with South Korea, normally used to handle border crossings between the South and the KIC. However such crossings continue, with North and South working out the details within the zone itself.

March 30, 2013: *KCNA* carries a “special statement” of “the government, political parties and organizations of the DPRK” under the headline: “North-South Relations Have Been Put at State

of War.” This warns that “the time when words could work has passed,” and hence “the Supreme Command of the KPA was just when it made the judgment and decision to decisively settle accounts with the US imperialists and south Korean puppets by dint of the arms of Songun [military-first policy] ... Time has come to stage a do-or-die final battle.”

March 30, 2013: The North’s General Bureau for Central Guidance to the Development of the Special Zone (GBCGDSZ) releases a statement which KCNA headlines: “DPRK Warns Future of Kaesong Industrial Zone Depends on S. Korea’s Attitude.” Saying “it is an extremely unusual thing that the Kaesong Industrial Zone is still in existence under the grave situation,” this warns: “The south Korean puppet forces are left with no face to make complaint even though we ban the south side’s personnel’s entry into the zone and close it.”

March 31, 2013: The Central Committee of the ruling Workers’ Party of Korea (WPK CC) convenes in Pyongyang. It proclaims a new line of developing the economy and nuclear weapons in parallel (*byungjin*). Former Premier Pak Pong Ju is promoted to the Politburo.

April 1, 2013: The Supreme People’s Assembly (SPA), the North’s rubber-stamp parliament, holds its regular one-day spring session. As usual this passes a budget with no numbers. Pak Pong Ju is reappointed premier. A law is passed declaring the DPRK a nuclear weapons state.

April 2, 2013: DPRK says it is restarting its nuclear reactor at Yongbyon.

April 3, 2013: Without warning, North Korea starts refusing to allow Southern vehicles or personnel across the Demilitarized Zone (DMZ) to enter the KIC. Those in the zone are free to leave, but most choose not to do so for fear of not being allowed back in again.

April 4, 2013: Dismissing Southern protests as “a provocative racket,” the DPRK warns that “The shutdown of the [Kaesong] Zone has become imminent. If the south Korean puppet[s] ... keep vociferating ... we will take a resolute measure of withdrawing all our personnel.”

April 5, 2013: Several foreign embassies in Pyongyang, including those of Russia and the UK, report that DPRK authorities have contacted them to offer assistance in case they wish to leave. None do so. The British embassy rebukes North Korea for stirring up tensions.

April 8, 2013: Asked in the National Assembly about a potential fresh nuclear test by North Korea, Unification Minister Ryoo Kihl-jae says there “is such a sign” of activity at the Punggye-ri site, but that he will not comment further on matters related to intelligence.

April 8, 2013: After visiting the KIC, WPK CC Secretary Kim Yang Gon announces that “The DPRK will withdraw all its employees” and “temporarily suspend the operations in the zone and examine the issue of whether it will allow its existence or close it as the south Korean authorities and military warmongers seek to turn it into a hotbed of confrontation.”

April 9, 2013: None of the KIC’s 53,000 North Korean employees turn up for work.

April 9, 2013: The North's Korea Asia-Pacific Peace Committee (KAPPC) warns that "the situation on the Korean Peninsula is inching close to a thermonuclear war." Since "it does not want to see foreigners in south Korea fall victim," it "informs all foreign institutions and enterprises and foreigners including tourists in Seoul and all other parts of south Korea that they are requested to take measures for shelter and evacuation in advance for their safety."

April 25, 2013: The DPRK marks Army Day with a parade, not in downtown Pyongyang but at the Kumsusan Palace mausoleum east of the capital. Air Force Commander Ri Pyong Chol thunders that "Stalwart pilots, once given a sortie order, will load nuclear bombs, instead of fuel for return, and storm enemy strongholds to blow them up." Strategic Rocket Force Commander Kim Rak Gyom adds that "the DPRK's inter-continental ballistic missiles have already set the dens of the brigandish U.S. imperialists as their first target and officers and men of the Strategic Rocket Force are one click away from pushing the launch button."

April 26, 2013: After the DPRK rejects a final deadline to commence negotiations, the ROK government tells its citizens still in the KIC to return home.

April 29, 2013: Citing sources in Pyongyang, the Seoul-based *DailyNK* claims that before his death Kim Jong Il worried that the KIC would stir pro-South feelings and told his son and heir Kim Jong Un: "You must move decisively to close it as soon as you see a chance."

April 30, 2013: 43 Southern managers return from the KIC in the early hours. Seven remain, to sort out unpaid wages and taxes. Seoul denies that this is in any way a hostage situation.

April 30, 2013: Unification Minister Ryoo says: "Our offer for dialogue still stands ... but North Korea must abandon its trite behavior. If they act like this, who will invest in the North?"

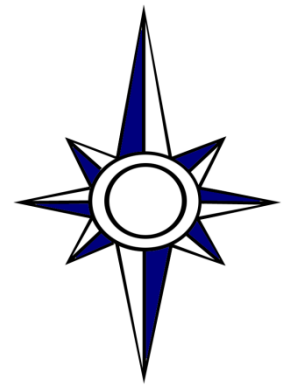
May 2, 2013: The ROK government offers 300 billion won (\$272 million) compensation, in the form of loans, to Southern SMEs invested in the KIC. It is unclear whether this suffices to cover their losses in full.

May 3, 2013: The last seven South Koreans leave the KIC. One last truck crosses the border into the zone, and returns after delivering \$13 million to the North to pay wages and taxes.

May 5, 2013: Under the headline "Kaesong Workers Sent Far and Wide," the *DailyNK* claims that the KIC's 53,000 workers have been widely dispersed to other worksites; suggesting there is little chance that the zone will reopen any time soon.

May 6, 2013: The Seoul press reports that the South is still supplying electricity to the KIC, albeit on a much smaller scale than before given the fall in demand. This suffices to keep a water purification plant running, which may serve part of nearby Kaesong city as well.

May 13, 2013: *KCNA* report identifies Jang Jong Nam as Minister of People's Armed Forces. This makes Jang, a little-known general, the fourth to hold that post since April 2012; suggesting serious churn in the KPA.



**China-Korea Relations:
Seeking Alignment on North Korean Policy**

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South Korea and China both welcomed new leaders as Park Geun-hye marked her inauguration on Feb. 25 and Xi Jinping began his presidential term on March 14. Both leaders sent signals prior to assuming power that they wanted to repair relations that had frayed under their predecessors. They also faced an early challenge from Kim Jong Un as North Korea defiantly responded to two UN Security Council (UNSC) resolutions passed in the first two months of the year, condemning Pyongyang's December 2012 rocket launch and third nuclear test. Escalating tensions in Korea provided an urgent rationale for Park and Xi to redouble efforts to establish a stable relationship and to respond to North Korean provocations. China and South Korea must establish a productive relationship and coordinate policies toward North Korea in the context of an increasingly challenging regional political and strategic environment.

Korean Peninsula tensions dominate the political agenda

By announcing and conducting a satellite launch immediately following a meeting with a Chinese special envoy dispatched after Xi Jinping's formal selection as the successor to Hu Jintao, Kim Jong Un made his country Xi's first major foreign policy challenge. China's initial response to the December 2012 rocket launch took the measure of international dismay and Beijing went along with a UN Security Council Resolution rather than simply a UNSC President's Statement that had followed North Korea's previous launches in April 2009 and 2012. After North Korea's Feb. 12 nuclear test, the PRC Foreign Ministry spokesman immediately issued a statement opposing the test while Foreign Minister Yang Jiechi summoned DPRK Ambassador Ji Jae Ryong in Beijing. The nuclear test led to a series of telephone talks between Yang Jiechi and US, South Korean, and Russian counterparts in mid-February. China's chief negotiator for the Six-Party Talks Wu Dawei held meetings in Beijing with Japanese counterpart Sugiyama Shinsuke on Feb. 20 and with ROK counterpart Lim Sung-nam on Feb. 27. North Korea's nuclear test and the escalation of military tensions on the peninsula in March drew a seemingly tough Chinese reaction, with China even joining the US in drafting UNSC Resolution 2094. But this Chinese approach, at least in its early stages, has primarily consisted of tactical efforts to respond to international pressures very similar to its handling of UNSC Resolution 1874 in May 2009.

Contrary to Beijing's desires, North Korea's threats sharply escalated from late January through early April, sparking an open debate among Chinese analysts over whether China should leave its erstwhile allies in Pyongyang out to dry. The editorial debate in the *Global Times* provided one window onto Chinese efforts to balance its frustration with North Korea with its geostrategic interests on the Korean Peninsula. Following the passage of UNSC Resolution 2087 on Jan. 23

and North Korea's strong response, a *Global Times* editorial stated that "If North Korea engages in further nuclear tests, China will not hesitate to reduce its assistance to North Korea. If the US, Japan and South Korea promote extreme UN sanctions on North Korea, China will resolutely stop them and force them to amend these draft resolutions." The *Global Times* editorial staff essentially adhered to the same line following North Korea's third nuclear test on Feb. 12, but the debate within China seemed to turn as many Chinese analysts offered unprecedented public criticism of the DPRK and China's North Korea policy. Emblematic of these views, Chinese Party School scholar Deng Yuwen published an opinion piece in the *Financial Times* on Feb. 27 arguing that China should abandon its support for North Korea. This column fed speculation that China might undertake a major shift in its policy of support toward the North, but within weeks Deng had been suspended from his duties at the party school, underscoring that although his recommendations might be representative of a growing number of Chinese who are critical of China's support for the North, they did not prevail in China's internal debate on policy toward the North.

UNSC Resolution 2094 against Pyongyang's nuclear test was passed on March 7 and the US and South Korea began regularly scheduled joint exercises on the week of March 12. In response, China voiced its concerns over a rise in military tensions on the peninsula. North Korean threats included "preemptive nuclear strikes" on the US, and US-ROK military exercises that included an unusually public US show of force that included a B-2 bomber over flight of South Korea, Pyongyang's nullification of the Korean Armistice Agreement, and a historic impasse in inter-Korean relations. The *Global Times* response on March 13 lamented China's relative lack of influence with the US and the two Koreas and argued for Beijing to stay the course and adapt to new developments on the peninsula, asserting that "China's North Korea policies should be based on current geopolitics and the country's national interests."

By early April, the situation continued to escalate as North Korea announced that it would restart its Yongbyon reactor, prompting the *Global Times* to state on April 3 that "China's strategic aim should be to prevent a major war from breaking out on the Korean Peninsula." In telephone talks with UN Secretary General Ban Ki-moon on April 6, Foreign Minister Wang Yi expressed China's "severe concern" over peninsula tensions and opposition to any "troublemaking" in the region. Chinese frustrations surfaced within the first few weeks of Xi Jinping's inauguration when he criticized provocateurs that would needlessly raise regional tensions in remarks at the China-hosted Boao Forum on April 7. Xi's comments may have been directed at North Korea, but could also have been directed at US efforts to signal resolve to deter North Korean aggression. Following the US show of force, Chinese criticism of North Korea eased considerably and the discussion shifted back to an emphasis on the idea that China would never abandon North Korea. These moves also coincided with South Korean speculation over another missile launch and Pyongyang's announced reopening of its Yongbyon nuclear facility. On April 8, the PRC Foreign Ministry spokesman affirmed China's "consistent" position on the Korean Peninsula: "peace over war, alleviation over tension, dialogue over confrontation." An April 11 *Global Times* editorial emphasized that China respects North Korea, but urged its leadership not to abandon opportunities for reform while criticizing the US, Japan, and South Korea for creating an environment that made North Korea's reform options more difficult.

Secretary of State John Kerry's visit to Beijing seemed to help change the tone surrounding discussion of North Korea, publicly emphasizing a willingness to engage in dialogue with North Korea while indicating resolve to defend South Korea and its allies. Kerry made North Korea a top priority for a Sino-US dialogue process that continued during subsequent visits to Beijing by Joint Chiefs of Staff Chairman Gen. Martin Dempsey and Deputy Secretary of State William Burns. Kerry's appeal to China for closer diplomatic coordination toward North Korea coincided with an apparent abeyance of North Korean provocations, including the delay of an anticipated North Korean missile test.

China-ROK coordination on North Korea under Xi Jinping and Park Geun-hye

China's and South Korea's simultaneous leadership transitions were characterized by early efforts to put the China-South Korea relationship on the right track following a period of mutual frustration. Xi Jinping dispatched PRC Special Envoy Zhang Zhijun to meet South Korea's President-elect Park Geun-hye and convey a personal letter from Xi. Park reciprocated by sending a return delegation weeks later to Beijing led by Special Envoy Kim Moo-sung. Kim met Xi Jinping, State Councilor Dai Bingguo, and Foreign Minister Yang Jiechi. During the visit, Xi showed his concern for the long-term situation on the peninsula by emphasizing China's support for the "independent and peaceful" reunification of Korea according to the Chinese state media. The exchange provided Park with an opportunity to introduce her Northeast Asia Peace and Cooperation Initiative, including a proposed trilateral China-South Korea-US dialogue.

PRC State Councilor Liu Yandong attended Park's presidential inauguration ceremony in Seoul a month later, holding talks with Park that emphasized joint efforts to strengthen the bilateral relationship. Xi's formal assumption of office as president on March 14 was followed by telephone talks between Xi and Park and Foreign Ministers Wang Yi and Yun Byung-se reaffirming bilateral and regional priorities amid rising security concerns on the peninsula. Wang stressed inter-Korean peace as a prerequisite for alleviating the peninsula situation during his conversation with Yun. The foreign ministers also agreed to open a new hotline for consultations on North Korea during their April 24 meeting in Beijing, demonstrating both sides' renewed commitment to coordinating DPRK policy and Beijing's effort to repair damage to the relationship that occurred following North Korean provocations in 2010.

A central question for the two leaderships on North Korea policy is how to balance efforts to pursue dialogue while strengthening sanctions. In April, South Korean officials began to positively assess China's commitment to sanctions as Chinese counterparts pledged compliance with new international obligations. But after the passing of UNSC Resolution 2087 on Jan. 22, PRC Permanent Representative to the UN Li Baodong noted the removal of elements in the original draft that would undermine trade with North Korea, stating that "sanctions and resolutions alone do not work ... Resolutions must be complemented and supplemented by diplomatic efforts." In response to Resolution 2094 and US unilateral sanctions against Pyongyang, the PRC Foreign Ministry spokesperson similarly asserted on March 12 that "sanctions shall not be the objective." But China subsequently advertised its sanctions implementation efforts in late April and early May, releasing a public advisory to relevant agencies to implement UN Sanctions on North Korea and announcing a ban on banking relations with the DPRK's Foreign Trade Bank. These measures signaled China's displeasure with North

Korea, but it is doubtful that the announcements signaled China's abandonment of North Korea given its traditional prioritization of North Korean stability as China's primary policy objective toward the Korean Peninsula.

China's approach to sanctions and the China-DPRK economic relationship

International sanctions and the closure of the Kaesong Industrial Complex are likely to result in heightened North Korean economic reliance on China. But China-DPRK trade declined by 7 percent in first quarter of 2013, following a dramatic increase in previous years from \$3.4 billion in 2010 to \$5.9 billion in 2012. South Korean sources pointed to North Korea's recent trade diversification efforts as a move to reduce economic dependency on China. But the 13.8 percent decline in Chinese exports to North Korea in the first quarter will likely be interpreted as evidence of declining Chinese economic support to the North as well as strain in the bilateral relationship. In fact, Chinese analysts such as Shen Dingli have publicly stated that China cannot provide North Korea with all the aid it has requested given that North Korea has been moving contrary to China's security interests. The PRC Foreign Ministry spokesperson on Jan. 23 reaffirmed Beijing's commitment to UNSC resolutions in response to the Security Council's reported blacklisting of a Hong Kong-based company for exporting arms to North Korea. But according to the Korea Rural Economic Institute, North Korea's fertilizer imports from China increased more than three-fold in the first quarter compared to the same period last year. Chinese Customs data show that the total volume of Chinese crude oil exports to North Korea during the first quarter amounted to 159,000 tons, a 6.7 percent increase year-on-year.

China-DPRK economic exchanges continue to raise questions about how to interpret Chinese pledges to play an active role in implementing sanctions. China and North Korea signed an economic and technological cooperation agreement during PRC Vice Minister of Commerce Li Jinzao's visit to North Korea for the seventh meeting of the China-DPRK Committee for Cooperation on Economy, Trade, Science and Technology on Jan. 9, attended by DPRK Vice Foreign Trade Minister Ku Pon Thae, Vice Chairman of the DPRK Commission for Joint Venture and Investment Ri Chol Sok, and PRC Ambassador Liu Hongcai. Liaoning provincial officials in early January announced that construction on the Yalu River Bridge would be completed this year. Worth an investment of \$356 million, the bridge is expected to significantly boost bilateral trade flows as part of an agreement secured under Kim Jong Il in February 2010. Chinese analysts hinted that China's reduction in trade during the first quarter of 2013 was meant to send a message to North Korea, but it should properly be seen as part of China's efforts to strengthen its leverage on North Korea without cutting off supplies that might contribute to the DPRK's destabilization.

According to Chinese statistics, the number of North Korean visitors to China in January-March this year increased by 14 percent compared to the same period last year, to about 45,800. Most traveled to China for work and business, with only 1.5 percent of the North Korean visitors traveling for tourism. According to tourism authorities in Yanbian, two travel agencies have been authorized to run charter flights between Yanji and Pyongyang since July 2012 in an effort to promote tourism. ROK Unification Ministry reports in January indicated that the number of North Korean defectors entering South Korea almost halved in 2012 to 1,508 compared to 2,706 in 2011, possibly as a result of tightened security on the China-DPRK border. At the same time,

the PRC Defense Ministry spokesperson refuted international reports of a People's Liberation Army (PLA) buildup on the border amid the escalation of military threats from Pyongyang.

Regional political frictions and the China-ROK economic partnership

China-South Korea trade also has begun to show a decline following many years of double-digit growth. The total bilateral trade volume reached \$215 billion at the end of 2012, a 2 percent decline from 2011. This decline contrasts with a 17 percent increase in trade from 2010 to 2011. The stagnation occurred primarily as a result of a drop in Chinese exports to the South and reflected sluggish growth of the South Korean economy since the global financial crisis. A South Korean report in April showed that almost half of South Korean firms in China faced a decrease in profits from 2011 to 2012.

Following the launch of formal free trade agreement (FTA) talks in May 2012, China and South Korea held their first round of bilateral negotiations under the new leaderships on April 26-28 in Harbin. Seoul hosted the first round of China-ROK-Japan FTA talks on March 26-28, which were formally launched in September 2012 despite escalating China-Japan territorial disputes that led to Chinese consumer boycotts of Japanese products. Although the trilateral FTA is projected to raise South Korea's annual growth rate by 0.44 percent during the first five years of implementation according to Korea Institute for International Economic Policy estimates, political tensions and domestic opposition in South Korea's auto and agricultural sectors remain major obstacles to the trilateral FTA.

The China-ROK bilateral FTA talks coincided with an April 26 announcement of Beijing's cancellation of the annual China-ROK-Japan Finance Ministers' Meeting originally planned for early May. The cancellation was a result of mounting political frictions over Japan's historical and territorial claims since Prime Minister Abe Shinzo's return to power. China's decision to cancel the talks followed a late April visit by about 180 Japanese Diet members to the Yasukuni Shrine, an occasion that also prompted Seoul's cancellation of Foreign Minister Yun Byung-se's planned trip to Tokyo. Prime Minister Koizumi's visits to the Yasukuni Shrine similarly led to the cancellation of the China-ROK-Japan Summit in 2005. ROK officials on April 17 announced that the annual China-ROK-Japan Summit had been postponed indefinitely given territorial disputes between China and Japan.

Conclusion: aligning DPRK policy

Both South Korean and US officials have pressed China to adjust its policy toward North Korea in response to recent North Korean escalation. The cooling of China-DPRK diplomatic contacts and decline in trade during the first few months of 2013 suggests that China is adopting a more conditional approach to relations. This approach, if it is sustained as a component of Xi Jinping's policy toward the North, would mark a significant shift from China's policy following North Korea's May 2009 nuclear test, when political and economic exchanges rapidly expanded despite Pyongyang's military provocations toward the South. Notably, no senior leadership visits have occurred between China and North Korea in 2013, following meetings with Kim Jong Un in July and November 2012. This suggests that the China-DPRK relationship has cooled, but it is not clear how and whether China will be able to use the cooling of economic relations to

restrain future North Korean provocations, or whether China was able to take bilateral measures in mid-April that might have contributed to the apparent cooling of North Korean rhetoric and actions.

North Korean threats under Kim Jong Un have prompted more serious expressions of concern from Chinese leaders, including PLA Chief of General Staff Fang Fenghui during his meeting with Chairman of the US Joint Chiefs of Staff Gen. Dempsey in late April. Another potential indication of realignment might be China's apparent willingness to hold trilateral consultations with South Korea and the US. Some South Korean officials in April claimed that Chinese counterparts have shown a relatively more open attitude toward new ROK Foreign Minister Yun Byung-se's proposals for Track 1.5 trilateral security talks to enhance North Korea policy coordination. Following her visit to Washington in early May, President Park's next international destination will be Beijing, a summit that will provide a further opportunity to test the potential for China and South Korea to establish a more cooperative relationship, especially on North Korea-related issues.

Although Pyongyang's provocations have made North Korea a priority for the new leaderships, China and South Korea's confrontations with Japan and the troubled inter-Korean relationship inhibit the realization of regional multilateral talks, including the "Asian paradox" noted in President Park's Northeast Asia Peace and Cooperation Initiative.

The Chinese and South Korean leaderships face a common challenge in stabilizing relations and opening effective dialogue with North Korea. The South Korean Foreign Ministry in late April toned down speculation over three-way talks between the US, South Korea, and Japan or the resumption of the long-stalled Six-Party Talks. For Beijing, provocative North Korean behavior since Kim Jong Un's rise to power has illustrated the limits of Chinese influence over Pyongyang. In Seoul, Park Geun-hye's "trustpolitik" concept remains intact, but seems unlikely to bring an early harvest in light of the closure of the Kaesong Industrial Complex. An even more complicated issue is Park's effort to find synergy between her regional initiatives and the US rebalance. Moreover, China will have to show that it takes Seoul seriously as a negotiating partner rather than treating the relationship with South Korea as conditional upon China's relationships with either North Korea or the US. But in light of the increasing tensions that beset the region, the China-South Korea relationship is one potential bright spot where both sides seem determined to improve their relationship. The coming months will tell us how far and how fast the new leaders in both countries are able to go toward that end.

Chronology of China-Korea Relations

January – April 2013

Jan. 4, 2013: PRC arson suspect Liu Qiang returns to China after being released from a Seoul prison.

Jan. 4, 2013: China's National Development and Reform Commission announces that it has fined South Korea's Samsung and LG a total of \$35 million for fixing prices of LCD panels supplied to Chinese TV makers between 2001 and 2006.

Jan. 9-11, 2013: PRC Vice Foreign Minister Zhang Zhijun visits South Korea and meets President-elect Park Geun-hye.

Jan. 9, 2013: Seventh meeting of the China-DPRK Committee for Cooperation on Economy, Trade, Science and Technology is held in Pyongyang. PRC Vice Minister of Commerce Li Jinzao, DPRK Vice Foreign Trade Minister Ku Pon Thae, Vice Chairman of the DPRK Commission for Joint Venture and Investment Ri Chol Sok, and PRC Ambassador Liu Hongcai attend the signing ceremony for an economic and technological cooperation agreement.

Jan. 21, 2013: The PRC Foreign Ministry spokesperson calls for a “prudent and moderate” UN Security Council response to North Korea’s December 2012 rocket launch.

Jan. 21-24, 2013: ROK Special Envoy Kim Moo-sung of President-elect Park Geun-hye meets PRC leaders in Beijing including Chinese Communist Party General Secretary Xi Jinping, State Councilor Dai Binguo, and Foreign Minister Yang Jiechi.

Jan. 22, 2013: UN Security Council adopts Resolution 2087 condemning North Korea’s Dec. 12, 2012 rocket launch. PRC Permanent Representative to the UN Li Baodong affirms China’s support for the resolution.

Jan. 24, 2013: PRC Foreign Ministry spokesperson urges restraint from concerned parties in response to Pyongyang’s pledge to conduct a nuclear test.

Feb. 6, 2013: PRC Foreign Ministry spokesperson calls for restraint on the Korean Peninsula.

Feb. 12, 2013: North Korea conducts a nuclear test. China denounces it in a Foreign Ministry statement. Foreign Minister Yang Jiechi summons DPRK Ambassador to China Ji Jae-ryong.

Feb. 12, 2013: PRC Foreign Minister Yang and US Secretary of State John Kerry hold telephone talks on North Korea’s nuclear test.

Feb. 13, 2013: PRC and ROK Foreign Ministers Yang Jiechi and Kim Sung-hwan hold telephone talks on North Korea’s nuclear test.

Feb. 14, 2013: PRC and Russian Foreign Ministers Yang Jiechi and Sergei Lavrov hold telephone talks on North Korea’s nuclear test.

Feb. 20, 2013: PRC Special Representative for Korean Peninsula Affairs Wu Dawei meets Japan’s chief negotiator for the Six-Party Talks Sugiyama Shinsuke in Beijing.

Feb. 21, 2013: PRC Foreign Ministry spokesperson calls for dialogue on Korean nuclear issue.

Feb. 22, 2013: Foreign Minister Yang Jiechi after talks with Russian counterpart Sergei Lavrov in Moscow expresses China’s commitment to Korean Peninsula denuclearization.

Feb. 24, 2013: PRC State Councilor Liu Yandong meets President Lee Myung-bak in Seoul.

Feb. 25, 2013: State Councilor Liu meets ROK President Park Geun-hye and attends Park's inauguration ceremony in Seoul.

Feb. 27, 2013: PRC and ROK nuclear envoys Wu Dawei and Lim Sung-nam hold talks on the Korean Peninsula situation.

Feb. 28, 2013: PRC Foreign Ministry spokesperson calls for the UN's "prudent and moderate" response to North Korea's nuclear test.

Feb. 28, 2013: PRC Defense Ministry spokesperson calls for easing Korean Peninsula tensions in response to media reports of South Korean military buildup plans.

March 5, 2013: PRC Foreign Ministry spokesperson calls for restraint on the Korean Peninsula in response to U.S.-ROK military exercises.

March 5, 2013: PRC delegation to the IAEA at a board meeting in Vienna calls for the resumption of Six-Party Talks.

March 6, 2013: PRC Foreign Ministry spokesperson calls for restraint on the Korean Peninsula after the DPRK military vows to nullify the Korean War Armistice Agreement.

March 7, 2013: PRC Foreign Ministry spokesperson expresses China's support of the UN Security Council's Resolution 2094 on North Korea's third nuclear test.

March 9, 2012: Foreign Minister Yang Jiechi on the sidelines of the annual session of the National People's Congress calls for a "balanced" approach to the Korean nuclear issue.

March 11, 2013: PRC Foreign Ministry spokesperson calls for peace and stability on the Korean Peninsula as annual US-ROK military exercises begin.

March 12, 2013: PRC Foreign Ministry spokesperson reaffirms China's opposition to North Korea's nuclear test.

March 14, 2013: ROK Foreign Ministry spokesperson congratulates Xi Jinping on his election as PRC president.

March 19, 2013: Foreign Ministers Wang Yi and Yun Byung-se hold telephone talks on bilateral and regional relations.

March 20, 2013: Presidents Xi and Park hold telephone talks on bilateral and regional relations.

March 26, 2013: President Xi in a letter to President Park expresses hopes to strengthen the China-ROK strategic cooperative partnership.

March 26-28, 2013: First round of China-ROK-Japan Free Trade Agreement talks held in Seoul.

April 2, 2013: PRC Foreign Ministry spokesperson expresses China's regret over North Korea's intentions to reopen its nuclear facilities.

April 2, 2012: Vice Foreign Minister Zhang Yesui in an interview with *Xinhua* affirms China's commitment to Korean Peninsula peace and stability.

April 3-4, 2013: A Kimilsungia-Kimjongilia exhibition is held in Dalian in commemoration of Kim Il Sung's 101st birthday.

April 3, 2013: Yanbian tourism authorities announce that 50 direct charter flights will soon operate between Yanji and Pyongyang.

April 6, 2013: Foreign Minister Wang Yi and UN Secretary General Ban Ki-moon hold telephone talks on Korean Peninsula tensions.

April 8, 2013: PRC Foreign Ministry spokesperson calls for dialogue on the Korean Peninsula amid reports of an expected missile launch.

April 12, 2013: PLA spokesperson denies reports of Chinese military buildup on the China-DPRK border.

April 15, 2013: Foreign Minister Yun Byung-se expresses support for China's commitment to UN sanctions against North Korea.

April 17, 2013: PRC Foreign Ministry spokesperson pledges that China will comply with UN resolutions against Pyongyang.

April 17, 2013: Jeju Air announces plans to add three more Chinese cities to its network.

April 17, 2013: DPRK arts exhibition opens in Beijing to commemorate the 101st anniversary of Kim Il Sung's birthday; the DPRK ambassador to China attends.

April 18, 2013: Lawmaker of South Korea's Democratic United Party Do Jong-hwan releases a Northeast Asian History Foundation report on Chinese textbook distortions of Korean history.

April 18, 2013: North Korea warns against the spread of bird flu from China.

April 18, 2013: PRC Foreign Ministry spokesperson calls for dialogue on the Korean Peninsula.

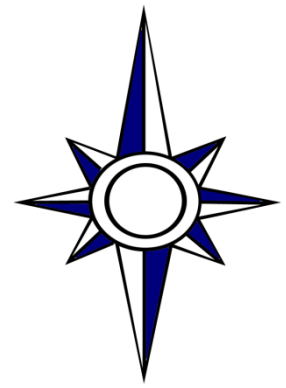
April 19, 2013: PRC Ambassador Zhang Xinsen and Foreign Minister Yun meet in Seoul.

April 24, 2013: PRC and ROK Foreign Ministers Wang and Yun hold talks in Beijing. They agree to open a new hotline for policy consultations on North Korea.

April 25, 2013: South Korea offers \$1 million in relief aid to China for the Sichuan earthquake.

April 26, 2013: Japanese officials report Beijing's cancellation of China-ROK-Japan finance ministers talks scheduled in May.

April 26-28, 2013: China-ROK free trade talks are held in Harbin, China.



**Japan-China Relations:
Treading Troubled Waters**

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The Senkaku/Diaoyu Islands controversy continued to occupy center stage in the Japan-China relationship. Trying to find political traction and advance a possible summit, Prime Minister Abe, at the end of January, sent Yamaguchi Natsuo, leader of his coalition partner New Komeito Party, to Beijing, where he met Xi Jinping. The meeting produced agreement on the need for high-level talks, which, at the end of April, have yet to materialize. In response to Beijing's efforts to have Tokyo admit the existence of a dispute over the islands, the Abe government continued the policy line of the Noda government; namely, that a dispute does not exist. To demonstrate the contrary and challenge Japan's administration of the islands, China increased the number and frequency of maritime surveillance ships deployed to the region. At the end of April, China's Foreign Ministry for the first time applied the term "core interest" to the islands.

Prime Minister Abe on China

In a Dec. 30 interview with the *Sankei Shimbun*, Prime Minister Abe Shinzo called the Japan-China relationship "one of the most important bilateral relations in the world." Recognizing the benefits enjoyed by both countries as a result of their strong economic ties, Abe appealed for "calm" management of relations when the two countries' interests conflict. Regrettably, he noted this was not the case with recent Chinese behavior and asked Beijing to do its utmost to protect Japanese companies and nationals doing business in China. As for the Senkakus, Abe made clear that there would not be the slightest change in his determination to defend Japan's land and seas; that the issue was not negotiable, and that responsibility for the problem rested with China, which was intent on using the issue for its own political purposes.

Turning to history, Abe said that he was considering issuing a "future-oriented statement ... appropriate for the 21st century" regarding the 1995 Murayama statement. As for the 1993 Kono statement on "comfort women," Abe noted that in 2007 his previous government found no documentation that "directly proves that there was so-called recruitment by the military or government authority." He went on to say that the "chief Cabinet secretary will indicate a policy to international audiences by taking this statement into account." Responding to Abe's remarks, China's Foreign Ministry asked the new Abe government to honor the Murayama statement and deal properly with issues related to history.

* The views expressed in this article are the views of the author alone and do not necessarily represent the views or policy of the National Defense University, the Department of Defense, or the U.S. government.

In his inaugural speech to the Diet on Jan. 29, Abe declared “the biggest and most urgent item for our country is the revitalization of the economy.” He stayed clear of issues related to collective self-defense and did not specifically refer to China. However, he reiterated his determination to “resolutely defend ... the nation’s land, seas and skies and to “make all-out efforts” to strengthen control of Japan’s remote islands.

During Diet session interpolations, Abe responded to a question on the Kono statement by noting that the statement was made by Kono Yohei, as chief Cabinet secretary, and that he, as prime minister “would refrain from commenting further.” He would assign the matter to the chief Cabinet secretary. On the issue of Cabinet members paying homage at the Yasukuni Shrine, the prime minister said that he had no intention of taking up the issue and would leave the matter to the decision of each Cabinet member. As for the Senkakus, he reiterated that “there is no doubt that the Senkaku Islands are Japan’s inherent territory historically and under international law, and there is no territorial dispute that must be resolved.”

In a television interview following the Diet address, Abe reiterated that there is “no room for negotiations” over the Senkakus and called for a summit to address the “problems we have faced” and begin to rebuild the strategic partnership of mutual benefit. Abe repeated his call for a summit at a press conference during his Feb. 22 visit to Washington.

Before leaving for Washington, Abe gave an interview to the *Washington Post* in which he expressed concern with China’s “deeply ingrained” need to create tensions with its neighbors to build domestic political support. Abe observed that the Chinese Communist Party’s concern with its own legitimacy had resulted in its patriotic education campaign, “which is in effect focusing on anti-Japanese sentiment” and “in turn undermining their friendly relationship with Japan.” According to Chinese Foreign Ministry spokesperson Hong Lei, the *Washington Post* report had shocked Beijing. Hong observed that “it is rare that a country’s leader brazenly distorts facts, attacks its neighbor, and instigates antagonism between regional countries.” The following day, Hong added “China is strongly dissatisfied with the Japanese leader’s remarks that brazenly distorted facts, attacked and smeared China, and instigated antagonism between China and Japan.” “Stern representations” were made to Japan.

On Feb. 28, Abe delivered the prime minister’s annual policy address to the Diet. Without mentioning China by name, he cautioned against the use of force “to change the status quo” on territorial issues. He called on China to refrain from “any dangerous acts” and referred to former British Prime Minister Margaret Thatcher and her resolute defense of British sovereignty in the Falkland Islands and went on to underscore that Japan’s interests “are immutable forever,” that aggression must not be allowed to prevail; rather “international law, the fundamental rule for the entire world, must prevail against the use of force.”

China’s Foreign Ministry spokesperson Hua Chunying responded to Abe’s address by reasserting that “the Daiyou Island and its affiliated islands have been China’s inherent territory since ancient times. China has indisputable sovereignty over them. All actions that Japan has taken over the Diaoyu Islands are based on its illegal occupation of Chinese territory, therefore, Japan’s so-called ‘status quo’ has been illegal and invalid since the very beginning.” Hua called on Japan to “give up its illusion” with respect to the Diaoyu Islands and “to face squarely history

and reality.” If the relations are to improve, Japan should “cease words and actions that insult China and by its actions make every effort to improve ties.”

Yasukuni

On Feb. 5 Takaichi Sanae, head of the Liberal Democratic Party’s (LDP) Policy Research Council, addressed a meeting of Japan’s War Bereaved Families at LDP headquarters. Takaichi told the families that she thought the prime minister and senior officials of the government should be able to pay respects to the war dead enshrined at Yasukuni during the Spring Festival at the end of April. On March 29, Chief Cabinet Secretary Suga Yoshihide announced that the prime minister would make an offering of *masakaki* during the Spring Festival. He went on to say that Abe deeply regretted that he had been unable to pay respects at the shrine during his first term in office; as for a decision by the prime minister to pay homage at the shrine during the Spring Festival, Suga said that he had “nothing at all on that.”

In remarks before the Lower House Budget Committee on April 10, Abe said that during the war soldiers would depart by agreeing to meet again at Yasukuni and that war-bereaved families now go to the shrine with the hope of meeting their deceased fathers and husbands. Abe observed that US presidents visit Arlington National Cemetery where Confederate soldiers are buried, and do so without affirming the system of slavery that the Confederate dead fought to uphold.

On the occasion of the Spring Festival, Internal Affairs and Communications Minister Shindo Yoshitaka visited the shrine on April 20; Deputy Prime Minister Aso Taro and State Minister in Charge of Abductions Furuya Keiji followed the next day. In addition, 168 members of the Diet visited the shrine, the largest number to do so in eight years. Asked about his views on the international impact of his visit, Aso said it would have hardly any effect.

Chief Cabinet Secretary Suga expressed his personal understanding of the visits – that they were made in a private capacity and represented a “problem of the heart,” an area that the government should not intrude on. China’s Ministry of Foreign Affairs had a different take on the visits. Spokesperson Hua told reporters that “only when the Japanese government faces history with the right attitude and can profoundly reflect on history will it march towards the future and develop a friendly and cooperative relationship with its neighboring countries and China.” Reacting to criticism of the Yasukuni visits, Abe made clear that his Cabinet “will not yield to any kind of intimidation.” He considered it only natural to “express one’s respect and worship the precious souls of the war dead” and said that his government would deal calmly with any tensions caused by the visit, reiterating Japan’s interest in improving relations with Beijing and Seoul.

History

During the March 14 Diet session, Abe expressed his view that judgments of the International Military Tribunal for the Far East represented “victors’ justice.” The following day, China’s Foreign Ministry spokesperson responded, observing that the Tribunal’s rulings reflected the “international community’s righteous judgment...” As for Japan, she observed that “There is always a force in Japan that is unwilling to accept its defeat ... and attempts to challenge the postwar international order,” emphasizing that history “brooks no revision.”

During a meeting of the Upper House Budget Committee on April 22, Abe again touched on history, saying that his government “will not inherit the Murayama statement as it is.” Earlier, in a February statement to the Upper House, Abe said that “our country has inflicted serious damages and pain on many countries in the past,” adding that he took “the same position as past Cabinets on this point.” The prime minister now explained “this is the one point in the Murayama statement that I share.” Meanwhile, he announced that his government would issue its own future-oriented statement on the 70th anniversary of the end of the war in 2015.

When asked the following day if Japan should apologize for its colonial past, the prime minister replied that “the definition of what constitutes aggression has yet to be established in academia or in the international community. Things that happened between nations will look differently depending on which side you view them from.” Chief Cabinet Secretary Suga accused the media of picking up only “fragments” of Abe’s remarks, explaining that the prime minister recognizes that South Korea and China are important neighbors and “does not want his remarks and issues surrounding Yasukuni to affect the overall relationships with the two countries.”

High-level interaction

In an effort to find political traction with Beijing, Prime Minister Abe sent Yamaguchi Natsuo, leader of his coalition partner New Komeito Party, to China. Before departing Tokyo on Jan. 22, Yamaguchi told reporters that he hoped his visit would serve as a “step toward opening the door to normalizing relations.” On the following day, Yamaguchi met former State Councilor Tang Jiaxuan, now serving as the president of the China-Japan Friendship Association. Tang observed that “shelving the [Diaoyu] dispute had served to preserve bilateral friendship,” that “prolongation of this situation will not benefit either side,” and that “resolution should be left to future generations.” Yamaguchi replied that “unforeseen incidents must be avoided” and that excessive focus on the Senkaku issue “will poison the sentiments of the people of both countries.” He urged “dialogue from a broad perspective” and went on to call for a resumption of Japan-China summit meetings. Tang remarked that he saw Yamaguchi’s visit as a step toward laying “the groundwork for high level talks.” Both agreed on the need for such engagement.

Yamaguchi advanced Abe’s call for a summit when he met Xi Jinping in the Great Hall of the People on Jan. 25. Xi replied that he highly valued Abe’s earlier efforts to improve relations and wanted to give “serious consideration” to the proposal, making it clear that high level meetings required a proper environment. Addressing the Diaoyu issue, Xi noted the importance of the issue for both countries and, despite differences in their respective positions, called for “dialogue and consultation.” During the meeting, Yamaguchi handed Xi a personal letter from Abe.

Japanese efforts to advance relations continued as a delegation led by former Prime Minister Murayama Tomiichi; LDP Deputy Secretary General Nakatani Gen; New Komeito Deputy Secretary General Tomita Shigeyuki, and former LDP Secretary General Kato Koichi, now chairman of the Japan-China Friendship Association, followed Yamaguchi to Beijing. The delegation met Tang Jiaxuan on Jan. 28. Tang referred to the Murayama statement of 1995 that expressed Japan’s deep remorse for its wartime aggression and atrocities and expressed concern

that there is now movement in Japan to deny its past. Murayama emphasized that his past statement stands, that no one individual can destroy it, and must be firmly protected.

Earlier, former Prime Minister Hatoyama Yukio tried his hand at repairing relations. On Jan. 16 Hatoyama met senior Chinese officials, including Jia Qinglin, chairman of the Chinese People's Political Consultative Conference, and Foreign Minister Yang Jiechi. Afterward, meeting with reporters, Hatoyama said it was important to for both sides to "recognize the existence of a dispute" and return to the agreement reached at the time of normalization "to shelve the matter." According to Hatoyama, both Jia and Yang agreed. Reaction in Tokyo came the next day. Chief Cabinet Secretary Suga made clear that Hatoyama's remarks were contrary to government policy and "extremely regrettable." Minister of Defense Onodera Itsunori found Hatoyama's remarks "a big minus for Japan," which China would use to shape international public opinion. Onodera went on to remark that it had been sometime since the word "traitor" had crossed his mind. On Jan. 17, Hatoyama visited Nanjing and the war memorial dedicated to the victims of the Nanjing massacre. At the site, he expressed his deep remorse for the actions of the Imperial Army.

At the end of February, Keidanren Chairman Yonekura Hiromasa led a business delegation to Beijing. After meeting Tang Jiaxuan, he told reporters that Tang had expressed confidence in the development of bilateral relations and had called for promotion of private-sector exchanges. Yonekura expressed his support for Japan-China cooperation in addressing China's environmental problems.

Yonekura led another Keidanren delegation to Beijing at the end of March, the first Keidanren delegation to visit China following the National People's Congress. The delegation met Vice Minister of Commerce Chen Jian to discuss environmental cooperation. They met separately with Tang Jiaxuan, who was quoted as saying that "because of close economic ties ... the two countries should promote economic exchanges and cooperation as scheduled." Tang also said that the two countries "must control today's critical situation, cool down tensions and achieve a soft-landing ..." He urged Japan to "squarely face history" and "move in the same direction as China." The delegation also met Vice President Li Yuanchao. According to Yonekura, Li was "confident" that the Senkaku/Diaoyu issues could be overcome through "dialogue and consultations." Earlier, Vice Foreign Minister Zhang Yesui told the Keidanren delegation that China "highly values" its relations with Japan.

On April 16, former speaker of the Lower House and currently JETRO Chairman Kono Yohei met Deputy Prime Minister Wang Yang in Beijing. According to sources at the meeting, Wang expressed appreciation for Japan's assistance and cooperation in support of China's development and observed that cooperation benefited both countries while conflict would lead to their mutual ruin. Wang added that incorrect choices made by political leaders should not affect economic progress. Kono replied that the present unfortunate state of affairs "should be resolved without delay." The *Sankei Shimbun* reported that China's netizens had criticized Wang for his pro-Japanese remarks.

On April 19, Keidanren announced postponement of a planned May visit to China. Three days later, Komura Masahiko LDP deputy president and head of the Japan-China Friendship Parliamentarians' Union announced cancelation of a scheduled early May visit to China.

Japanese sources reported that the Union had been informed by Chinese counterparts that arranging an appointment with President Xi would be difficult.”

Senkaku incursions

As detailed in the chronology, the year began with multiple incursions by China’s Maritime Surveillance Agency (MSA) ships into Japan’s contiguous zone and territorial waters around the Senkaku/Diaoyu Islands. There were also at least two instances of a State Oceanic Administration (SOA) surveillance aircraft approaching Japanese airspace in the region, causing Japanese Air Self-Defense Force (ASDF) fighters to scramble. After four MSA ships entered Japanese territorial waters and remained for more than 13 hours, Chief Cabinet Secretary Suga described the incident as “a very unusual case.” Deputy Foreign Minister Saiki Akitaka called in Chinese Ambassador Cheng Yonghua to protest and demand that China “never repeat” the incursion. Cheng replied he could not accept the protest but would convey Saiki’s statement to his ministry. Prime Minister Abe responded to the Chinese activity by ordering the deputy chief Cabinet secretary for crisis management to consider measures to strengthen territorial surveillance of the Senkakus. Japanese media reported that among the measures to be considered was firing warning shots.

In Beijing, the Foreign Ministry made clear that China would watch Japan’s expanding activities with a “high degree of vigilance” and that Chinese aircraft and ships would carry out normal administrative functions. Meanwhile, China’s *Global Times* reported that the government had committed to building 36 modern surveillance vessels by 2015: among them seven of 1,500 tons, 15 of 1,000 tons, and 14 of 600 tons – all larger than ships currently operated by the SOA. Chinese media also reported that the PLA Navy had transferred decommissioned navy ships to the SOA. The *Yomiuri Shimbun* reported that one of the ships, a 3,000-ton vessel, had been among the ships that entered Japan’s territorial waters on Jan. 7. On Jan. 10, Beijing announced a policy decision to continue regular patrol activities in the Diaoyu Islands. *Xinhua* reported that the decision was made at the National Marine Work Conference. On Jan. 15, Foreign Ministry spokesperson Hong Lei announced that China would survey the Diaoyu Islands as part of a program initiated in 2009 to survey and map Chinese islands. No date was announced for the survey.

When two MSA ships entered Japanese territorial waters near the Senkakus in early February, Deputy Foreign Minister Saiki Akitaka called in Ambassador Cheng to protest the incursion, emphasizing that China’s actions “completely run counter to expectations on both sides for the improvement of bilateral relations.” The Abe government responded by setting up a “Planning and Liaison Office for Territorial and Sovereignty Issues” in the Cabinet Secretariat. In Beijing, Foreign Ministry spokesperson Hua said that the Chinese ships were simply carrying out normal patrol activities pursuant to their public responsibilities. This pattern was repeated in mid-February, when the Foreign Ministry explained that “Chinese maritime surveillance ships routine patrols and law-enforcement in waters off the Diaoyu Islands are normal performance of duty to exercise jurisdiction.” On Feb. 23, when an MSA ship entering Japanese territorial waters was challenged by Japan’s Coast Guard – the 29th incursion since the Japan nationalized three of the islands on Sept. 11 – the Chinese ship responded that the “Diaoyu islands are Chinese territory since ancient times.” On Feb. 28, *People’s Daily* electronic edition ran a front-page commentary

under the headline “Conduct on the Sea Draws a Clear Line.” The commentary asserted that China’s actions in the Diaoyus had shattered Japan’s effective control.

In Japan, the incursions were presented as a serious challenge to its security. In early February, Prime Minister Abe told a 700-member Self-Defense Force audience in Naha that “Japan is facing an increasingly harsh security environment in its periphery. There have been continuous challenges to its national territory and national sea and airspace and to its sovereignty.” Abe vowed to make continuous efforts to resolutely uphold Japanese sovereignty. At a March 5 press conference, Minister of Defense Onodera announced that the Maritime Self-Defense Force (MSDF) and Coast Guard had entered into discussions regarding the transfer of retired MSDF ships to the Coast Guard. Reacting to media reports that China planned to survey the Diaoyu Islands, Chief Cabinet Secretary Suga told reporters that the Senkakus are unmistakably Japanese sovereign territory; the report, “if true, was totally unacceptable.” Later, on March 17, Prime Minister Abe told the graduating class of the National Defense Academy in Yokosuka, that in light of North Korea’s nuclear and missile programs and Chinese actions in the Senkakus and East China Sea, Japan was facing “a crisis of the here and now.”

By mid-March, the Chinese were demonstrating increasing confidence in their assertions of sovereignty. On March 9, during a press conference on the sidelines of the National People’s Congress (NPC), Foreign Minister Yang accused Japan of “illegally seizing and occupying” the islands – a provocation at odds with the post-war international order – and asserted that Japan had “single-handedly” caused the downturn in relations. He urged Japan “to face up to reality ... and resolve relevant issues through dialogue and consultations, so as to prevent further escalation of the situation and not allow it to become unmanageable.” At the same time, Yang said China stood ready to advance the mutually beneficial strategic relationship. However, future development of relations depended on Japan’s correct understanding of history.

Also during the NPC, China announced plans to reorganize its maritime law enforcement agencies. The reorganization establishes a SOA with oversight of the Maritime Surveillance Agency, the coast guard forces of the Public Security Ministry, the Fisheries Law Enforcement Command of the Agriculture Ministry, and the maritime police of the General Administration of Customs. The new agency will be headed by the vice minister of the Public Security Ministry.

At the end of April, China’s presence in the Senkakus/Diaoyus was nearly continuous and its claim to sovereignty increasingly assertive. From April 8-17 and again from April 19-26, three MSA ships patrolled the region and regularly entered Japan’s contiguous zone. When warned against entering the area, one of the ships replied that it was operating in waters under Chinese administration. Addressing the Boao Forum, President Xi, while emphasizing that issues related to China’s sovereignty, territorial integrity, and security are not negotiable, urged dialogue as the proper way to manage maritime tensions in the South China Sea and East China Sea.

Meanwhile, on the evening of April 22, nine Japanese ships with approximately 80 passengers made up of regional lawmakers and media representatives departed Ishigaki bound for the Senkakus. The ships were followed and observed initially by three of China’s MSA ships; five additional ships were later diverted to the area. The eight Chinese ships represented the largest deployment to the region since September 2012. The Japanese Coast Guard reported that the

Chinese ships at intervals entered Japan's contiguous zone and territorial waters. Vice Minister of Foreign Affairs Kawai Chikao summoned Ambassador Cheng to protest, finding the incursion "regrettable in the context of efforts to improve relations." The ambassador refused to accept the protest but said he would report its content to Beijing. The Chinese Foreign Ministry announced its own protest, accusing Japanese rightwing elements of violating Chinese sovereignty.

During an Upper House Budget Committee meeting on April 23, Prime Minister Abe announced that to support effective management of the islands, the government, among the specific policy steps under review, would consider stationing public officials and the construction of ship facilities. Abe further stated that "if there is an instance where there is an intrusion into our territory or seems that there could be a landing on the islands, we would take decisive action. We would never allow [a landing]." In reply, Beijing made clear that China would continue to take strong measures to protect its territorial integrity, and on April 26, for the first time, Foreign Ministry spokesperson Hua used the term "core interest" with respect to the Daiyou Islands. Later, the official transcript of the remarks was amended to read "China firmly safeguards its core national interests, including national sovereignty, national security, territorial integrity, etc. The Diaoyu Islands issue concerns China's territorial sovereignty."

East China Sea: fire-control radar lock-on?

On Feb. 5, Minister of Defense Onodera announced that in late January PLA Navy frigates had locked on fire-control radars on a Japan Maritime Self-Defense Force (MSDF) helicopter (Jan. 19) and the MSDF destroyer, *Yudachi* (Jan. 30). The minister found the actions "dangerous" and "abnormal," with the potential to "develop into a very dangerous situation." The Abe government protested the incident through the Chinese Embassy. Later, on Feb. 7, Prime Minister Abe told the Diet that the lock-on was "an extremely dangerous act and was completely in violation of the rules of the international community." Abe called on China to abide by international rules and refrain for escalatory actions. At the same time, he made clear that Japan "will not close channels for dialogue" and called on China to "return to the starting point of the mutually beneficial strategic relationship."

In Beijing, the Foreign Ministry's initial response was that it lacked details of the alleged incident and referred reporters to the Ministry of National Defense. Meanwhile, the *Global Times* online edition blasted reports of the incident as a Japanese fabrication. On Feb. 7, the Ministry of National Defense informed the Japanese Embassy that the Japanese protest of the incident "did not correspond with the actual facts." The next day, the Chinese Foreign Ministry labeled the Japanese reports a "fabrication" and the spokesperson accused Japan of "stirring up a crisis, creating tensions and smearing China's image with mud." She urged that Japanese authorities carry out a detailed investigation and confirm the facts.

LDP Secretary General Ishiba Shigeru told reporters that the government had taken great time and care with respect to its analysis of the incident before going public with its announcement. Chief Cabinet Secretary Suga completely rejected China's explanations and Prime Minister Abe reiterated that the government had issued its public statement only after an "extremely careful investigation" of the incident. However, Ministry of Defense Director General for Defense Policy Nishi Masanori told a meeting of LDP Defense Policy Committees that the Chinese ships

had not aimed either missiles or guns at the Japanese ship. At the same time, the government, while citing proof of the incident from radar waves, imaging, and picture accounts, continued to debate whether making the data public would reveal intelligence capabilities and endanger Japan's national security.

In remarks to the Upper House on Feb. 27, Abe called for the establishment of a maritime communication mechanism to avoid future incidents and miscalculation. The following day, Foreign Ministry spokesperson Hua told reporters that "Both the Chinese Ministry of National Defense and State Oceanic Administration have clarified the facts and expounded China's solemn position on the so-called 'fire control radar' issue..." She pointed out that "recently the Japanese side has repeatedly distorted facts, hyped false information about China, instigated antagonism and smeared China." Japan should "respect the facts and show sincerity..." Later, *Kyodo News* reported that Chinese military officers had admitted the lock-on of fire-control radars. Asked for comment, Foreign Ministry spokesperson Hong replied that the Foreign Ministry and Ministry of National Defense "have long made clear our position" and the Ministry of National Defense had "once again reiterated China's solemn position."

Japan-Taiwan fisheries agreement

On April 10, Japan and Taiwan announced the conclusion of a fisheries agreement, under which Japan would allow Taiwanese fishing boats to operate in waters within Japan's exclusive economic Zone (EEZ) near the Senkakus, while Taiwanese authorities agreed that its fishing boats would not operate within Japan's territorial waters. Chief Cabinet Secretary Suga said that the agreement held "historical significance" by promoting "the maintenance of maritime order in the East China Sea." The agreement served to undercut Chinese efforts to build a united front strategy with Taiwan on the Diaoyu Islands. China's Taiwan Affairs Office reacted by calling on "compatriots on both side of the Taiwan" to act "to safeguard sovereignty together."

Security

The Jan. 1 *Sankei Shimbun* reported that the Ministry of Defense had initiated efforts to develop an integrated defense strategy to guide the development of the Ground, Maritime, and Air Self-Defense Force capabilities over the next two decades. Scenario-based planning involved attacks from North Korea and Russia, but focused on three scenarios involving Chinese landings on the Senkakus: invasion of the Senkakus, invasion of the Ishigaki and Miyako Islands, and invasion of Taiwan.

On Jan. 29, the Abe government announced Japan's first increase in defense biggest spending in 11 years. The defense budget for FY 2013, which begins April 1, will total ¥4.6804 trillion, a 0.8 percent increase of ¥40 billion over FY 2012. In addition, the budget includes plans to add 287 personnel to the current SDF force of approximately 228,000. The increase represents the largest increase in the SDF force in 20 years. Looking to the southwest islands and the Senkakus, the budget allocates ¥2.5 billion for the purchase of four amphibious vehicles, ¥13.5 billion for fuel and maintenance to boost operational effectiveness of AWACS or *E-2C* early warning aircraft, ¥6.2 billion for upgrading radars on Miyako Island, research on the possible deployment

of *F-15* fighter units and radar on Shimoji Island (closer than the present Naha base to the Senkakus), and preparation for stationing a Coast Guard unit on Yonagumi Island.

The Japanese Coast Guard budget will be increased 2 percent over FY 2012 to ¥176.5 billion; four patrol boats and six helicopters will be added to the Coast Guard's inventory. Coast Guard personnel will also be increased by a net of 199, the first time since 1981 that the Coast Guard personnel numbers have increased by more than 100.

The Abe government also announced that it will conduct a review of the 2010 National Defense Program Guidelines (NDPG) and the freeze spending under the Mid-Term Defense Program. The review of the NDPG is to be completed by summer 2013. The decision to review defense policies gained support from a report issued by the Institute for International Policy Studies, chaired by former Prime Minister Nakasone Yasuhiro. The report called for an increase in defense spending to enable Japan to deal with China's intensified maritime activities in the Senkakus, a "maritime alliance" based on the Japan-US alliance and expanded to include Australia and ASEAN states, and revision of Japan's prohibition on the exercise of the right of collective self-defense.

On Feb. 8, the government advisory panel on security issues, chaired by Yanai Shunji, former ambassador to the US, convened for the first time under the second Abe government. The panel is tasked with considering issues related to the exercise of the right of collective self-defense and revision of Japan's constitution.

There was also growing concern in Japan about the growth of China's military. On March 5, during the National People's Congress, when China announced a 10.7 percent increase in defense spending, amounting to \$114 billion, the third consecutive year of double-digit increases, an LDP Diet member found Japan "again astonished by the almost fourfold increase in 10 years." Questioned about his view during a plenary session of the Upper House, Abe replied that China's "military expansion and lack of transparency are sources of concern for Japan and other countries of the region." Japan, with other countries of the region, would continue to urge China to increase military transparency. At the same time, he emphasized that Japan "will take stronger precautions and security measures with the determination to protect Japan's national territory, territorial waters and airspace at any cost."

On March 29, Japan's National Institute for Defense Studies released its annual *East Asian Strategic Review*. The report found that "The rising might of China is causing it to act with increasing disregard toward its neighbors ... that it is increasingly taking actions that can cause frictions with neighboring countries without fear." In response, China's Foreign Ministry urged Japan to "come clean about its own defense policy."

Japan's Foreign Ministry released its annual Diplomatic Blue Book on April 5. The report stated that "by history and international law, the [Senkaku] islands are Japan's sovereign territory;" further that "a problem which needs to be resolved does not exist." The Blue Book noted China's increasing maritime activity, incursions into Japan's territorial waters, and violations of its air space and urged Beijing to exercise self-restraint and avoid escalating incidents.

Meanwhile, China's Ministry of National Defense released its 2013 Defense White Paper on April 16. Without naming names, the document criticized a "certain country" for efforts to strengthen alliances and raise tensions in the Asia-Pacific region, while specifically citing Japan for "stirring up trouble" over the Diaoyu Islands. In Tokyo, the white paper drew a protest from Deputy Chief Cabinet Secretary Seko Hiroshi who reiterated the government's position on the Senkakus; namely that "there is no sovereignty issue to be resolved. China's actions based on its own stance are absolutely unacceptable." Seko revealed that the government had protested the document through the Chinese Embassy.

In mid-April, Japan's Ministry of Defense announced that the ASDF scrambles against Chinese aircraft had doubled during the past year, increasing to 306 in 2012 from 156 in 2011. China replied by calling on Japan to end this practice. Foreign Ministry Spokesperson Hua told the media "We all know that when it comes to the Diaoyu Islands, Japan has been continuously taking provocative actions to raise tensions. This is the root cause of the present very tense situation over the islands." Rather than scrambling the ASDF, "Japan should show greater sincerity and take more concrete actions, and work with China to figure out a solution..."

Business and economics

According to figures released by China's General Administration of Customs, China's trade with Japan fell 3.9 percent to \$329 billion in 2012. Nissan, Toyota and Honda experienced declines in new car sales during 2012. Nissan's new car sales were off 5.3 percent to 1,181,500 units over 2011; Toyota sales dropped 4.9 percent to 840,500 units and Honda sales fell 3.1 percent to 598,577 units. The rate of decline slowed in December, when Nissan, Toyota, and Honda respectively experienced a drop in new car sales of 24 percent, 15.9 percent, and 19.2 percent. This improvement contrasted with October sales, which plummeted close to 50 percent in the wake of the Senkaku nationalization and anti-Japanese demonstrations. In January-February 2013, China's imports from Japan were off 15.5 percent.

The number of Chinese visitors to Japan, accounting for roughly 20 percent of all visitors, continued to fall in the months following Senkaku nationalization. Over the September-December period, Chinese tourists to Japan plunged 44 percent over 2011 to 190,000; the numbers for November and December fell below 60,000 each month. January 2013 figures recorded a 47.6 percent drop over January 2012. In March 2013, Chinese tourists to Japan fell to 102,000, a drop of 22.5 percent over March 2012. The March decline came against a background of increasing foreign visitors to Japan. South Korean tourists increased 37.4 percent to 206,900, representing the largest number of overseas tourists to Japan. Meanwhile, the number of Japanese visitors to China fell 23.6 percent in March to 261,500.

In a public opinion survey, released in January and conducted jointly by Shanghai-based Searchina and Nippon Research Center of Tokyo from late November through early December, more than 65 percent of Chinese and Japanese respondents said that they were not inclined to visit the other country since Sept. 11; two-thirds of Chinese respondents said that they had boycotted Japanese goods over the Diaoyu. The survey, also revealed that, while approximately one-third of Chinese respondents said they could still trust Japan even after the Senkaku

nationalization, only 5 percent of Japanese respondents said they could still trust China. The survey involved 1,000 respondents from both countries.

Looking ahead

At best, the Japan-China relationship may be entering a new period, one of lukewarm economics and ice-cold politics. And, that's at best.

Chronology of Japan – China Relations January – April 2013

Jan. 2, 2013: Chinese ships enter Japan's contiguous zone in Senkaku/Diaoyu Islands.

Jan. 4, 2013: Chief Cabinet Secretary Suga Yoshihide says the Abe government will issue a future-oriented 21st statement in line with the Murayama statement and that the government has no intention of turning Kono statement into a political or diplomatic problem.

Jan. 5, 2013: Japanese Air Self-Defense Force (ASDF) fighters scramble as a Chinese *Y-12* aircraft approaches the Senkaku/Diaoyu Islands.

Jan. 7-8, 2013: Chinese ships enter Japanese territorial waters near the Senkaku/Diaoyu Islands. Deputy Foreign Minister Saiki Naoko calls in Chinese Ambassador Cheng Yonghua to protest; Cheng refuses to accept the protest.

Jan. 10, 2013: China scrambles two *J-10* fighters to monitor activities of two JASDF *F-15s* tracking Chinese aircraft engaged in patrol activities over oil and natural gas fields in the East China Sea.

Jan. 10, 2013: Beijing announces its decision to regularize patrols in Diaoyu Islands.

Jan. 13, 2013: Ground Self-Defense Forces (GSDF) hold an exercise focused on protecting remote islands; an estimated 11,000 observers watch the exercise.

Jan. 16, 2013: Former Japanese Prime Minister (PM) Hatoyama Yukio visits China and meets Jia Qinglin, chairman of Chinese People's Political Consultative Conference and Foreign Minister Yang Jiechi; Hatoyama calls for shelving of Senkaku/Diaoyu dispute.

Jan. 17, 2013: Former PM Hatoyama visits the Nanjing War Memorial.

Jan. 18, 2013: Foreign Minister (FM) Kishida Fumio meets US Secretary of State Hillary Clinton, who states US opposition to any unilateral efforts to undermine Japan's administration of the Senkaku Islands.

Jan. 21, 2013: Three MSA ships enter Japanese territorial waters in the Senkaku/Diaoyu Islands.

Jan. 23-25, 2013: Komeito Party leader Yamaguchi Natsuo visits Beijing and meets Tang Jiaxuan, FM Yang, Wang Jiarui, head of the Central Committee's International Department, and President Xi Jinping. He hands Xi a personal letter from PM Abe Shinzo.

Jan. 24, 2013: Japanese and Taiwanese Coast Guard ships exchange water cannon volleys near the Senkakus/Diaoyus, discouraging a group of Taiwanese activists from landing on the islands to "maintain sovereignty."

Jan. 29, 2013: PLA Deputy Chief of Staff Qi Jiangguo tells US legislators that China will resolve the Diaoyu Islands dispute through diplomacy not use of force.

Feb. 2, 2013: Chinese fishing vessel is detained by Japanese authorities near the Okinawa Prefecture for "unauthorized coral fishing."

Feb. 3, 2013: Japanese authorities release the detained Chinese fishing crew.

Feb. 4, 2013: Chinese ships enter Japanese territorial waters in Senkaku/Diaoyu Islands.

Feb. 5, 2013: Defense Minister Onodera Itsunori announces that Chinese warships locked fire-control radars on a Japanese helicopter and destroyer in the East China Sea, in late January.

Feb. 5, 2013: Deputy FM Saiki calls in Ambassador Cheng to protest the radar lock-on incident; Cheng declines to accept the protest.

Feb. 5, 2013: PM Abe establishes a Planning and Liaison Office for Territorial and Sovereignty Issues in Cabinet Secretariat.

Feb. 5, 2013: Head of LDP Policy Research Council Sanae Takaichi tells War Bereaved Families that the prime minister and other senior government officials should be able to visit Yasukuni Shrine.

Feb. 6, 2013: Deputy Chief Cabinet Secretary Kato Katsunobu calls for the resumption of talks on a maritime communications mechanism between Japan and China.

Feb. 7, 2013: Director General for Defense Policy Nishi tells LDP legislators that Chinese ships did not aim guns or missiles at the Japanese destroyer when they locked on their radar.

Feb. 8, 2013: China's Ministry of Defense rejects the radar lock-on allegation; Ministry of Foreign Affairs calls Japanese allegation a fabrication.

Feb. 8, 2013: Prime Minister's advisory panel on security issues holds its initial meeting; the panel is chaired by former Ambassador to the US Yanai Shunji.

Feb. 10, 2013: Four Chinese ships enter Japan's contiguous zone in the Senkaku/Diaoyu region.

Feb. 15-16, 2013: Chinese ships enter Japan's contiguous zone in the Senkaku/Diaoyu region; Chinese Foreign Ministry explains that ships are conducting routine operations in areas under Chinese jurisdiction.

Feb. 21, 2013: *Washington Post* publishes an interview with PM Abe in which he accuses Chinese leadership of stirring up anti-Japanese sentiment to support the Chinese Communist Party's claim to legitimacy.

Feb. 22, 2013: PM Abe calls for Japan-China summit during a press conference in Washington.

Feb. 23, 2013: Chinese ships enter Japan's territorial waters in the Senkaku/Diaoyu Islands.

Feb. 23, 2013: PM Abe calls for a maritime communications mechanism.

Feb. 23, 2013: Keidanren Chairman Yonekura Hiromasa leads a business delegation to Beijing and meets Tang Jiaxuan.

Feb. 28, 2013: Chinese ships enter Japanese territorial waters in the Senkaku/Diaoyu Islands. A Chinese *Y-12* aircraft heading toward the islands is intercepted by Japanese *F-4J* fighters.

Feb. 28, 2013: China rejects Japanese claim that their Maritime Surveillance ship, *Haijian 66*, aimed a machine gun at a Japanese fishing boat on Feb. 18.

Feb. 28, 2013: PM Abe delivers policy address to the Diet calling on China to refrain from dangerous actions and use of force to change the status quo.

March 3-12, 2013: Chinese ships enter Japan's contiguous zone and territorial waters in the Senkaku/Diaoyu Islands.

March 5, 2013: China announces a 10.7 percent increase in defense spending.

March 5, 2013: Japanese Coast Guard arrests a Chinese fishing boat captain on suspicion of fishing within its territorial borders, some 27 miles from Miyako Island.

March 6, 2013: Two Chinese Maritime Surveillance ships sighted within 12 nm of Senkakus/Diaoyus.

March 9, 2013: FM Yang accuses Japan of illegally seizing and occupying the Diaoyu Islands and of singlehandedly causing the downturn in relations.

March 14, 2013: PM Abe calls judgments of International Military Tribunal for the Far East victors' justice; China says the findings represent the righteous judgment of the international community.

March 17, 2013: PM Abe tells the graduating class of the National Defense Academy that Japan faces a crisis of the here and now in the Senkaku Islands and East China Sea.

March 16-18, 2013: Five MSA ships including the *Haijian 8002*, the newest and largest of its ships, accompanied by two ships of the Fisheries Law Enforcement Command, enter Japan's contiguous zone in the Senkakus/Diaoyus.

March 18, 2013: Three MSA ships enter Japan's territorial waters, the 34th since nationalization of the Senkakus.

March 21-April 1, 2013: Three MSA ships and one ship of the Fisheries Law Enforcement Command patrol Japan's contiguous zone in the Senkakus.

March 18, 2013: *Kyodo News* reports Chinese military admit to lock-on of radars; denials are repeated by Chinese Foreign Ministry.

March 21, 2013: Keidanren Chairman Yonekura leads a business delegation to Beijing and meets Vice Minister of Commerce Chen and Tang Jiaxuan; Tang urges Japan to face history squarely; also calls for close economic ties.

March 21-April 1, 2013: Chinese ships enter Japan's contiguous zone in the Senkakus/Diaoyus.

March 22, 2013: Keidanren delegation meets with Vice President Li Yuanchao.

March 29, 2013: Japan's National Institute for Defense Studies releases 2013 *East Asian Strategic Review*; report finds Chinese actions as causing friction with neighboring countries.

March 29, 2013: Chief Cabinet Secretary Suga announces that the prime minister will make an offering of *masakaki* during the Yasukuni Spring Festival.

April 5, 2013: Japanese Foreign Ministry releases Diplomatic Blue Book, which reasserts Japanese sovereignty over Senkakus and refers to island issues as a problem that does not exist.

April 10, 2013: PM Abe compares visiting Yasukuni to US presidents visiting Arlington National Cemetery, where Confederate soldiers are buried.

April 10, 2013: Japan and Taiwan announce conclusion of a fisheries agreement, allowing Taiwanese ships to operate in Japan's EEZ near the Senkakus/Diaoyus; Taiwanese authorities agree not to operate inside Japan's territorial waters.

April 16, 2013: Former Lower House speaker Kono Yohei visits Beijing and meets Deputy PM Wang Qishang.

April 16, 2013: China's Ministry of National Defense releases its 2013 Defense White Paper, which accuses Japan of stirring up trouble in the Diaoyus; Japan's Deputy Chief Cabinet Secretary Seko Hiroshige reasserts Japanese sovereignty and announces government protest.

April 19, 2013: Keidanren announces postponement of planned May visit to China.

April 20, 2013: Internal Affairs and Communications Minister Shindo Yoshitaka pays homage at Yasukuni Shrine.

April 21, 2013: Deputy Prime Minister Aso Taro and State Minister for Abductions Furuya Keiji pay homage at Yasukuni Shrine.

April 22, 2013: LDP Deputy President Komura, head of the Japan-China Parliamentarians' Union, cancels visit to China. Chinese counterparts say arranging meetings with President Xi would be difficult.

April 22-23, 2013: Japanese lawmakers and media representatives board ships and depart Ishigaki bound for the Senkaku/Diaoyu Islands.

April 23, 2013: PM Abe announces that the government is considering stationing of public servants and construction of ship facilities on the Senkaku Islands in order to strengthen effective management. Abe emphasizes that Japan will not allow foreign intrusions onto the islands.

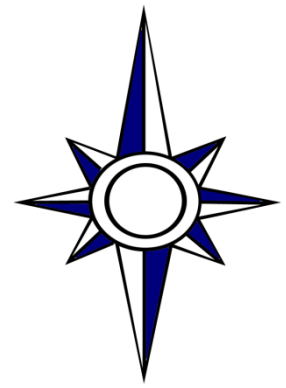
April 23, 2013: Rear Adm. Song Xue announces China's plans for more aircraft carrier construction.

April 26, 2013: China's Foreign Ministry spokesperson for the first time refers to Diaoyu Islands as being a core interest of China; official transcript later amended to less direct reference.

April 26, 2013: Chinese and Japanese defense officials meet in Beijing; Japanese media report that consultations were to focus on maritime communications mechanism.

April 28, 2013: Administration Reform Minister Inada Tomomi pays homage at Yasukuni.

April 28, 2013: PM Abe declares that Japan will continue to improve ties with China and South Korea and will calmly deal with issues arising from senior political leaders visits to Yasukuni.



**Japan-Korea Relations:
“Groundhog Day” in Foreign Policy**

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In the movie “Groundhog Day,” Bill Murray is fated to repeat one day of his life over and over – and such a description is quite apt for relations between Korea and Japan. North Korea’s histrionics yet again dominated media headlines and managed to overshadow the inauguration of Park Geun-hye in February 2013, even while South Korea and Japan under-reacted to the bluster. With Park’s inauguration, new leaders have taken office in every country in Northeast Asia, including North Korea and China, over the past 18 months. Despite new leadership, the issues remain very much the same: North Korean threats, increased South Korea-Japan economic interactions despite continued squabbling over historical and territorial issues, and a reminder that the US remains deeply intertwined in regional issues.

Stirred, but not shaken

Despite the barrage of threats promising war and the like from Pyongyang, both South Korea and Japan remained “surprisingly” collected (“Amid Another North Korea Storm, Look Who’s Calm,” April 1, 2013, *The Christian Science Monitor*), even prompting the South Korean media to observe that “Americans appear more nervous than South Koreans since the North explicitly threatened the US,” (“S. Koreans Unruffled by N. Korean Threats,” *Chosun Ilbo*, April 8, 2013). Although it could be premature to conclude that the North’s most geographically proximate neighbors have thoroughly mastered the distinction between living *with* fear and living *in* fear, Pyongyang’s rhetoric had neither the effect of bringing Seoul and Tokyo closer together, nor driving them that much farther apart.

By now, it is common to hear that the dynamics surrounding North Korea are somewhat cyclical and repetitive, but the same may go for the Seoul-Tokyo bilateral ties. Almost four decades ago, one saw similar verbiage that captures a disconnect between mutual antipathy despite growing economic interdependence: a *Washington Post* article from 1973 starts by referencing a *Chosun Ilbo* poll that reported 66 percent of South Korean university students view Japan with hostility despite the lack of first-hand experience with Japanese colonialism (Selig S. Harrison, “Japan Yen Buys Little Love in Korea: Koreans Have No Love for Japan Despite Aid, Trade,” *The Washington Post, Times Herald*, Feb. 27, 1973). These sentiments are echoed in a poll regarding bilateral relations released on April 5, 2013 by *Hankook Ilbo*, noting that 79.4 percent of the Korean respondents did not feel any friendly feelings toward Japan, while 78 percent replied that they viewed current bilateral relations to be headed in a negative direction.

As a parallel to the dynamics captured in the 1973 article, economic relations between Korea-Japan relations during the first few months of 2013 were not severely hampered by external

vulnerabilities. Noteworthy events included Samsung Electronics agreeing to take an equity stake in Sharp, representing the first capital tie-up between notable consumer electronic brands of South Korea and Japan. According to the *Financial Times*, the investment of ¥10.4 billion by Samsung (a 3 percent stake) will make it the fifth-largest shareholder in Sharp. Another example of cooperation was the joint arrangement announced in January by Korean and Japanese banks and export credit agencies to provide financing and guarantees for the construction of a power plant in Jordan, scheduled for completion in 2014. On the Korean side, the Export-Import Bank of Korea (Kexim) committed a total of \$320 million in loans and \$107 million in guarantees, while Japanese banks BTMU, Mizuho Corporate Bank, and SMBC promised \$181 million. Moreover, a consortium of Korean and Japanese firms such as Lotte Engineering and Mitsubishi will be involved with the construction as well as the provision of equipment. Finally, in mid-February, South Korea's POSCO announced that it will build its first steel pipe plant in Japan with a production capacity of 10,000 tons per year, which would be aimed at supplying the Japanese automakers with the relevant material for parts.

An exception was the announcement by several civic groups in front of Tapgol Park – the epicenter of the March 1 independence movement of 1919 – to boycott Japanese products over the ongoing territorial dispute over Dokdo/Takeshima. The coverage by *Yonhap News* (Feb. 25, 2013) stated that this would mark the largest anti-Japan boycott in history. This came in the wake of the Feb. 22 Takeshima Day celebrations in Shimane Prefecture of Japan, which drew much media buzz due to the presence of Ms. Shimajiri Aiko, a parliamentary secretary with the Japanese Cabinet Office. It was the first time a Cabinet member attended the ceremony, thus adding a quasi-governmental sheen or endorsement to the event. The backlash from South Korea may have been heightened due to reports in late January that the invitation extended to Prime Minister Abe (a first since the event began in 2005) had been politely declined, as well as plans for any Cabinet members to attend the ceremony, out of fears of provoking Seoul.

Despite the more common response to view the territorial dispute between Seoul and Tokyo as counterproductive only within the context of broader relations, the situation involving Thailand and Cambodia over sovereignty surrounding the temple of Preah Vihear may be instructive here. On April 15, 2013, a court hearing began in The Hague, Netherlands, with Cambodia accusing Thailand of having failed to withdraw its military troops from the vicinity of the temple as well as warning that unfortunate consequences may result from Thailand's actions. In 1962, Thailand had already lost the case to Cambodia at the International Court of Justice (ICJ), with the main rationale being that when the map of the demarcations had been drawn up in 1908, Thailand had failed to reject the map. Thus, according to the legal principle of estoppel, the failure by Thailand to make its complaints explicit despite opportunities to do so was interpreted as tacit consent or acquiescence. It may be far-fetched to believe that a cessation of appeals to territorial sovereignty by either South Korea or Japan over Dokdo/Takeshima may be considered an immediate renunciation of claims, but under international law there is logic to being loud rather than quiet.

When in doubt, appeal to your own masses

Regardless of the external turbulence, the approval rating of Japan's Cabinet according to *Yomiuri Shimbun* rose to 74 percent in April – making Prime Minister Abe the first leader in the

survey's 35-year history with a linear rise in popularity for four consecutive months after taking office. Conversely, by March, South Korea's President Park Geun-hye showed an approval rating of 44 percent according to Gallup, not only a decrease from the mid-50s recorded immediately after the election, but also the lowest approval rating of any incoming president in the democratic era (as comparison, Presidents Kim Young-sam and Kim Dae-jung were at roughly 71 percent, while Roh Moo-hyun and Lee Myung-bak enjoyed 60 and 52 percent, respectively). To be fair, the context in which Park took office required great adaptability and vision, which is not an easy task for any leader to achieve.

However one wishes to interpret public opinion polls and approval ratings, in the end, appealing to the masses may have outweighed the benefits of cultivating a working political relationship as high-level meetings between Seoul and Tokyo sputtered and stalled in the first months of 2013. The first post-inauguration phone call between President Park and Prime Minister Abe did not occur until March. Instead, many meetings occurred almost by proxy: Park met Japanese Special Envoy Nukaga Fukushima in Seoul on Jan. 4; Abe met a close aide to President Park, Hwang Woo Yea, in Tokyo on Jan. 9; Park met former Japanese Chief Cabinet Secretary Kono Yohei on Feb. 14 and Japan's Deputy Prime Minister Aso Taro in late February.

A few meetings were also cancelled or postponed. In April, the *Mainichi Shimbun* reported that the trilateral summit scheduled for May, which would bring together President Park, Prime Minister Abe, and Chinese Premier Li Keqiang for the first time since each took office, was postponed due to China's discontent with Japan over the East China Sea dispute. The foreign ministers' meeting that typically precedes the trilateral summit by roughly a month was scrapped outright by South Korea on April 22 as a protest against the visit by Japanese officials to the controversial Yasukuni Shrine the day before (a record high attendance by 168 Diet members – a detail that was not lost on the media). In unfortunate timing, a trip to China scheduled for May by a group of Japanese lawmakers led by Liberal Democratic Party (LDP) Vice President Komura Masahiko was also cancelled. Subsequently, even 'generic' meetings were hard to come by during the first months of 2013.

The upshot of provocations

The one immediate outcome of North Korea's aggressive and sustained resort to threats was that the resultant flutter of activity in the defense realm by neighboring countries did not incur nearly the same amount of wrath or suspicion than in times of relative tranquility. Thus, the cumulative effect was to dampen the squeamishness that typically accompanies such defense posturing. For instance, *Asahi Shimbun* reported that Japan had dispatched two Maritime Self-Defense Force (MSDF) destroyers (*Kongo* and *Kirishima*) to the Sea of Japan/East Sea by April 9, the US Navy had deployed an *Aegis* destroyer to the eastern coast of the Shimokita Peninsula, while the *USS Shiloh* – a guided-missile cruiser with advanced interceptor missile capability – departed from Yokosuka Naval Base on April 8. Moreover, Bessho Koro, Japan's ambassador to Seoul, also expressed Japan's wishes to forge the military intelligence pact with South Korea (that fell through last July) to counter North Korea's increasingly bellicose behavior. According to the *Chosun Ilbo*, South Korea announced in early April that it will likely purchase European long-range air-to-surface cruise missiles (or "bunker busters") by 2014, which if successfully acquired, would become the first strategic weapon imported through Europe rather than the US.

There were reports in late March that the US was interested in boosting defense exercises with both South Korea and Japan, along the lines of the *Rim of Pacific (RIMPAC)* exercises held in 2012. A more interesting development during the first months of 2013, however, was outreach by the North Atlantic Treaty Organization (NATO) to both Seoul and Tokyo. In mid-April, NATO Secretary General Anders Fogh Rasmussen met President Park Geun-hye along with the Minister of Foreign Affairs Yun Byung-se and Minister of Defense Kim Kwan-jin to discuss NATO's Individual Partnership Cooperation Programme, thus becoming the first NATO secretary general to visit South Korea. In his remarks at the press conference held at the National Press Club in Seoul, he emphasized that "NATO's global perspective does not mean that we seek a presence in the Asia-Pacific region. What it does mean is that we seek to engage with the Asia-Pacific region. And the Republic of Korea is a key partner in this endeavor." Regardless of the conceptual difference between seeking a presence and engaging in a region, the visit was an important one in terms of forging closer ties with NATO. After visiting Korea, Rasmussen also stopped in Japan and met Prime Minister Abe, which culminated in the signing of the NATO-Japan Joint Political Declaration for a Stronger Partnership – the first joint declaration between NATO and Japan. Again, Rasmussen claimed that "while NATO has no ambition to take on a permanent role in Asia, we see very clearly the advantage of working with like-minded partners like Japan," and adding that "the signing of the declaration also reflected Abe's personal commitment to a strong relationship with NATO." It is too early to predict the implications of these ties.

Sanctions galore! Or, how Tokyo tightened the screws on Pyongyang

Back in 1950, the Soviet Union boycotted the all-important United Nations Security Council (UNSC) meeting on UN intervention in the Korean War in protest against representation of China by the Kuomintang, the government of the Republic of China (ROC) at the time. In its absence (and thus, absence of a veto) the US and other countries successfully passed the UNSC resolution authorizing military intervention in Korea. The lesson from that incident was that it is better at times to be present to voice your opinions than to try and utilize your absence as a demonstration of discontent. Although history was not repeated in its entirety, there were some parallels in the recent decision reached by the UN Human Rights Council (HRC) to step up investigations into the alleged human-rights abuses such as food deprivation and labor camps in North Korea. On March 21, the UN HRC voted unanimously on the resolution sponsored by the European Union and Japan to create a three-person commission to look into allegations concerning North Korea. Since the current 47-member council contains no Chinese or Russian vote (member countries are elected by the UN General Assembly and serve for a period of three years with no more than two consecutive terms at a time), there was no one to come to Pyongyang's defense.

Japan's was also quite active in smacking sanctions on North Korea. As a result of a UNSC resolution that was adopted unanimously on Jan. 22 after the rocket launch conducted by Pyongyang in December 2012, Japan proceeded to freeze the assets of six organizations and four individuals with alleged involvement in the launch. In February, Tokyo announced that it would widen sanctions by banning the re-entry of senior officials of the General Association of Korean Residents (or Chongryon) in retaliation for North Korea's nuclear test on Feb. 12. In response, a commentary in the *Korean Central News Agency (KCNA)* claimed that the Japanese were

unjustly intensifying persecution against Koreans, and that this situation “must be referred to the International Court of Justice.” Then, in March, during the visit by David Cohen, the US Treasury undersecretary for terrorism and financial intelligence, Tokyo announced its plans to ban financial institutions from engaging in business with North Korea’s Foreign Trade Bank, thereby increasing collaboration with the US on sanctions against Pyongyang. A month later, in April, Japan’s Chief Cabinet Secretary Suga Yoshihide stated that Tokyo had decided to extend sanctions regarding trade and port calls (which would have expired on April 13) against North Korea for two more years. During Secretary of State John Kerry’s visit to Japan on April 15, Prime Minister Abe once again underscored the importance of coordinating closely with the US on sanctions against the North Korean regime. Whether the sanctions will actually have an impact on (or the desired response from) Pyongyang remains to be seen. Nevertheless, it is clear that Japan is not going to remain passive in voicing views toward North Korea and its behavior.

The months ahead

The summer of 2013 promises to be busy: North Korea will be a major issue confronting both Japan and Korea, but South Korea-Japan political relations are limping along. With the annual Aug. 15 celebration of Korean independence, all will be watching how President Park handles herself and the delicate diplomatic sensitivities that day raises. Japan will hold an election for the Upper House of the Diet in July, and if the LDP and Prime Minister Abe win a majority to go along with the LDP’s majority in the Lower House, he may feel emboldened to pursue – or continue to pursue – a foreign policy that South Koreans perceive as unduly muscular and unapologetic, which could lead to further diplomatic tensions between the two nations.

Chronology of Japan-Korea Relations

January- April 2013

Jan. 3, 2013: South Korean court sides with China in the competing requests for extradition between Beijing and Tokyo over the custody of Liu Qiang, the Chinese man accused of arson of the Yasukuni Shrine as well as for hurling gasoline bombs at the Japanese Embassy in Seoul. Liu told South Korean authorities that his late grandmother was forced into sexual slavery by Japan’s Imperial Army during World War II.

Jan. 4, 2013: Before meeting Japanese Special Envoy and former Japanese Finance Minister Nukaga Fukushima, South Korean Foreign Minister Kim Sung-hwan describes relations with Tokyo as a “big challenge” for Seoul in 2013.

Jan. 4, 2013: South Korean President-elect Park Geun-hye meets Special Envoy Nukaga and receives the letter he delivers from newly elected Prime Minister Abe Shinzo.

Jan. 8-11, 2013: Delegation of senior lawmakers from the ruling Saenuri Party and the main opposition Democratic United Party visits Japan in their capacity as members of the South

Korea-Japan Parliamentarians' Union. The visit was arranged by the Korean Residents Union in Japan, in hopes of furthering Seoul-Tokyo bilateral relations.

Jan. 9, 2013: Prime Minister Abe meets Hwang Woo Yea, a close aide to President-elect Park and the chairman of the ruling Saenuri Party.

Jan. 10, 2013: ROK Vice Foreign Minister Ahn Ho-Young meets Japanese Vice Minister of Foreign Affairs Kawai Chikao to improve relations and discuss North Korea's rocket launch.

Jan. 15, 2013: According to the *Korea Times*, newly appointed Japanese Ambassador to South Korea Bessho Koro gave his first address titled "Future of Japan and Korea Relations" in a lecture series hosted by the Asia Society Korea Center in Seoul.

Jan. 18, 2013: Nippon Export and Investment Insurance (NEXI) announce its plans to provide Overseas Untied Loan Insurance for the joint Korea-Japan project to construct a diesel power plant in Jordan. The Export-Import Bank of Korea (KEXIM) is also financing the project with a \$320 million loan and \$107 million in guarantees.

Jan. 20, 2013: Regional secretary generals of the ASEAN-Korea (Chung Hae-moon), ASEAN-Japan (Ohnishi Yoshikuni), and ASEAN-China Center (Ma Mingqiang) meet on the sidelines of the ASEAN forum in Laos. The meeting marks the first of its kind between the ASEAN center heads of the three nations. The focus is on advancing ASEAN + 3 cooperation.

Jan. 22, 2013: In line with the unanimous adoption of the UN Security Council (UNSC) Resolution 2087 condemning North Korea's rocket launch of Dec. 12, 2012, Japan freezes assets of six organizations and four individuals with alleged involvement in the rocket launch.

Jan. 27, 2013: Japan launches two spy satellites to collect information for its defense and intelligence agencies concerning North Korea's military activities. The first such satellite was launched in 2003.

Feb. 5, 2013: *The Hankyoreh* reacts to the Japanese government's decision to build the Territorial and Sovereign Issues Planning and Coordination Office, which will serve as the central policy planning organ regarding Dokdo/Takeshima, the Senkaku/Diaoyu Islands, and the Kuril Islands, saying it is "an indication that the Japanese central government will be directly claiming Dokdo as Japanese territory, which up until this point has been spearheaded by Shimane Prefecture."

Feb. 12, 2013: North Korea conducts its third nuclear test in defiance of UN resolutions, with *Korean Central News Agency (KCNA)* announcing that it used a "miniaturized" and lighter nuclear device than the previous two attempts.

Feb. 12, 2013: In response to North Korea's nuclear test, Japan decides to levy new bans on senior officials of the General Association of Korean Residents (Chongryon).

Feb. 13, 2013: Prime Minister Abe Shinzo and outgoing President Lee Myung-bak have a 20-minute telephone meeting after the latest nuclear test by Pyongyang, the first such discussion since Abe took office in December.

Feb. 14, 2013: President-elect Park meets former Chief Cabinet Secretary Kono Yohei to discuss issues regarding history, Pyongyang's recent nuclear test, and ways to push South Korea-Japan bilateral relations forward.

Feb. 15, 2013: According to the *Yomiuri Shimbun*, the latest Gallup Poll shows that the Japanese view China as the bigger military threat than North Korea, with 79 percent of respondents identifying China and 77 percent for North Korea. Moreover, 37 percent view South Korea as a military threat, which is an increase from 23 percent from the same survey in 2012.

Feb. 18, 2013: KCNA expresses anger at Japan's latest bans against Chongryon, claiming that the organization is a "legal organization representing interests of the Democratic People's Republic of Korea in Japan."

Feb. 19, 2013: Seoul government urges Japan to cancel the scheduled Takeshima Day celebrations in Shimane Prefecture.

Feb. 22, 2013: Senior Japanese official attend ceremony to commemorate Takeshima Day in Shimane Prefecture. South Korean protestors gather outside the Japanese Embassy in Seoul and demand that Seoul lodge a formal complaint.

Feb. 25, 2013: Park Geun-hye is sworn in as the 11th president of South Korea. She meets Deputy Prime Minister Aso Taro amidst heightened tensions over the Dokdo/Takeshima dispute.

Feb. 25, 2013: *Yonhap News* reports that major civic groups have decided to boycott Japanese products in protest over Japan's claims to Dokdo/Takeshima.

Feb. 28, 2013: South Korean Foreign Ministry spokesperson denounces remarks made by Foreign Minister Kishida Fumio concerning Japan's claims to Dokdo/Takeshima.

March 2, 2013: In an interview with *Monthly Chosun*, Prime Minister Abe says that he aims to issue a new statement on Japan's understanding of World War II in 2015. He also adds that the issue of the 'comfort women' should be "left in the hands of experts and historians."

March 6, 2013: President Park and Prime Minister Abe agree to cooperate on implementing further sanctions against North Korea – the first telephone call since Park's inauguration.

March 7, 2013: *Financial Times* reports that Samsung Electronics has agreed to take an equity stake in Sharp, marking the first capital tie-up between major consumer electronics brands of South Korea and Japan.

March 14, 2013: International Institute for Strategic Studies (IISS) releases findings from its *Military Balance 2013*, which describes Asia's overall defense spending as having overtaken that of Europe for the first time in 2012.

March 17, 2013: KCNA releases a statement from the Foreign Ministry denouncing Japan's sanctions against North Korea and warning that Japan would also face consequences if it continues to 'collude' with the US.

March 18-22, 2013: US Treasury Under Secretary for Terrorism and Financial Intelligence David Cohen visits both South Korea and Japan in an effort to gain greater support for sanctions against North Korea.

March 19, 2013: *Japan Times* article states that the Tokyo government will levy further sanctions against North Korea's Foreign Trade Bank in retaliation for its continued development of nuclear weapons.

March 21, 2013: United Nations Human Rights Council (UN HRC) approves a framework to establish a "Commission of Inquiry" into alleged human-rights abuses in North Korea.

March 21, 2013: North Korea threatens to strike US bases in Japan as a response to the use of B-52 bombers by the US that are capable of carrying nuclear cruise missiles.

March 25, 2013: *Yonhap News* states that the US is pushing for more trilateral US-South Korea-Japan military exercises, much like that of the *Rim of Pacific (RIMPAC)* exercise of 2012.

March 26, 2013: Japanese Ministry of Education, Culture, Sports, Science and Technology releases the screening results of textbooks to be adopted from April 2014 for high school sophomores, which devote more space to the Dokdo/Takeshima and Senkaku/Diaoyu Islands. Park Joon-yong, chief of the South Korean Foreign Ministry's Northeast Asian Affairs Bureau, summons Kurai Takashi, deputy chief of mission at the Japanese Embassy in Seoul, to lodge a protest against the textbook approval.

March 26, 2013: A Buddhist temple in Kagoshima Prefecture in Japan wins bid to take control of a building that served as the headquarters for the General Association of Korean Residents in Japan ('Chongryon'). The building was initially seized due to unpaid debts.

March 26, 2013: South Korea, Japan, and China meet for the first round of negotiations on the trilateral Free Trade Agreement (FTA), in Seoul.

March 29, 2013: Daegu chapter of the Korean Teachers and Educational Workers Union and the Hiroshima Prefecture branch of Japan's Teacher's Union announce that they have finished work on a joint historical textbook after seven years of collaborative work and discussions.

April 1, 2013: President Park appoints Lee Byung-kee as the new ambassador to Japan.

April 5, 2013: Japan announces its decision to extend the life of the sanctions levied on North Korea by two more years, which were set to expire on April 13, 2013.

April 5, 2013: *Hankook Ilbo* reports the latest public opinion in which 62.4 percent of the South Koreans viewed the new Abe administration in a negative light, while the level of trust that the Japanese harbors toward South Koreans fell from 31.6 percent in 2010 to 13.4 percent.

April 5, 2013: *Kyodo News* reports a statement by the Foreign Ministry that “We [South Korea] strongly protest against Japan’s Diplomatic Bluebook that contains its unjust territorial claim over Dokdo, which is an integral part of our territory.” The publication in question continues to refer to Dokdo/Takeshima as Japan’s “inherent territory.”

April 8, 2013: *Asahi Shimbun* reports that Japan has dispatched two Maritime Self-Defense Force (MSDF) destroyers to the Sea of Japan/East Sea, while the *USS Shiloh*, a guided missile cruiser with advanced interceptor missile capability has departed from Yokosuka Naval Base.

April 8, 2013: *Yomiuri Shimbun* article claims that the Machida City Board of Education in western Tokyo has reversed its initial decision to exclude a school with connections to North Korea from its safety alarm program for students. A city board official apologized, adding that “We regret that we reacted in response to the social circumstances (surrounding North Korea).”

April 12, 2013: Japanese government states that it will erect a permanent missile defense system in Okinawa Prefecture. *Mainichi Shimbun* quotes Defense Minister Onodera Itsunori as saying that the Japanese Self-Defense Forces will locate the *Patriot Advanced Capability-3* interceptor missiles at two of its bases “as soon as possible within April.”

April 12-15, 2013: North Atlantic Treaty Organization (NATO) Secretary General Anders Fogh Rasmussen visits South Korea, becoming the first in his capacity to visit the country.

April 15, 2013: Japan’s Chief Cabinet Secretary Suga Yoshihide says that a prerequisite for restarting dialogues with North Korea will be for the North to move toward denuclearization.

April 15-17, 2013: Prime Minister Abe and NATO Secretary General Rasmussen sign NATO-Japan Political Declaration for a Stronger Partnership.

April 18, 2013: Trilateral South Korea, Japan, and China summit is postponed, with speculation that the territorial dispute between Japan and China is the cause.

April 19, 2013: South Korean Ministry of Oceans and Fisheries releases plans to establish a maritime police station on Ulleung Island in the Sea of Japan/East Sea (an island west of Dokdo/Takeshima) in order to strengthen security of the easternmost islets.

April 19, 2013: South Korea’s Unification Minister Ryoo Kihl-jae meets Ambassador Bessho to discuss further cooperation in dealing with continuing threats from North Korea.

April 21-23, 2013: Japanese officials, including the Deputy Prime Minister Aso Taro visit Yasukuni Shrine despite strong protests from both South Korea and China.

April 21, 2013: South Korean Foreign Minister Yun Byung-se cancels scheduled trip to Japan in response to the recent Yasukuni Shrine visits by Japanese cabinet members.

April 23, 2013: Shimane Prefecture in Japan decides to extend fishing rights in waters around Dokdo/Takeshima islets for another 10 years, despite the fact that no such fishing operations have taken place since June 1954.

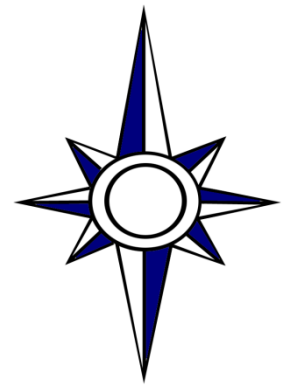
April 24, 2013: *Kyodo News* quotes Prime Minister Abe's remarks during a parliamentary session, responding to criticism from South Korea and China on the Yasukuni Shrine visits by claiming that "My ministers will not yield to any kind of intimidation."

April 25, 2013: Seoul calls in Ambassador Bessho to lodge an official protest against Prime Minister Abe's remarks defending officials' visits to Yasukuni Shrine.

April 25, 2013: South Korea states that it plans to open a Japanese version of the website for Dokdo/Takeshima by Aug. 31, along with versions in six other foreign languages including English and Chinese, in a bid to step up its claims to sovereignty of the disputed territory.

April 28, 2013: Japanese State Minister for Administrative Reforms and Public Servant Systems Reforms, Inada Tomomi visits Yasukuni Shrine, garnering protests from both Seoul and Beijing.

April 29, 2013: South Korean National Assembly passes a resolution (238 votes in favor, with one abstaining) denouncing Japan's latest actions regarding Yasukuni Shrine as well as its perceptions of history.



**China-Russia Relations:
Pivot to Eurasia and Africa: Xi's Style**

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President Xi Jinping kicked off his first round of foreign visits by traveling to Russia and Africa in late March, just five days after he was confirmed as China's paramount leader by the National People's Congress. In comparison, it took Hu Jintao two months and Jiang Zemin two years to set foot in Russia after assuming the Chinese presidency. Both sides hailed the Moscow summit as "historical" for the "special nature" of the Sino-Russian strategic partnership. Xi also became the first foreign head of state to visit the Russian Defense Ministry. Three days after their summit, Xi and President Vladimir Putin met again in Durban, South Africa, where they navigated the annual BRICS Summit toward a more integrated economic grouping. Before and after those trips, however, both men had to deal with a host of difficult and dangerous foreign policy challenges in Korea, Afghanistan, and Syria.

To Russia, with dreams

President Xi's eight-day trip started in Moscow for a state visit on March 22-23, which was just five days after Xi officially assumed top leadership following the annual meeting of China's National People's Congress (NPC) on March 5-17. Moscow was still in its last leg of winter, with a temperature of -20 C. The atmosphere surrounding Xi's official visit, however, was heating up prior to his arrival at the Moscow Vnukovo International Airport. Russian Deputy Foreign Minister Sergey Ryabkov, for example, described Xi's forthcoming visit to Russia as "the biggest event in the history of Russian-Chinese relations." Both Putin and Xi spoke about the "special nature" of the strategic partnership between Russia and China prior to their meeting in Moscow. Chinese media went as far as to predict that Xi's visit would "leave a historic imprint in setting a new paradigm by demonstrating that the world's two major nations can forge a bond purely based on good-neighborliness, equality and mutual trust, without resorting to old-school alliance or jointly targeting a third party."

However, Xi's choice of Moscow as the first foreign capital to visit actually followed diplomatic protocol in that it reciprocated Putin's visit to China as his first foreign trip after assuming the Russian presidency in May 2012. Xi's visit was packed with more than 20 meetings covering a wide range of topics. The Xi-Putin talks in the Kremlin on March 12 focused on two major issues: how to translate their high-level strategic trust into pragmatic cooperation in economic and socio-cultural areas, and how to broaden and deepen cooperation and coordination on regional and global issues. For the first issue, Putin and Xi agreed to proceed with the "(2013-2016) Guidelines for the Implementation of the Treaty of the People's Republic of China and the Russian Federation on Good-Neighborliness, Friendship, and Cooperation," which focuses on

economic issues. The goal is to “jointly enhance the two countries’ comprehensive national strength and international competitiveness” in the following areas:

- To realize \$100 billion in bilateral trade by 2015 and \$200 billion by 2020, and promote the diversification of their trade structures;
- To achieve a significant increase in mutual investment;
- To promote the use of yuan and ruble in bilateral trade, direct investment, and credit;
- To cooperate in the energy sectors (petroleum, natural gas, coal, electricity, nuclear and new energy) and jointly safeguard bilateral, regional and global energy security;
- To cooperate in the areas of forest resources, agriculture, regional development, environmental protection, high-tech, aerospace, transportation, etc.
- To strengthen and expand people-to-people interactions and cultural exchanges, such as the “China Tourism Year” in Russia and youth exchanges for the forthcoming “China and Russia years of friendly youth exchanges” during 2014-2015.

To be sure, these items were not additions to the priority list of Chinese-Russian summits, but the explicit wording that “translated” their high-level political relationship into more tangible benefits for both sides as “a strategic task” was quite striking. This reflects a reckoning, though belated, of the weakest link (economic relations) in their bilateral ties, as well as new impetus infused by the new leadership of both countries. Among the 32 agreements and memorandums signed shortly after the Putin-Xi talks were major energy and banking accords that would significantly increase the flow of energy resources from Russia to China. For example, Russian oil giant Rosneft would more than triple its oil deliveries to China from 300,000 to 1 million barrels per day, making Russia the top supplier in China’s oil market. Even Russia’s gas supply to China, which was one of the most difficult points of negotiation over the past six years, seemed to be approaching the end of the tunnel as Putin and Xi presided over the signing of a memorandum of understanding (MoU) between Gazprom and China National Petroleum Corporation (CNPC) for the annual delivery of 38 billion cubic meters (cm) of natural gas to China over a period of 30 years starting from 2018, with the option of expanding to 60 billion cm per year.

Many of these agreements were not binding, meaning that the two sides still have room for further negotiations. The fact that many of the MoUs are being financed by Chinese banks is, by itself, a sign of major step toward their finalization. This means China would pay in advance for Russian oil and gas, as was the case in the past (in 2009, China paid \$25 billion for two Russian oil firms in exchange for 15 million tons of Russian oil per year for 20 years). In the words of Chinese Foreign Minister Wang Yi, the two sides reached “breakthrough agreements,” or “agreements of the century.” Putin, in turn, remarked, “We can already say this is a historic visit with positive results.”

Another focus of the Moscow summit was global affairs. For both Xi and Putin, the current world order is marked by interdependence and instability. Indeed, the Moscow summit was against a backdrop of many alarming signs, particularly for China: the US pivot to Asia, crises in Korea, tensions in the East and South China Seas, uncertainties surrounding the situation in Afghanistan, and disagreement over the Iranian nuclear program, as well as the deepening civil war in Syria. Normalcy in relations with Russia is an island of stability in an increasingly chaotic

environment around China. Therefore, Moscow and Beijing are particularly fond of their “new type of great-power relationship,” which is defined as being based on “principles of equality, mutual trust, inclusiveness, mutual learning, and win-win cooperation; jointly promote peace and stability; pursue common development and prosperity; and build a just, democratic, and harmonious world order.” The two sides called on “all major powers to go beyond the mentality of zero-sum games and bloc-based politics.” Neither Putin nor Xi ever mentioned the United States by name in speeches or published documents during the summit. However, no one would miss the implication of the wording. In fact, the Moscow summit would be followed by several multilateral forums – the BRICS Summit in late March, the SCO Summit and G20 in June – where Moscow and Beijing coordinated policies to support their respective interests.

In their joint press conference following the formal talks, President Xi emphasized that the mature and stable bilateral relationship between the two countries has reached a new stage, from which Beijing and Moscow would provide each other with opportunities to develop and to treat each other as partners for cooperation. Both symbolism and substance, therefore, underscored the Moscow summit. Xi’s visit was indeed “a landmark event” in bilateral relations, as Russian Deputy Foreign Minister Sergei Ryabkov remarked. Putin and Xi had met several times before the Moscow summit. This time, however, they fostered a personal relationship that would guarantee the continuity and stability of the bilateral relations for a decade, assuming that both Xi and Putin would serve two full terms (10 years for Xi till 2023 and 12 years for Putin till 2024). That is why Putin was said, according to Chinese Foreign Minister Wang Yi, to accompany Xi for eight consecutive hours in Moscow, which was unprecedented in Russian protocol.

Specifics of the Xi-Putin talks have yet to be fully disclosed, though the Chinese side has described them as “sincere, pragmatic and intimate (坦诚、务实、投契).” Russia’s *Kommersant* (*Businessman*) somehow reported that Xi remarked during the talk that he and Putin had similar characters. Exactly what Xi meant was subject to speculation. Putin is immensely popular in China, particularly among young Chinese women because of his masculine image, in sharp contrast to Putin’s negative image in the West. For Xi and many Chinese elite, however, Putin is admired for his ability to restore some sense of order from the ashes of the Soviet implosion in the 1990s. Despite their vastly different personal experience before getting into their respective national leadership positions, both men went through the worst of their nations’ times: Xi spent much of his teenage years (1969-75) in the poorest rural areas of China during the catastrophic Cultural Revolution (1966-76); as a young KGB officer, Putin witnessed “the greatest geopolitical catastrophe” of the 20th century, the collapse of the Soviet Union. Neither was able to reverse the tide of history, and both men learned, from their own experience, the hard lesson, which was provocatively and brilliantly theorized by Harvard Political Science Samuel Huntington that, “Men may, of course, have order without liberty, but they cannot have liberty without order. Authority has to exist before it can be limited,...” (Huntington, *Political Order in Changing Societies*, Harvard University Press, 1968, pp. 7-8).

Xi has yet to be fully tested on foreign policy, though his Russia visit is widely interpreted as part of his grand diplomatic strategy of “making relations with major powers as the key, neighbors as top priority, developing countries the basis, and multilateral forums important stages [大国是关键、周边是首要、发展中国家是基础、多边是重要舞台].” He nonetheless

managed to consolidate his authority on the home front with his resolute, nuanced, and effective skills to balance major power groups in China – Jiang Zeming’s Shanghai faction, Hu Jintao’s Youth League group, the ambitious “princelings,” the increasingly disenchanted intelligentsia, and the powerful military – in a few months after assuming his role as the Chinese Communist Party (CCP) secretary general at the end of 2012. Xi is yet to prevail in the anti-corruption campaign that is essential for restoring the seriously eroded trust between the state/party and the society. The unprecedented scale and speed of the anti-corruption move, however, separated Xi from both Jiang and Hu, who spent most of their time trying to preserve the status quo.

Indeed, Xi was so confident at the onset of his 10-year reign that he began vigorously promoting the “China Dream” concept, which is defined as the pursuit of national prosperity, national rejuvenation, and the happiness of the people. The concept has been scrutinized and rationalized in China, while being dismissed by many in the West. The definition of the “dream,” however, does not have any traces of communism and/or the communist party. By no means does Xi’s “China Dream” dump the CCP. The “China Dream” implies that the CCP is a vehicle for national rejuvenation. In this respect, Xi appears very similar to Putin, who has been seen as a staunch Russian patriot and nationalist, for better or worse.

In his speech to students and faculty members of the Moscow State Institute of International Relations on March 23, Xi not only brought up the notion of the “China Dream,” but took a step further by claiming that “We will achieve the China Dream, not only for the benefit of the Chinese people, but also for the people of all countries.” It remains to be seen how Xi’s “China Dream” would be shared with the Russians. The visiting Chinese president, however, infused a considerable dose of optimism-plus-realism in his audience by quoting Russian writer Nikolay Chernyshevsky (1828–89), who is also very popular in China: “[T]he road of history is not the walkway on the Nevsky Prospect. It moves forward entirely out in the open. Sometimes it passes through dust. Sometimes it passes through mud. Sometimes it crosses swamps. Sometimes it passes through jungles.” Whatever the outcome, Xi told his audience that “[a] prosperous and strong Russia is in line with China’s interests and also benefits peace” and that the Sino-Russian relationship “is the most important bilateral relationship in the world and it is the best great power relationship.”

Xi’s portrait of the bilateral relationship was no exaggeration. Shortly after his speech, Xi became the first foreign head of state to visit the Russian Ministry of Defense and the Command Center of the Russian Armed Forces, including its Strategic Missile Forces and Special Forces. The visit was arranged at Putin’s suggestion, according to Xi, who was accompanied by newly appointed Defense Minister Gen. Chang Wanquan. Xi and his party were briefed, presumably through instant communication, by Russian naval commanders from the high seas, regional commanders, and CEOs of Russian military-industrial companies. Russian Defense Minister Sergei Shoigu remarked that Xi’s visit indicated the high level and special characteristics of the bilateral relations. Chinese media also reported that the two sides discussed and reached agreement on China’s purchase of a large quantity of Russian arms (24 *Su-35s* and four *Lada*-class submarines). Some Russian “insiders,” however, dismissed the authenticity of such reports, and claimed that the two sides were still working on the issue at a preliminary stage. Regardless, the two sides are working on the largest military sales in the past 10 years.

BRICS with momentum

Three days after their Moscow summit, the Chinese and Russian presidents met again in Durban, South Africa for the 5th annual summit of BRICS countries (Brazil, Russia, India, China, and South Africa). This time, Beijing and Moscow were better prepared for their common position on BRICS development. In their joint communiqué issued in Moscow on March 22, Xi and Putin stated:

The two sides will strive to push the BRICS leaders' meeting in Durban to take cooperation among BRICS countries to a new level and support BRICS countries in gradually becoming a mechanism for *dialogue and cooperation on major world economic and political issues* (emphasis added). The two sides emphasized the vital importance of comprehensive and practical cooperation within the framework of BRICS countries, and that includes support for the Business Council's work, exploring a development bank and a foreign exchange reserves pool, and continuing cooperation in science and technology, agriculture, health, and other important livelihood areas.

The theme of the 5th BRICS Summit was "integration and industrialization." Perhaps the most important achievement was an agreement to set up a BRICS development bank, a \$100 billion Contingent Reserve Arrangement (CRA), a business council, and a think tank council. The operating specifics of the bank and CRA are yet to be worked out by experts groups, which could take considerable time and energy, but the path toward the final goal is now open.

This was the first time that the BRICS held their summit in Africa and agenda was therefore heavily Africa-oriented, reflecting both the prospects and problems of this vast and largely underdeveloped continent. BRICS leaders also reached broad consensus on jointly dealing with major global and regional issues including reform of the international monetary and financial systems, promotion of global development, and management of global crises and conflicts. The policy preferences reflect the broad thinking on international affairs in Beijing and Moscow.

The exact shape and impact of BRICS on the world stage are widely debated. Already, this loose grouping of newly industrialized countries now account for 50 percent of the world's economic growth, 42 percent of the world's population, 30 percent of the world's territory, 20 percent of the world's GDP (\$14.9 trillion), 15 percent of global trade and \$4 trillion in combined foreign reserves as of 2013. If the current trajectory continues, even at a slower pace, BRICS' share of the global economic pie will continue to grow. BRICS has repeatedly claimed that the group is not a counterweight to existing institutions such as the World Bank and International Monetary Fund. Instead, it seeks a "complementary rather than rival role" in international economics. Regardless, the West's perception of the BRICS mechanism has largely been negative. Joseph Nye's "BRICS Without Mortar" (April 8, 2013) and Dani Rodrik's "What the World Really Needs from the BRICS" (April 15, 2013) highlighted the inherent difficulties within BRICS due to their huge differences. Both authors are from Harvard, and both pieces were published in the *Moscow Times*, a rather anti-Putin daily.

In comparative terms, the BRICS countries have taken, and will continue to take, more pragmatic and effective steps toward specific goals set by their top leaders at the annual summit.

Since its inception at the Yekaterinburg (Russia) summit in 2009, considerable traction has been developed in the institutionalization of the BRICS. In just one year between the 2012 New Delhi summit and the 2013 Durban summit, several ministerial meetings were held in the areas of foreign affairs, security, finance, trade, health, and central bank governors. Additionally, the BRICS fifth Academic Forum, fourth Business Forum and third Financial Forum were all carried out over the past year. Based on this line of thinking and BRICS own track record, the Durban summit decided to apply more “mortar” onto the BRICS’ structure. The “Action Plan” of the Durban summit declaration, for example, specified an even more ambitious list of functional meetings, totaling 18, in the following year prior to the Brazil summit in 2014.

One advantage of the BRICS is its economic focus, which allows its member states to avoid more sensitive “high politics” (security, etc.). Another feature of the BRICS is its wide geographic dispersion that prevents the group from developing any geostrategic dimension against any established groups, most of which are dominated by the West. Finally, the three non-Western democracies (Brazil, India, and South Africa) and one “less Western” democracy (Russia) within BRICS have been far more accommodating in dealing and working with the non-Western, non-democratic and secular China than their Western counterparts who insist the criterion of “sameness” in group/alliance configuration. These factors, among others, perhaps explain the relatively rapid institutionalization of the BRICS.

Since Beijing and Moscow have their own preferences regarding the construct, operation, and future trajectories of the BRICS. The Durban summit and its emphasis on African development are perceived by Beijing as a huge opportunity for more balanced and more convenient economic interactions between China and Africa. With China’s huge financial clout, BRICS would serve as a very useful vehicle for China’s long-term economic interests. BRICS is not intended to displace the existing economic infrastructures dominated by the West, into which China has immersed itself. Rather, it would open new spaces for China’s development beyond the West and where Beijing would have more say in rule creation and enforcement. Beijing’s financial power, however, may or may not be directly translated to China’s influence in BRICS operation. The huge and still growing disparity between China and other BRICS members – China’s GDP is larger than the combined GDP of the four other BRICS members – will require considerable fine-tuning of the use of China’s power in both symbolic and substantive issues of the BRICS. In his speech at the summit, Xi Jinping spelled out China’s goal as “peace, development, cooperation and win-win outcome” for both the BRICS and for Africa. Xi also paid official visits to Tanzania, South Africa and the Republic of Congo, during his trip to the BRICS summit.

While China’s goal for BRICS is largely economic, Russia seems to seek more opportunities to advance its strategic and political agendas. An internal assessment of Russia’s role in the BRICS, which was disclosed prior to the summit, envisioned Russia’s “strength” regarding BRICS in its “political and military might” vs. China’s strength in economics, Brazil’s ecological resources potential, India’s demographic and scientific potential, and South Africa as a gateway to Africa. Russia, accordingly, would find opportunities to exercise its “negotiating potential.” Within BRICS, Russia should use its power and authority to “stimulate” BRICS members “to overcome their disputes” in territory, natural resources, climate change, trade, etc. Russia’s ultimate goal is to prepare for the transition to a “polycentric world order” from the “US hegemony” that has been obsessed with “removal of undesirable regimes.”

Back to the “arch of instability”

Xi’s Eurasia-Africa “pivot,” along with Putin’s Africa “pivot,” barely hid a strategic fact of life: the peripheries of China and Russia have been in crisis. Instability in Afghanistan, which has become a permanent feature of the war-torn country, is expected to further deteriorate with the pending NATO/US pullout in 2013. The Korean Peninsula has been rocked by a series of crises between North Korea and the US-led allies. Last if not least, the civil war in Syria seems to have reached a point of no return with Western intelligence claims that the Assad regime “crossed the red line” by using chemical weapons against the rebels.

The final configuration of a post-NATO-US Afghanistan is still far from clear, which largely depends on the situation in that country as well as US domestic politics. It is precisely the uncertainty regarding the future of Afghanistan that affects its neighbors, especially member states of the Shanghai Cooperation Organization. Despite repeated efforts by the Obama administration to cast the pending withdrawal as a victory, retreat is considerably more difficult and trickier than getting into a conflict. Worse, the Taliban is apparently playing a waiting game and is not in a hurry to work with anyone for a post-NATO arrangement. The Russians, perhaps more than anybody else, understand the inherently unpredictable nature of getting out of Afghanistan. Going back to the mid-20th century, the disastrous outcome of the British decolonization of the sub-continent, which was brilliantly captured by Penderel Moon in *Divide & Quit* (1962), immediately led to wars between India and Pakistan.

Against this backdrop of heightened anxiety and uncertainty, a series of meetings was held in the first few months of 2013 among SCO members about the future of Afghanistan. In February, a trilateral meeting was held in Moscow between representatives of Russia, China, and India. Despite their different interests in Afghanistan, all three powers intend to see a stable and secure Afghanistan. Both China and India have huge investments there (\$3 billion and \$2 billion, respectively), while Russia wants to make sure that its traditional sphere of influence in Central Asia is not seriously affected by the spillover from the withdrawal and an almost inevitable power vacuum in its aftermath. During the Moscow trilateral meeting, India and China agreed to start their own bilateral talks on Afghanistan.

On April 3, diplomats from China, Russia, and Pakistan held the second round of consultations on the Afghanistan issue in Beijing. The dialogue was chaired by Director General of the Asian Affairs Department of the Chinese Ministry of Foreign Affairs Luo Zhaohui and attended by a Russian delegation led by Special Representative of the President of the Russian Federation for Afghanistan Zamir Kabulov and Additional Secretary of the Ministry of Foreign Affairs of Pakistan Syed Ibne Abbas.

On April 11, India and China held the sixth counterterrorism talks in Beijing that yielded an “in-depth exchange of views and opinions on international and regional counterterrorism issues,” particularly regarding post-NATO Afghanistan. A week later, the two sides officially launched the India-China dialogue on Afghanistan in Beijing at which India’s Additional Secretary (Pakistan, Afghanistan and Iran) of the External Affairs Ministry Y. K. Sinha met Chinese counterpart Luo Zhaohui.

The Afghanistan-centered diplomatic maneuvering culminated in April 26 when the Istanbul Process held its third ministerial meeting in Almaty, Kazakhstan. More than 50 high-level delegations, including many member states of NATO and groups of nations, joined the meeting to map out post-NATO Afghanistan. The third round of the Istanbul Process produced a great amount of publicity and support around the world, at least on paper. The substance of the meeting, however, is that the West is to wash its hands and other inputs are needed to manage the war-torn country. The impact of the withdrawal would be felt more immediately and strongly by Afghan neighbors, most of which are SCO members/observers. The fourth round of the Istanbul Process will be held in China in 2014.

While Afghanistan remains a “future” issue with many uncertainties, the Korean Peninsula and its neighbors were shaken by a series of crises beginning on Dec. 12, 2012 when North Korea launched a satellite into space. The resulting UN sanctions resolution passed on Jan. 22, 2013 and was reciprocated by North Korea’s more hostile rhetoric and actions including a nuclear weapon test on Feb. 12, withdrawing from the 1953 Armistice agreement on March 13, withdrawing workers from the Kaesong Industrial Complex on April 3, warning all foreign countries to evacuate their embassies and tourists on April 9, and demanding recognition as a nuclear state as prerequisite for dialogue on April 23. Throughout this period, the US and its allies carried out large-scale and almost non-stop military exercises, including *B-52* and *B-2* flyovers of South Korea. Former Japanese Defense Minister Ishiba Shigeru went as far as to state that Japan had the right to deliver a preemptive strike against North Korea. If this was not enough, a Japanese official in Osaka mistakenly e-mailed 87 Japanese airports that a North Korean missile had been launched, though the intended message was about a magnitude 6.3 earthquake that occurred in western Japan.

Both China and Russia strongly protested North Korea’s nuclear test immediately after it occurred. Two days later, Chinese and Russian foreign ministers talked over the phone. Beijing and Moscow supported March 7 UN resolutions condemning the test, calling for peaceful, diplomatic, and political settlement of the current situation and a resumption of the Six-Party Talks. They opposed further economic sanctions against North Korea, calling for a return to the negotiating process. On March 14, Deputy Foreign Minister Igor Morgulov and Special Representative for Korean Peninsula Affairs Wu Dawei held consultations in Moscow. They expressed their “joint opinion” that the tension must not be allowed to escalate and that it was necessary to settle nuclear and other issues of the Korean Peninsula using political and diplomatic approaches. The next day, SCO Secretary General Dmitriy Mezentsev issued a statement that “The SCO member-states are strongly in favor of the soonest possible resumption of the Six-Party Talks on the Korean Peninsula’s nuclear problem, unconditional fulfillment by the DPRK of the UN Security Council resolution requirements and it rejoining the Nuclear Nonproliferation Treaty.”

Despite the strong opposition to North Korea’s moves, China and Russia were in a diplomatic and strategic dilemma. For many analysts in Russia and China, Obama’s “strategic impatience” toward North Korea contributes, at least partially, to the cycle of crisis on the Korean Peninsula. Pyongyang’s bellicose rhetoric, no matter how rational from North Korea’s perspective (drawing US attention), has made Northeast Asia the most dangerous place in the world. Worse, the

Korean crisis is being exploited by Japan to shake off the decades-long constitutional constraints imposed by the US. Most Russian analysts agreed that Russia has “surrendered, and perhaps should, the Korean issue to China. Nevertheless, “[I]n the current situation, nobody can influence North Korea, not even China,” remarked one Russian analyst in early April. For both Moscow and Beijing, there has been a growing “North Korea fatigue” syndrome lately. “Pyongyang has made a living of such blackmail for 20 years now, having successfully mastered the part of beggar with a stick,” remarked Georgiy Kunadze, who was Russian ambassador to South Korea in 1994-1997.

Blaming Pyongyang, however, would not defuse the current crisis. The real danger in the eyes of China and Russia may well be triggered by accidents as both sides are playing chicken with demonstrative uses of force, though nobody seems ready, or willing, to jump into a real war. Sixty years after the guns along the 38th Parallel fell silent, is the “sour little war” (the words of W. Averell Harriman), or “police action” (Harry Truman) that killed millions in three years really forgotten?! If Stalin and Mao indeed were in a position to switch on and off the Korean War 60 years ago, Xi and Putin appear to have little influence over Kim Il Sung’s grandson Kim Jong Un, whose seemingly reckless behavior has led to the ironic outcome of keeping the Americans in, Chinese and Russians out, South Koreans down and Japanese up (though unintentionally). Welcome to the brave new game of 21st century geopolitics, in which the “shrimp” teases the “whales.”

What comes next: between dreams and nightmares

It is a cliché to describe Beijing and Moscow as sharing the same bed but with separate dreams, but the analogy may still be relevant for Russian and Chinese postures within the SCO and BRICS. It misses, nonetheless, the fact that Russia and China are now far more different than at any time in their history: Russia is Western, Christian and, democratic (no matter how some in the West dismiss this) and China remains Asian, Confucian, and communist. I am not necessarily ignoring the similarities between the foreign policies of the two powers, which have set aside ideology in the pursuit of pragmatism. Both strive for a more balanced and nuanced, and less confrontational world in terms of both power and cultural/civilizational configurations. In this way, Moscow and Beijing do share “dreams” (policy preferences) in broad terms, but definitely from separate “beds” (their domestic attributions).

For the time being, however, both have a lot of nightmares about Korea, which makes the Iranian nuclear issue a far less stressful matter for Moscow and Beijing. The Syrian civil war, however, is getting to a dangerous point as the West claims the Assad government used chemical weapons (a “red line” for the Obama administration); the US decided to double aid to the opposition to \$250 million, including non-lethal supplies such as communications equipment, body armor, night vision goggles and vehicles; and Israelis carried out air strikes against Syria. This immensely complicated and confusing Syrian civil war is being fought between conservatives and radicals, Shiite and Sunni, royalists and republicans, Islamo-monarchists and Arab nationalists, pro-Western and anti-Western forces, Russia and the US, Al-Qaeda-Salafist fanatics and more secular mainstream oppositions, centralized modern Arab states and the forces of fragmentation along ethnic, religious, sectarian and tribal lines. Once these diverse forces are set in motion in Syria, the end game will probably be quicker, though nobody can know, let alone

control, the fallout (just look at Iraq, Afghanistan, Libya and, to a lesser degree, Egypt). One thing, however, seems certain: most of the interstate conflicts in recent Arab history occurred in summer: the 1948 war, the June 1967 war, the 1982 invasion of Lebanon, the 1990 invasion of Kuwait, etc. For both Moscow and Beijing, the next few months will be crucial to see if the Syrian civil war assumes a regional dimension.

Chronology of China-Russia Relations January – April 2013

Jan. 8-9, 2013: Russian Security Council Secretary Nikolai Patrushev and Chinese State Councilor Dai Bingguo hold the eighth round of strategic security consultations in Beijing.

Jan. 10-11, 2013: Third meeting of BRICS (Brazil, Russia, India, China, South Africa) senior representatives on security issues is held in New Delhi. China's State Councilor Dai Bingguo and Russian Security Council Nicolai Patrushev join the meeting.

Jan. 27-30, 2013: Wu Bangguo, chairman of the Standing Committee of the National People's Congress, attends 21st annual meeting of the Asia-Pacific Parliamentary Forum in Vladivostok by invitation of Valentina Matviyenko, chairwoman of Russia's Federation Council.

Feb. 14, 2013: Foreign Minister Yang Jiechi talks by telephone with Russian counterpart Sergey Lavrov about the North Korean nuclear test and the situation on the Korean Peninsula.

Feb. 20-22, 2013: Foreign Minister Yang Jiechi visits Moscow and meets counterpart Sergei Lavrov and President Vladimir Putin to discuss the pending visit of Xi Jinping and other issues.

Feb. 22, 2013: President Xi Jinping meets Shanghai Cooperation Organization's (SCO) new General Secretary Dmitry Mezentsev and calls for better development of the organization.

March 14, 2013: President Putin congratulates Xi Jinping as China's new president. Putin and Xi also pledged to continue their personal contacts.

March 18, 2013: China's new Premier Li Keqiang and counterpart Dmitry Medvedev talk over the phone and agree to promote bilateral cooperation. Medvedev congratulates Li on his endorsement as premier. Li invites Medvedev to visit China in the second half of the year for the 18th prime ministerial talks.

March 22-24, 2013: President Xi Jinping visits Russia at the invitation of President Putin. They join a ceremony to open the Year of Chinese Tourism in Russia.

March 26-27, 2013: Fifth BRICS Summit is held in Durban, South Africa. Chinese President Xi Jinping and Russian President Putin participate in the annual meeting.

April 15-17, 2013: Russian First Deputy Prime Minister Igor Shuvalov visits China with a group of Russian businessmen and meets Vice Premier Zhang Gaoli in Beijing.

April 22, 2013: President Xi talks over the phone with President Putin about the strong earthquake in Sichuan's Lushan and offers to provide China with all the necessary assistance.

April 23, 2013: President Putin appoints former First Deputy Foreign Minister Andrei Denisov as Russia's Ambassador to China. He was first deputy foreign minister since April 2006.

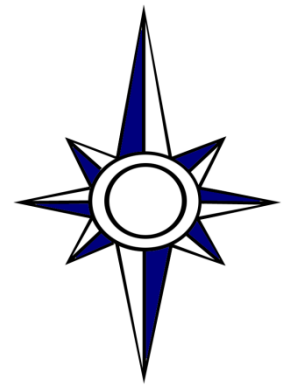
April 26, 2013: Turkey officially becomes the SCO's third dialogue partner after the signing of a memorandum granting the status in Almaty by Turkish Foreign Minister Ahmet Davutoglu and SCO Secretary General Dmitry Mezentsev.

April 25-26, 2013: Chinese State Councilor Guo Shengkun visits Moscow and meets Security Council Secretary Nikolai Patrushev and other officials.

April 27, 2013: SCO Security Council secretaries hold their eighth meeting in Bishkek.

Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



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In recent years, Asia-Pacific regionalism has been spurred by increasing economic integration but pulled apart by territorial tensions. For the most part, these two trends have proceeded on separate paths with only occasional intersection. However, security dynamics are likely to increasingly influence regionalism as China rises and the US attempts to “pivot” more of its foreign policy to Asia, and that could exert a greater impact on economic cooperation. ASEAN continues to serve as a base for regional organizations, but in 2012, under Cambodia’s chairmanship, questions were raised about whether that center could hold. The group seems to have steadied this year with Bruneian leadership, but 2014 will present new challenges when Myanmar makes its debut as ASEAN chair. ASEAN’s goal to complete the blueprint for the ASEAN Free Trade Area in 2015 puts additional pressure on the group. On a broader regional plane, the Trans-Pacific Partnership (TPP) has expanded in recent months with the addition of Japan, Mexico, and Canada but their entry into negotiations may push the completion date further back. Meanwhile, the launch of negotiations for the ASEAN-based Regional Comprehensive Economic Partnership (RCEP) in late 2012 raises fears of a bifurcated landscape for the Asia-Pacific region into US and Chinese economic “spheres of influence.”

Regional integration

Since 1970, when South Korea called for an Asian Common Market, economic integration has been an episodic but elusive goal in the Asia-Pacific region. For most of these four decades, Cold War political divisions and territorial disputes, as well as serious discrepancies in levels and structures in the region’s economies, rendered that goal all but impossible. These problems continue to hamper regional economic integration – and Asia-Pacific regionalism in general – but the overall political will to address them has strengthened in recent years. This new determination has brought with it awareness that if regional integration is to succeed it must go beyond economic cooperation and include political and security cooperation, although these areas lag significantly behind economic arrangements. However, as the number of regional institutions and actors increases, tensions among the regional powers and even among ASEAN member states threaten this new-found regional unity.

One hallmark of this new era of regionalism is an emerging, if tacit, consensus that the region is defined as Asia-Pacific, rather than solely East Asia. This sets aside, for the time being, the debate launched in 1993 when then-Malaysian Prime Minister Mahathir proposed an East Asian Economic Caucus that would exclude the United States and Australia. In contrast, the East Asia Summit (EAS), the ASEAN-based annual leadership forum, now includes the US, Russia,

Australia and India. Ironically, Malaysia is currently negotiating entry into the Trans-Pacific Partnership (TPP) based in the Asia Pacific Economic Cooperation (APEC) group.

This shift can be attributed to new concern over rising regional powers, which has renewed support for a US security presence in some quarters, and to the Obama administration's more forward-leaning position on the region. While the administration of George W. Bush was more inclined to leave resolution of this debate to Asia, Obama did not hesitate in declaring US interest in participating in, and helping to shape, Asia-Pacific regional organizations. Whether Beijing embraces this view of a broader Asia-Pacific region is open to questions.

Expanding multilateralism in the Asia-Pacific region can also be attributed to ASEAN's continued role as a regional anchor. The group continues to foster broader regional structures, such as the EAS, the ASEAN Regional Forum (ARF), and the ASEAN Defense Ministers Meeting-Plus-Eight (ADMM+). But ASEAN's internal structures are also evolving, with the blueprint for the ASEAN Free Trade Area (AFTA) and the adoption of the ASEAN Declaration on Human Rights. Moreover, Myanmar's reform process and opening to the international community have stimulated multilateralism; prior to these shifts, the country was an obstacle to expanding ASEAN's relations with the United States and the European Union.

South China Sea challenges to ASEAN unity

The first ASEAN Summit for 2013, held in Brunei April 25-26, was a studied attempt to shore up ASEAN unity after a tumultuous year for the group in 2012 when Phnom Penh, that year's chair, resisted putting Southeast Asia's disputes with China over the South China Sea onto meeting agendas. Even though Brunei put maritime security at the top of the summit agenda, it only marginally improved ASEAN internal cohesion on this issue and did little to move the group toward a Code of Conduct (CoC) with Beijing on the South China Sea. Nevertheless, Brunei has declared that the negotiation of a Code is a goal of its chairmanship this year.

Beijing's responses to ASEAN overtures on a CoC have been uneven. Although China generally prefers to approach territorial disputes with Southeast Asia on a bilateral rather than multilateral basis, Chinese officials have offered more accommodating rhetoric at times. In particular, in recent months when tensions between China and Japan over the Senkaku/Diaoyu Islands have flared, Beijing has turned a cooperative face toward ASEAN on South China Sea issues. In January 2013, Indonesia Foreign Minister Marty Natalegawa announced that ASEAN and China would meet informally to advance negotiations on a COC; Philippines Foreign Minister Alberto del Rosario made a similar announcement in April. To date, the meeting has not been held but as the July ARF approaches, Beijing may attempt to deflect direct discussion on the South China Sea at that larger forum by holding a pre-emptive meeting with ASEAN.

The divisions within ASEAN laid bare by the South China Sea disputes with China are increasingly apparent. Vietnam and the Philippines are the most active claimant countries, while Malaysia's geographic position makes it less likely to engage in skirmishes with Chinese vessels. Brunei, the other Southeast Asian claimant, is resource rich itself and is not actively pressing its claim. Of non-claimant maritime countries, Indonesia and Singapore have broader concerns about maritime security that increasingly include the South China Sea. ASEAN states with more

distant coastlines – Thailand, Cambodia, and Myanmar – are agnostic at best about confronting China over the South China Sea as, not surprisingly, is landlocked Laos. Although other ASEAN claimant countries are reassured by the priority Brunei has given SCS issues, they are likely to keep the upper hand on this issue. Beyond negotiating a COC, Manila is moving ahead with its claims against China is a Law of the Sea Tribunal.

Nor are South China Sea disputes the only pressure on ASEAN unity. Two bilateral conflicts have emerged in recent years: tensions between the Philippines and Malaysia over Filipino Muslim insurgents in Sabah, and the continued disagreement between Thailand and Cambodia over the Preah Vihear temple on their shared border. A decision on territorial issues surrounding Preah Vihear is expected from the International Court of Justice in October. An outright ruling for one country over the other could restart military conflict on the border and create internal instability in the loser, particularly if the Court rules against Thailand.

The ASEAN Human Rights Declaration: setting regional norms

The adoption of the ASEAN Human Rights Declaration in November 2012 also raised doubts about the ability of the inter-governmental group to establish an effective human rights regime. Not surprisingly, Western governments and watchdog groups were quick to express disappointment, over both the manner in which the declaration had been crafted and in its content. The ASEAN Inter-Governmental Human Rights Commission did seek some limited civil society input, and three of the region's democracies – Indonesia, the Philippines, and Thailand – conducted their own informal public consultations in advance of its release. However, Asian NGO's joined Western voices in finding this vetting insufficient.

Not surprisingly, the declaration gives equal weight to economic, social, and cultural rights, as well as political and civil rights, an echo of the "Asian values debate" of the 1990s. Stronger reservations were entered about the lack of enforcement mechanisms. ASEAN officials stress that the declaration is intended to be a "living document," and maintain that developing strategies for the protection and promotion of rights is a separate and sequential process. They also point out that the declaration is an indication of the current state of regional human rights norms in Southeast Asia, rather than a statement of the categorical ideal. These issues notwithstanding, the ASEAN Human Rights Declaration stands as the first and only regional, inter-governmental agreement on human rights and a potential step beyond the ASEAN principle of non-interference in the internal affairs of member states. In the near-term, however, the jury remains out on the declaration with low expectations of its impact.

ASEAN's incremental economic integration

The first 2013 ASEAN Summit approved the results of the Economic Ministers Meeting, which immediately preceded it and included reports indicating that region-wide compliance with the blueprint for the ASEAN Economic Community (AEC) was up slightly, to 77 percent. In recent months, considerable progress has been made in coordinating air transport and financial services in particular. However, ASEAN leaders worry that a year and half will not be sufficient time to complete the remaining 23 percent.

The AEC aims to create a single market and production base for ASEAN; harmonize services in four priority areas (air transport, internet connectivity, healthcare, and tourism); coordinate capital flows; facilitate the movement of skilled labor; create a common investment code; and reduce the development gap between ASEAN's wealthier and poorer members. The economic community proposal was launched in 1997 and was originally targeted for completion in 2020. However, in 2007 ASEAN leaders moved the deadline up to 2015, fearing that ASEAN would be left behind in the region's drive toward economic integration. Although ASEAN will not formally push back the completion date, there is tacit consensus that it will slip by one or more years. For less-developed economies such as Myanmar, Laos, and Cambodia, the challenge is in establishing new economic structures and regulations for the first time before they can harmonize them with the more prosperous ASEAN members under the AEC.

Although ASEAN could well miss its 2015 target date, economists urge the international community not to make the perfect the enemy of the good. Incremental progress toward the AEC will show benefits along the way. However, ASEAN is clearly challenged to get as much internal economic integration in place before broader regional trade regimes – such as the RCEP and TPP become operational.

Trade and investment

Indeed, the pace of regional economic integration in the Asia-Pacific has accelerated in recent years, although few of the new frameworks have reached completion. In 2012 and early 2013 the TPP expanded exponentially with the entry of Canada, Mexico, and Japan into the negotiations. Washington has urged other US treaty allies in Asia – South Korea, Thailand, and the Philippines – to consider entry as well. With a US-South Korea Free Trade Agreement already in operation, Seoul could presumably join the TPP in the near future. However, Manila and Bangkok are less likely candidates. The Philippines would be required to make constitutional changes to its investment law on foreign ownership, and there is little indication that President Benigno Aquino III is willing to launch a domestic dialogue on this issue. Thailand is still bruised by an unsuccessful attempt to negotiate a bilateral free trade agreement (FTA) with the United States in the mid-2000s. Although the Thai minister of Commerce indicated that Thailand would consider joining the TPP when President Barack Obama visited Bangkok in November 2012, even this level of interest seems to have abated.

Nor is it clear that the TPP will meet its current deadlines with the existing group of negotiators. The Obama administration hopes to have a final agreement in place by October 2013, at the APEC meeting in Bali. The entry this year of Japan, the world's third-largest economy, will make that more difficult. In addition, the administration must settle with Congress the renewal of the president's Trade Promotion Authority (TPA), which lapsed in 2008. Without TPA in place, which would require Congress to vote on a TPP bill within 90 days without amendment, a signed agreement could languish in the US legislature for some time.

But two new regional trade regimes are emerging, neither of which includes the US at present. China, Japan, and South Korea have agreed in principle to commence discussions on a trilateral free trade agreement, but no concrete steps have been taken toward that objective. Given security tensions among these three countries, progress on this economic front will most likely

stall for the time being. A broader and more promising framework is the ASEAN-based RCEP, unveiled in Phnom Penh in November 2013. In addition to the 10 ASEAN member states, it will include China, Japan, South Korea, Australia, New Zealand, and India. RCEP would comprise the largest economic agreement in the world with \$19.7 trillion in combined GDP.

Apart from the obvious benefits of membership in this economic behemoth, RCEP is more inclusive and appeals to the smaller and poorer economies of the region. In contrast to the TPP, often described as a “high standards” agreement, RCEP would require less reform of the member countries’ financial, legal, and administrative structures. For example, Myanmar, Laos, and Cambodia have little hope of entering the TPP in the near term due to their low economic levels and because the APEC moratorium on new membership prevents their entry.

Partly because of these differences, the TPP and RCEP are increasingly viewed in the region as dueling trade agreements. The presence of the US and the absence of China in the TPP, and the mirror opposite in RCEP, also invite perceptions of US-China rivalry in the regional economic arena. Beijing has occasionally encouraged this view by charging the TPP with splitting the region and hinting that Southeast Asian TPP members and candidates (Singapore, Brunei, Vietnam, and Malaysia) are attempting to undermine ASEAN.

But if a TPP/RCEP rivalry exists, it is more likely political than economic. Although the security community is inclined to see the two economic frameworks as zero-sum, business – particularly big business – is not. If, for example, RCEP is able to develop common rules of origin or standardized Customs procedures across its membership, US corporations with multinational reach are likely to benefit.

However, the TPP/RCEP divides presents a diplomatic problem for the United States in its relations with ASEAN. In tacit acknowledgement of this, the US and ASEAN established the US-ASEAN Expanded Economic Engagement (“E-3”) Initiative at the US-ASEAN Leaders Meeting in Phnom Penh last November. Although the E-3 falls short of the US-ASEAN Free Trade Agreement often advocated by Southeast Asians, the E-3 is intended to prepare ASEAN countries that are not presently candidates for the TPP to seek entry at a future time. The initiative focuses on simplified Customs procedures and joint investment principles.

The longer road to multilateral security

When the Obama administration announced the US “pivot” to Asia in the fall of 2011, this foreign policy shift was intended to be comprehensive and include a new economic as well as security orientation to the Asia-Pacific region. However, international attention has focused more on the security aspects, to the exclusion of the economic and diplomatic ones. The rotation of a small contingent of US Marines through the Darwin base in Australia; the arrival of the first of our US littoral combat ships on rotation in Singapore in 2013; and ongoing discussions about an enhanced US presence in the Philippines have largely defined the “pivot” for many Asians.

Less attention has been paid to efforts to expand regional security cooperation. Although US-China faultlines can be traced in some of these new arrangements as well, they are less obvious than in the TPP/RCEP division. However, regional security regimes are likely to proceed at a far

slower pace than economic ones. To date, the only broad generalization to emerge from these tentative experiments in regional security is that cooperation on non-traditional security threats – particularly disaster relief and the delivery of humanitarian assistance – is more acceptable in the region than attempts to broaden more traditional patterns of military cooperation.

The most notable evidence of this is demonstrated by the emergence of the ARF Voluntary Disaster Response Exercises, inaugurated in 2009 by the Philippines and the US. Although the exercises have been intermittent at the discretion of the serving ASEAN chair (Vietnam chose not to conduct them in 2010), a third round will be held in Thailand later this month. Humanitarian and disaster components are now requisite elements of the annual *Cobra Gold* exercises, which include participants from Thailand, the US, South Korea, Indonesia, Japan, and Malaysia.

The acceptable landscape in regional security cooperation is also seen in the ASEAN Defense Ministers Meeting (ADMM) and ADMM+ structure (which includes China, Japan, Australia, New Zealand, India, South Korea, the US, and Russia). The ADMM process, launched in 2006, is the flagship element of the ASEAN Security Community. The ADMM+ process is an extension of the ASEAN structure and was inaugurated in Hanoi in 2010. ADMM meetings within ASEAN are held annually, while ADMM+ meets every three years (following the 2013 meeting, the ADMM+ will meet biannually). The potential inherent in the ADMM-process was demonstrated when then-US Secretary of Defense Robert Gates and Chinese Minister of Defense Liang Guanglie attended the first ADMM+ meeting in Hanoi in 2010. The next ADMM+ meeting will be held in Brunei this year.

Although the core value of the ADMM+ process is in security dialogue and confidence-building among the region's defense establishments, it is developing an operational arm through five Expert Working Groups, each co-chaired by an ASEAN state and a "Plus" partner. The groups cover counter-terrorism, maritime security, military medicine, disaster management, and peacekeeping operations. These groups not only signify broader regional interest in security cooperation but also growing consensus within ASEAN on the need for such cooperation. When Jakarta, as ASEAN chair, introduced the elements of a new ASEAN Security Community in 2002 they met with tacit opposition among the other member states.

Defense "talk shops" in the region did not originate with the ADMM+. Although the ARF has acted as a broad security dialogue since 1994, the annual Shangri-La Dialogue in Singapore draws 16 Asia-Pacific defense ministries and serves as the base for bilateral meetings on the sidelines. Although there were initial fears that the ADMM+ process would make Shangri-La redundant, there are few signs that the Dialogue, which is convened by the independent International Institute for Security Studies, is waning.

The *Cobra Gold* exercises, the largest and longest-standing military exercises in the world, have also emerged as a diplomatic as well as a security instrument. In the 2013 exercises, Thailand invited Myanmar to participate as an observer, which gave Naypyidaw greater access to several of the region's defense establishments, not least the United States.

The only common security organization to have emerged independently in the region is arguably the Shanghai Cooperation Organization (SCO), established in 2002 in the wake of the Sept. 11 attacks on the US. The SCO brought together China, Russia, and four Central Asian Republics (Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan) to coordinate counterterrorism strategies. Since then, the SCO has added regional development objectives to its mandate and has projects in transportation, energy, and telecommunications. Like other regional security organizations, the SCO also functions as a dialogue group. In 2012, it accepted Turkey, a NATO member, as a “dialogue partner” and also invites India, Pakistan, Afghanistan, Mongolia, and Iran as observers.

The SCO stands as an example of Chinese leadership in the security framework of Asia. However, its geographic range gives it little overlap with the Asia-Pacific security structures that are slowly emerging. Whether China emerges as a rival leader in such organizations as the ADMM+, or whether this ASEAN-based framework can blunt the edge of security rivalries in the region is unclear. However, current maritime tensions in the East China and South China Seas will eclipse these nascent efforts to build cooperative security regimes in the Asia-Pacific region for the time being.

Chronology on Asian Regionalism November 2011-May 2013

Nov. 12-13, 2011: APEC Leaders Meeting is held in Honolulu, where they pledge to curb rising protectionism. To set a more austere tone at a time of economic crisis, President Obama ends the APEC tradition of wearing identical costumes in the leaders’ “family photo.”

Nov. 18, 2011: ASEAN and China mark 20th anniversary of ASEAN-China dialogue relations.

Jan 15-Feb 17, 2012: The 31st annual *Cobra Gold* exercises held in Thailand with partners US, Thailand, Japan, South Korea, Singapore, and Malaysia, along with several observer countries.

Dec. 5-9, 2011: The 10th round of TPP negotiations are held in Kuala Lumpur.

June 1-3, 2012: Shangri-La Dialogue is held in Singapore. Twenty-seven high-level delegations and 16 defense ministers participate, but not Chinese Defense Minister Liang Guanglie.

June 6-7, 2012: Shanghai Cooperation Organization holds its 10th annual Summit in Beijing.

July 13, 2012: The 45th ASEAN Foreign Ministers Meeting ends in disarray without a joint statement, reportedly because of internal dissension over mention of disputes with China in the South China Sea.

Aug. 18, 2012: ASEAN Foreign Ministers issue a carefully worded statement of concern over conflict in Myanmar’s Rakhine state and offer humanitarian assistance. Although fulsome in its praise of Myanmar’s reform movement, the statement indicates a further erosion of the ASEAN principle of non-interference in the internal affairs of a member state.

Sept. 8-9, 2012: The 20th APEC Leaders Meeting is held in Vladivostok.

Oct, 8, 2012: Canada and Mexico announce that they will seek entry into the Trans-Pacific Partnership (TPP).

Nov. 19, 2012: ASEAN states formally adopt the ASEAN Human Rights Declaration.

Nov. 19, 2012: US and ASEAN hold the fourth ASEAN-US Leaders Meeting and commemorate 35 years of US-ASEAN relations. They announce the launch of the US-ASEAN Expanded Economic Engagement (E-3) Initiative.

Nov. 19, 2012: ASEAN Plus Three Summit in Phnom Penh commemorates 15 years of cooperation. The joint statement cites strengthening of the Chiang Mai Initiative Multilateralization Scheme and vows to boost food security but is silent on territorial issues within the group.

Nov. 20, 2012: East Asia Summit in Phnom Penh caps five days of meetings among ASEAN and its dialogue partners. President Obama's announcement of a US-Asia Pacific Comprehensive Partnership for a Sustainable Energy Future introduces a new regional initiative.

Nov. 20, 2012: ASEAN and its six external partners – China, Japan, South Korea, India, Australia and New Zealand – announce the launch of the Regional Comprehensive Economic Partnership (RCEP), which ASEAN hails as “the world's biggest free trade deal.”

Dec. 3-12, 2012: The 15th round of TPP negotiations are held in Auckland, New Zealand. Previous 2012 rounds include Sept. 6-15 (Leesburg, Virginia); July 2-10 (San Diego); May 8-18 (Dallas); and March 2-8 (Melbourne).

Dec. 20-21, 2012: ASEAN and India hold a Commemorative Summit to mark the 20th anniversary of ASEAN-India relations.

Feb. 11-28, 2013: *Cobra Gold* exercises are held in Thailand. For the first time, Myanmar participates as an observer.

Feb. 13, 2013: ASEAN states release a joint statement of concern for regional stability because of North Korea's underground nuclear test. Although Hun Sen, as ASEAN chair, offered to convene an ASEAN Troika to conduct shuttle diplomacy on the Korean Peninsula in 2003, the Northeast Asian parties have generally ignored such ASEAN gestures of concern.

March 4-13, 2013: The 16th round of TPP negotiations are held in Singapore.

March 13, 2013: ASEAN and the European Union complete their 12th round of consultations in Hanoi. The parties note that ASEAN-EU trade and investment are increasing by 12.6 percent and 7.6 percent respectively in 2011, despite the world economic downturn.

March 15, 2013: Japanese Prime Minister Abe Shinzo announces that Japan will enter into formal negotiations to join the TPP.

April 25-26, 2013: ASEAN completes the first of two summits for 2013, in Brunei. In contrast to 2012, maritime security issues are at the top of the agenda, although this only marginally improves ASEAN's internal cohesion on this issue.

May 2-3, 2013: The 26th annual ASEAN-US Dialogue is convened in Washington participants agree to move from an annual US-ASEAN Leaders Meeting to a US-ASEAN summit, to be held in Brunei in conjunction with the East Asia Summit this fall.

May 3, 2013: Finance Ministers from China and South Korea skip the ASEAN Plus Three consultation scheduled on the margins of an Asian Development Bank meeting held in India. A former Japanese official attributes the ministers' absence to "deterioration" in Japanese-Chinese and Japanese-South Korean relations.

May 6-7, 2013: The seventh ASEAN Defense Ministers Meeting is held in Brunei. Top agenda items include planning for the ASEAN Humanitarian and Disaster Relief Exercise and the ADMM+ version of this exercise.

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