



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



Comparative Connections



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

edited by

Brad Glosserman
Vivian Brailey Fritschi

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Pacific Forum CSIS

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

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A Quarterly Electronic Journal on East Asian Bilateral Relations

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

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

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

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by Brad Glosserman, Pacific Forum CSIS

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by Donald G. Gross, Akin, Gump, Strauss, Hauer & Feld

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by James J. Przystup, Institute for National Strategic Studies

Both Tokyo and Beijing looked for ways to advance cooperation. The ASEAN Plus Three framework provided one venue. North Korea provided another. Commercial and economic relations provided a third: two-way trade in the first six months of 2004, for the fifth consecutive year, hit a new high. But a series of events – resource exploration in disputed areas in the East China Sea, Chinese maritime research activities in Japan’s claimed Exclusive Economic Zone, and significant anniversaries, combined with Japan’s 3-1 victory over China in the China-hosted Asia Cup soccer tournament – helped to keep nationalist emotions high in both countries. Other issues of history, munitions abandoned by the Imperial Army in China, court decisions on compensation claims for wartime forced labor, and Taiwan also played into the relationship. It was not the best of times.

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by Victor D. Cha, Walsh School of Foreign Service, Georgetown University

Tokyo joined the ranks of cities bestowed with the dubious distinction of being threatened with being turned into a nuclear sea of fire by the DPRK. This rhetoric, often chalked up to harmless bluster, reflected real tension this quarter over a possible DPRK missile test and continued stalemates on the abductee dispute. Tokyo's relations with Seoul were capped this quarter by a summit. Good relations at the highest levels, however, still could not overcome history issues and potentially tectonic shifts in the character of relations. It is difficult to imagine that with foreign policy experience and a rational calculation of South Korean interests along the axes of political values, security needs, and economic transparency, that ROK lawmakers will not assign Japan a higher priority. Nevertheless, there is no denying that democratic consolidation has introduced a new dynamic in bilateral relations between Seoul and Tokyo.

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by Yu Bin, Wittenberg University

The third quarter produced a mixed record for China-Russia relations: military relations moved ahead, high-level exchanges were busy as usual, while economics continued to cloud China's "pipeline dream." The 10 years of talk of an oil pipeline from Russia's Siberia to northeastern China came close to an end in this quarter as Russia was finalizing a multibillion-dollar deal with Japan. Even an official visit to Russia by China's Premier Wen Jiabao in late September failed to reverse the tide. Internal dynamics affected both nations, though in different ways. In Russia, terrorist attacks shocked the nation. In China, Jiang Zemin finally released his hold on the 2.5-million person People's Liberation Army. Relations now await President Putin's scheduled visit to China. He will be greeted as a hero, a weathered but not withered statesman, albeit a tragic one.

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Regional Overview:

Global Posture Review: Is Washington Marching Out?

Ralph A. Cossa
Pacific Forum CSIS

The quarter began on a high note when along the sidelines of the region's foremost institutionalized multilateral security dialogue – the ASEAN Regional Forum (ARF) – a meeting between Secretary of State Colin Powell and his DPRK counterpart, Foreign Minister Paek Nam Sun, raised hopes of progress at the region's most critical ad hoc multilateral gathering, the six-party talks. Alas, the “agreement in principle” reached at last quarter's end – to engage in serious dialogue – this quarter deteriorated into name calling amid “complicating” revelations about earlier ROK nuclear experimentation, providing Pyongyang with yet another excuse to boycott the talks, presumably (goes the conventional wisdom) in hopes that regime change in Washington will work to its advantage. The first U.S. presidential debate, while focused on foreign policy (read: Iraq), did little to disabuse Pyongyang of this notion as neither candidate seemed fully conversant with his own policy statements on the Korean nuclear crisis, even while agreeing that the threat posed by nuclear weapons proliferation represented the greatest future threat to U.S. security.

The Korean Peninsula also fits prominently in the Pentagon's force realignment plans, although the greatest impact will be felt in Europe. President Bush, in a campaign speech before an influential veterans' group, revealed that, worldwide, some 60-70,000 U.S. forces currently based overseas would be brought home over the next decade as part of his administration's Global Posture Review (GPR). While few new details were released, it seemed clear that South Korea would bear the brunt of the changes in Asia (with no reduction in capabilities or commitment, the Pentagon was quick to add). Other Asian changes were forecast to be “not very dramatic,” regional headlines (“Marching Out Of Asia”) and Japanese anxieties (and, in some instances, high expectations) notwithstanding.

Elsewhere in Asia, democracy continued to march on, especially in Indonesia where the run-off election between incumbent President Megawati Sukarnoputri and challenger Gen. Susilo Bambang Yudhoyono resulted in another peaceful transition of power in the world's largest Muslim country. Meanwhile, the assembled ARF ministers confirmed their intentions to further institutionalize the ARF process, while repeating pledges to fight terrorism and the proliferation of weapons of mass destruction (WMD). In the

economic arena, preparations continued for this November's Asia-Pacific Economic Cooperation (APEC) Leaders' Meeting in Santiago, Chile.

Six-party talks: so much for 'Agreements in Principle'

Last quarter ended on a relatively optimistic note regarding the prospects for six-party talks following the tabling by the U.S. of a detailed proposal at the third plenary session in Beijing on June 23-26. It laid out the steps North Korea needed to take to dismantle its nuclear weapons program and, most significantly, what Washington and its allies were prepared to do in return. While all agreed "in principle" to hold a series of working group meetings and another plenary session during this quarter, Pyongyang once again demonstrated that agreements in principle were only as good as the principles of those doing the agreeing.

While the Chairman's Statement at the June meeting stressed support by all six parties – China, Japan, North and South Korea, Russia, and the United States – for "a step-by-step process of 'words for words' and 'action for action,'" Washington and Pyongyang seemed to have trouble getting past the "words for words" part this quarter. During a campaign speech in mid-August in Wisconsin, President Bush – never one for diplomatic nuance or niceties – made passing reference to North Korean "tyrant" Kim Jong-il. While few have earned this label more than North Korea's "Dear Leader," Pyongyang was quick to release an unprecedented (even from North Korea) stream of invectives in return, describing President Bush as an "imbecile," "political idiot," and "human trash," not to mention "a thrice-cursed fascist tyrant and man-killer" who "puts Hitler into the shade." The State Department allowed as how such terminology was "obviously inappropriate" but remained hopeful that the talks would not be derailed.

North Korea obviously thought otherwise, claiming the Bush insult "deprived [the DPRK] any elementary justification to sit at the negotiating table." Conventional wisdom argued that Pyongyang had already made up its mind to wait for the outcome of the November U.S. presidential elections before proceeding with any talks, given the Bush administration's continued insistence on CVID: the complete, verifiable, irreversible dismantlement of all North Korea's nuclear weapons programs, including their clandestine uranium enrichment program (an effort Pyongyang allegedly admitted in October 2002 but now denies).

Washington had refrained from uttering this acronym at the June talks, but Assistant Secretary of State James Kelly, the senior U.S. representative at the talks, made it clear in early July testimony before the U.S. Congress that CVID remained the ultimate U.S. goal. (President Bush's main challenger, Sen. John Kerry, is also on record supporting a "comprehensive agreement that will completely, irreversibly, and verifiably end North Korea's nuclear weapons program.")

"Complicating" ROK Nuclear Revelations. If Pyongyang was looking for more excuses to put off coming back to the negotiating table, Seoul provided them with revelations this quarter that a few ROK scientists, operating without government

approval, had done some uranium enrichment experimentation of their own four years ago. In a commendable effort to demonstrate (admittedly belated) nuclear transparency, Seoul also acknowledged some limited plutonium-based experiments in 1982. The North subsequently announced that it could not proceed with the six-party talks since “the foundation for talks has been destroyed” as a result of Seoul’s secret nuclear experiments and Washington’s “double standards regarding the nuclear issue.”

China regrettably reinforced Pyongyang’s argument by noting that the South’s nuclear experiments were a “complicating factor.” In an attempt to get the talks back on track, however, Beijing then hinted that South Korea’s nuclear transgressions could be discussed at the next plenary session, an idea that Seoul promptly rejected. (In this author’s view, rather than dismiss these demands, Seoul would be better served by asking Beijing to schedule a round of talks as soon as possible to permit the ROK to present a full briefing on its clandestine programs, while also inviting a representative from the IAEA to come and share its findings as well . . . and then challenge Pyongyang to follow its example.)

Seoul’s embarrassing revelations could actually provide a way out of the crisis for North Korea if it so chooses. If renegade scientists can be blamed for Seoul’s transgressions, certainly a similar group of “renegades” could be discovered in the North as well; recall a similar excuse was used in 2002 when Pyongyang confessed to the abduction of Japanese citizens. Diplomatic niceties (and a desire by all sides to move forward) would result in acceptance of almost any North Korean excuse if the end result was full disclosure by Pyongyang of its uranium and plutonium-based programs.

Speaking of full disclosure, Pyongyang came one step closer to officially declaring a nuclear weapons capability at quarter’s end when DPRK Vice Foreign Minister Choe Suhon told reporters at the annual UN General Assembly meeting that “we have already reprocessed 8,000 wasted fuel rods and transformed them into arms.” When pressed, he affirmed that the spent fuel had been “weaponized.” Spinmeisters in Seoul quickly proclaimed that Choe’s remarks were “merely repetitions of previous rhetoric,” making one wonder just what Pyongyang has to say (or do) to convince Seoul that it has gone down the path of no return.

Bush-Kerry Debate: Clear on Iraq, Fuzzy on Korea. The first presidential debate, on foreign policy and homeland security, was almost exclusively about Iraq. When the topic of Korea was finally touched upon, both tried to stress their differences, despite their common CVID objective.

In response to the question as to whether he supported bilateral or six-party talks with Pyongyang, Sen. Kerry stated “both.” He then proceeded to talk exclusively about the need for direct dialogue with North Korea, without once mentioning that – as clearly stated in his official pronouncements – this bilateral dialogue should occur within the context of the six-party talks, not as a separate initiative. Kerry dismissed President Bush’s repeated assertion that bilateral talks would drive the Chinese away from the table, saying “Just because the president says it can’t be done, that you’d lose China,

doesn't mean it can't be done . . . China has an interest in the outcome too." In fact, Beijing – like Seoul, Moscow, and even Tokyo – has long encouraged Washington to deal directly with Pyongyang; at the last round of talks, such a side discussion actually occurred between the U.S. and North Korea, much to China's (and everyone else's) delight.

By repeatedly pledging that his administration would not discuss the problem one-on-one with the North because "it's precisely what Kim Jong-il wants," President Bush seemed to contradict his own negotiators. The key question, avoided by the president and barely touched upon by Sen. Kerry, is: would direct dialogue between Washington and Pyongyang, within the context of the six-party talks, enhance or detract from the accomplishment of the CVID objective? Before the debate, it seemed that the Bush administration's answer to this question had shifted to a cautious "yes." Now, those (especially in the ROK) suspicious of President Bush's commitment to a diplomatic solution, have new fuel for their fire.

(South Koreans are also upset that President Bush once again neglected to mention the ROK's contribution to the war in Iraq – the third largest foreign troop presence after the U.S. and UK. A similar oversight during President Bush's speech at the Republican Convention in early Sept. caused an uproar in Seoul. Live and learn?)

Challenging the Conventional Wisdom. Is all hope lost for another round of talks prior to the U.S. presidential elections? Perhaps, but history and logic (to the extent that logic is ever a factor on Korean-related issues) could argue otherwise. There are good reasons why both Washington and especially Pyongyang may be willing to cut a deal – or at least establish the framework for one – prior to Nov. 2. The U.S. reason is simple: a settlement that achieves the minimum U.S. objective – a verifiable end to North Korea's nuclear weapons programs – defuses a potential major campaign issue. But, Pyongyang can also best achieve its ultimate objective – regime survival – by moving forward before November.

North Korean leader Kim Jong-il is a master of brinkmanship politics. But he is not suicidal. With the U.S. bogged down in Iraq, Pyongyang has been given a free pass to misbehave and stonewall and continue its game of playing all sides against one another. But the pass is not open-ended, and what may be brinkmanship in October could become Russian roulette in November if President Bush wins a second term and regime change advocates in Washington gain the upper hand.

While the North may think (falsely, in my view) that it would get a better deal from a Kerry administration than from a Bush administration, it should also realize that it stands a better chance of getting Washington to take "yes" for an answer in October – when even the worst of the neocons would feel compelled to accept any halfway reasonable offer from Pyongyang – than after a successful reelection campaign. If a Bush victory appears likely, it would not be out of character for Pyongyang to suddenly become more responsive and to put forth at least a marginally acceptable counter-proposal in the weeks just prior to the Nov. 2 election. The pressure will then be on the Bush administration to

deal constructively with Pyongyang or to explain to a war-weary American electorate why it won't take "yes" for an answer.

U.S. military transformation: what it means for Asia

Regardless of Pyongyang's intentions or actions, the Bush administration seems intent on moving ahead with its post-Cold War military transformation. In mid-August, President Bush announced significant planned cuts in the number of U.S. forces based overseas. Over the next 10 years, President Bush told the U.S. Veterans of Foreign Wars, 60-70,000 U.S. forces (and some 100,000 military family members and civilian Defense Department employees) currently based in Europe and Asia would be brought home. Increased U.S. mobility and force projection capabilities and dramatic changes in the nature of the post-Cold War threat would allow such reductions without any lessening of U.S. combat capability or Washington's commitment to its overseas allies. The force reductions, President Bush asserted, would make the U.S. military "more effective at projecting [its] strength and spreading freedom and peace." They would allow U.S. troops to "surge quickly to deal with unexpected threats."

Such assurances aside, the president's announcement has created undue anxiety in some corners (and perhaps unrealistic expectations in others). Despite its obvious domestic political motivation – presented during a heated presidential campaign to an influential veterans group – the announcement actually reflects the culmination of three years of careful analysis by a Pentagon team that continues to attach high priority to "military transformation." This was one of Defense Secretary Donald Rumsfeld's top objectives, before Sept. 11, 2001 and the self-inflicted distraction of the Iraq War and its messy aftermath caused Pentagon priorities to shift elsewhere. With President Bush's first term drawing to a close, there is a sense of urgency in the White House and Pentagon to get the new post-Cold War military framework firmly in place, even if its implementation is years away (and no doubt subject to further negotiation and adjustment).

While details regarding the planned reductions are still sketchy, White House and Pentagon officials have assured their overseas partners that the effort has been and will continue to be closely coordinated with "all affected countries": "This is something we're doing with allies, not that we're doing to allies," an administration spokesperson proclaimed. Based on information received thus far, the planned reductions appear to impact Europe much more than Asia. Two U.S. Army heavy divisions will be brought home from Germany' a move that was long overdue, according to one senior Pentagon spokesman. Keeping forces in place that were originally deployed to fight a nonexistent Soviet Union "would be a victory for inertia over strategic rationality," said one of the plan's chief architects, Under Secretary of Defense for Policy Douglas Feith.

Feith laid out the some basic principles underlying the Global Posture Review in Congressional testimony in late June, by describing what the GPR is not about:

- "We are not aiming at retrenchment, curtailing U.S. commitments, isolationism or unilateralism."

- “We are not focused on maintaining numbers of troops overseas. Instead we are focused on increasing the capabilities of our forces and those of our friends.”
- “We are not talking about fighting in place, but on our ability to move to the fight.”

Anticipated changes in Asia, beyond those already announced for the Korean Peninsula, would be “not very dramatic.” Feith argued (in an Aug. 19 *Washington Post* editorial) that there was a “compelling rationale” for some modest East Asia redeployments, focusing on the need to move ROK-based forces out of downtown Seoul – “plucking a thorn out of South Korea’s flesh” – and into more efficient “hubs” to allow them to better respond to threats “from North Korea or anyone else.”

As part of the GPR, some 12,500 troops (out of 37,500 Korea-based forces) are scheduled to depart the Peninsula over the next few years; 3,600 have already left for duty in Iraq. It should be noted that the ROK government is in agreement with the redeployments. Its current complaint is not over how many or where, but when – South Korean authorities have asked (repeatedly and publicly) that the timetable be extended until the security situation on the Peninsula is further clarified. While the need to look at a post-Cold War (and post-Sept. 11) military structure is readily apparent, it is important to remember that the Cold War has not yet ended on the Korean Peninsula; North Korea’s current nuclear saber-rattling provides an all too obvious reminder of this fact. At quarter’s end, the Pentagon was beginning to show some flexibility, indicating the redeployment of some key weapons systems and support troop could be delayed. Final details are expected when both sides meet in late October for their annual Defense Consultative Talks. [*Note: On Oct. 6, DoD agreed to stretch out the troop cuts over the next four years, rather than by the end of 2005, as originally planned.*]

President Bush noted that even after the redeployments, “we’ll still have a significant presence overseas.” Today, over 230,000 U.S. troops are stationed abroad, not counting the 150,000 additional troops “temporarily” deployed to Iraq (which are not included in or affected by the broader plan). Roughly 25,000 appear destined to remain on the Korean Peninsula, serving a vital “reassurance” mission – the term “tripwire” is no longer in vogue.

While not yet specified, only modest adjustments are expected in Japan, where more mobile U.S. forces (mostly naval, air, and marine) already have a regional response capability. In fact, most of the rumors associated with Japan troop realignment suggest mere shifting of forces from one location (Okinawa) to another (Japanese Self-Defense Force bases on the main islands) or headquarters’ swaps: there is talk of moving the Army’s I Corp Headquarters to Camp Zama from Washington State while the Fifth Air Force Headquarters at Yokota may be combined with the Thirteenth Air Force Headquarters in Guam. All this remains extremely tentative, however. Negotiations – not only between Washington and Tokyo, but also within the Pentagon and between the administration and the Congress – are far from completed.

U.S. not “Marching Out of Asia.” Alarmist headlines aside – the *Far Eastern Economic Review* headline read “Marching Out Of Asia” while its cover proclaimed “America Pulls Back its Troops”– it is the intrusive U.S. military footprint and not regional capability or commitment that is being reduced. Nor is the GPR intended to be the “beginnings of the end of the [U.S.-ROK] alliance,” as a recent IISS *Strategic Comments* analytical article speculated. The GPR’s overriding objective is to sustain, not devalue, existing alliances, in order to lay the groundwork for a sustained overseas military presence, albeit at reduced levels and with more flexible, rapid response forces.

While bases in Guam and Hawaii are likely to play an increasingly important role as the “hub” or “lily pad” strategy unfolds, so too will current bases in Asia. Okinawa is particularly important, for three reasons: location, location, location. While some efforts will no doubt be made to reduce the defensive burden of the Okinawan people – as noted, some modest relocations from Okinawa to existing Japan Self-Defense Force bases on mainland Japan are reportedly being considered and the move from Futenma Airbase to a less populated area on Okinawa has long been approved and (one hopes) will eventually occur – U.S. Japan-based forces (like those operating out of Singapore) are already better situated to support the new strategy than those located in Europe or the Korean Peninsula. This is why the changes in Korea will be aimed at creating a more flexible, less intrusive, more sustainable presence, and changes elsewhere in Asia will be “not very dramatic.”

Summer Pulse: rumor control needed

In addition to planning for the future, the Pentagon seemed intent on testing (and displaying) the U.S. Navy’s ability to surge forces in response to a crisis in the here and now. Over the course of several months (early June through late August), in an exercise codenamed “Summer Pulse ‘04,” the navy put a total of seven aircraft carrier groups out to sea in various locations throughout the globe, to test its new operational construct, the Fleet Response Plan (FRP). According to the navy, the FRP is about “new ways of operating, training, manning, and maintaining the Fleet that result in increased force readiness and the ability to provide significant combat power to the President in response to a national emergency or crisis.” The objective was to “validate the maritime power that the U.S. can bring to bear throughout the world in short order, and highlight the inherent flexibility of our naval forces to adapt to the changing security environment.”

Impressive as this readiness exercise was, it would likely not have made the pages of *Comparative Connections* had it not been for a spate of irresponsible journalism. The rumors began, as they all too frequently do, in the Taiwan press where the exercise was described as seven carrier battle groups operating simultaneously off the coast of China “to send Beijing a message.” Other regional papers were quick to repeat the erroneous story. The icing on the cake was the (falsely) reported participation of Taiwan naval forces in the exercise, which (predictably) caused strong protests from Beijing.

The Chinese were not the only ones to overreact without checking the facts (readily available on the U.S. Navy’s website). Longtime Pentagon critic Chalmers Johnson choose to accept every unsubstantiated rumor as the gospel truth and wrote an

inflammatory op-ed article (published in the usually reputable *Los Angeles Times*), claiming that the Pentagon's "modern rerun of 19th century gunboat diplomacy" taking place "off the China coast near Taiwan" demonstrated that "our foreign policy is increasingly made by the Pentagon." "And why would DoD be doing this?" you might ask. Johnson had a simple answer: "These ideologues appear to be trying to precipitate a confrontation with China while they still have the chance."

In fact, the exercise was global in nature, spread across the seven seas (well, five of them anyway). An exasperated navy spokesman pointed out that the Eastern Pacific ships "aren't in range of anyone other than Canada and Mexico!" (One shudders to think what Johnson will make of this revelation.) Nor were Taiwan naval forces involved in any aspect of the exercise. Nonetheless, for most of the quarter, U.S. officials and security specialists were busy putting out brush fires caused by this irresponsible reporting. The fact that the reports, which strained credibility, were so readily believed in so many quarters in China (and elsewhere in Asia, not to mention being reported in many reputable newspapers) also demonstrates that while China-U.S. relations may be "the best ever," suspicions remain over Washington's (and especially the Pentagon's) intentions – suspicions that the bad reporting seemed intent on exacerbating.

Elsewhere in Asia, democracy marched on

2004 has been an election year throughout Asia and several key elections took place this quarter, and a few more are pending. None was more closely watched and potentially significant than the exercise in democracy that took place twice this quarter in the world's fourth most populous nation, Indonesia.

Peaceful Transition in Indonesia. As anticipated, a run-off became necessary in Indonesia when none of the candidates in the July 6 presidential election garnered the necessary 50 percent of the votes. Democracy and the rule of law prevailed when former army chief of staff Wiranto – whose Golkar Party had won the most seats in the April parliamentary election – went quietly into the night (after mild protests) following his close third-place finish against the final two candidates, incumbent President Megawati Sukarnoputri and her former security chief Gen. Susilo Bambang Yudhoyono (SBY). While official certification of results from the Sept. 20 run-off election were not expected before Oct. 4, SBY (as he is commonly referred to) was the clear winner, with over 60 percent of the votes in what international observers proclaimed to be a fair, honest, surprisingly peaceful exercise of democracy. On Oct. 20, another peaceful transition of power should occur in the world's third largest democracy as SBY becomes Indonesia's first directly elected president.

Keeping with its long tradition, the world's largest Muslim country will again be lead by a tolerant, secular government, although SBY's ability to govern will be contingent on building a coalition in an opposition-dominated People's Consultative Assembly, where SBY's new Democratic Party controls only 57 seats (compared to 109 for Megawati's Indonesian Democratic Party of Struggle Party (PDI-P) and 128 for Wiranto's Golkar Party). Rebuilding Indonesia's shattered economy will be high on SBY's priority list, as

he has pledged to battle corruption and attract foreign investment. The Sept. 9 bombing of the Australian Embassy in Jakarta reveals that much remains to be done in the antiterrorism field as well.

Relations between Washington and Jakarta are expected to improve under SBY, who is committed to restoring closer military-to-military ties, in various states of limbo for over a decade due to human rights concerns. The general is a walking advertisement for the program, having twice attended military schools in the U.S. (at Fort Benning in 1972 and at the Army Command and General Staff College at Fort Leavenworth in 1990, one of the last years during which such an opportunity existed for Indonesian military officers).

Hong Kong: Something for everyone. Another closely watched Asian election took place in Hong Kong, where an unprecedentedly high number of citizens (55.6 percent of registered voters) went to the polls to directly elect 30 members of the 60 seat Legislative Council (LEGCO); the other 30 seats were elected by smaller groups representing various professions and industries. While this was an improvement over the 24 seats open for direct election in 2000, democracy advocates have been pushing for direct election of all 60 seats, something seemingly promised for 2007 before Beijing choose to reinterpret the Basic Law (see last quarter's discussions).

Beijing came away from the elections generally happy (and relieved) as pro-Beijing parties won the majority of seats. The opposition Democratic Party won 18 of the direct seats and 7 of the seats selected by professional and industry groups, improvement over the 22 seats they previously held but well below their expectations (or at least hopes). Beijing and its Hong Kong allies ran a successful campaign, using a combination of patriotism (sending athletes fresh from their Olympic victories to put on demonstrations in Hong Kong), economic incentives (dangling the prospects of a free trade agreement), sensationalism (arresting several prominent Democrats for various financial and sexual improprieties), and intimidation (several military parades and pressures on prodemocracy radio talk show hosts).

The Democrats sent strong signals of their own, including a July 1 demonstration involving some 400,000 Hong Kong residents expressing dissatisfaction with the efforts by Beijing and the Special Administrative Region's Beijing-backed Chief Executive Tung Chee-Hwa to delay or derail the democratic process in Hong Kong. While Tung had made it clear that he reserved the right to reintroduce a highly-controversial stringent internal security law in the LEGCO – the source of even larger demonstrations a year ago – after the election he announced that there were no immediate plans to reintroduce this legislation, perhaps giving both sides a respite after an emotional campaign season.

Japan: Koizumi Survives. Upper house elections took place in Japan in early July. While largely symbolic – real power rests with the Diet's lower house – such elections frequently serve as referendums for the prime minister; in 1998, Prime Minister Hashimoto Ryutaro was forced to resign following a disastrous performance by his Liberal Democratic Party (LDP) in that year's upper house contest. While this year's election resulted in significant gains for the opposition Democratic Party of Japan – it

went from 38 to 50 seats, largely at the expense of minor parties (especially the Communist Party) – and the LDP fell short of its own predictions – a net loss of one seat rather than a gain of one seat as forecast – Prime Minister Koizumi said he saw no need to resign.

Iraq was a major issue in the campaign, with the Democrats firmly opposed to Koizumi's decision to put "boots on the ground" there, but domestic issues, to include the LDP's controversial national pension reform bill (pushed through the Diet in June) were the major factor behind the LDP's relatively poor showing.

Mongolia: From Stalemate to Compromise. After three months of stalemate following a close and contentious June election in which the opposition Democratic Coalition won 36 seats out of 76 in the Great Hural (Parliament) – as opposed to four seats before the election – a new coalition Cabinet was approved Sept. 27, with Democratic Coalition leader Tsakhiagiin Elbegdorj becoming prime minister and former prime minister and Mongolian People's Revolutionary Party chief Nambaryn Enkhbayar being named speaker of the Great Hural. How well the two parties will be able to cooperate and jointly govern remains to be seen.

Malaysia: Anwar Returns, but Can He? There were no elections in Malaysia this quarter but it is easy to make the case that Prime Minister Abdullah Badawi's landslide victory in March's national elections made possible this quarter's big news event in Malaysia – the surprise release from prison of former Deputy Prime Minister Anwar Ibrahim. Given the ruling United Malays National Organization's (UMNO) overwhelming mandate, Abdullah Badawi seemed confident enough in his own popularity and ability to govern to allow the judicial process to proceed unimpeded, resulting in an Aug. 31 decision by the Malaysian Federal Court to overturn Anwar's dubious August 2000 conviction for sodomy. The U.S. was quick to applaud the action as "a victory for the rule of law and the judicial process in Malaysia."

It was not all good news for Anwar, however. In a separate decision, the Court refused to hear an appeal of his April 1999 corruption conviction – he had already served his time for this offense – making him ineligible to run for public office before 2008. Anwar was quick to point out, however, that even if the law prevented him from holding public office, "you can be very active politically," expressing his intention to do just that. Whether he can regain his previous popularity remains a big unknown, however. The possibility also exists for a pardon from the king, but a spokesperson for the opposition Justice Party (led by Anwar's wife) said this was not likely since "asking for a pardon is an admission of guilt" and Anwar "has not done anything wrong." Of course, Anwar might accept a pardon "initiated by the government or royalty," but there were no signs that Abdullah Badawi was feeling that generous (or over-confident). (For an excellent analysis of this event and its implications, see Lena Kay, "Anwar is not the Answer," *PacNet* No. 41 [<http://www.csis.org/pacfor/pac0441.pdf>].

Australia: Economy vs. Iraq. The election season is still not over in the Asia-Pacific region. Next up is Australia's national elections, where three-time incumbent Liberal

Party leader John Howard, age 65, seeks a rare fourth term against a considerably younger (43), fiery, left-leaning Labor Party leader Mark Latham. Howard's ruling Liberal/National Party coalition only enjoys an eight-seat margin in the House of Representatives; the party that holds the majority here holds the government. The election, at quarter's end, was still too close to call, but the trend was clearly leaning in Howard's direction. With Australia enjoying solid economic growth and his challenger being a relative newcomer with no ministerial experience and a penchant for inflammatory comments, one would have thought the race would be much easier, but Latham has made Howard's unqualified support for the hugely unpopular war in Iraq a major campaign issue, promising to bring all Australian troops home by Christmas if he is elected.

Multilateralism also marches on, largely unnoticed

The ASEAN Region Forum (ARF), the region's premier multilateral security forum, convened at the ministerial level at the beginning of the quarter, although press coverage focused more on the side meeting between Secretary Powell and Foreign Minister Paek than on the main event itself. The Shanghai Cooperation Organization (SCO) also held a largely ignored summit this quarter, and several Asia-Pacific Economic Cooperation (APEC) meetings were held in preparation for the annual APEC Leaders Meeting, which will be convened in Santiago, Chile in late November.

Modest ARF Institutionalization Underway. On July 2, the assembled ARF ministers confirmed their intentions to further institutionalize the ARF process, while repeating annual pledges to fight terrorism and the spread of weapons of mass destruction through ARF Statements on "Strengthening Transport Security Against International Terrorism" and a "Statement on Non-Proliferation." The ministers were "encouraged by and supported" the establishment of "an ARF Unit" within the ASEAN Secretariat to serve as a *de facto* ARF Secretariat. The new unit would "regularly update the ARF Register of CBMs and serve as the repository of ARF documents." The ARF Unit will also provide logistical, administrative, and other assistance to the rotating ARF Chair, to assist "in carrying out the mandates outlined in the paper on the Enhanced Role of the ARF Chair." The ministers also "appreciated" the publication of an updated Register of Experts/Eminent Persons" and agreed to adopt the Guidelines for the Operation of the ARF EEPs.

After several years of resisting expansion, Pakistan was officially welcomed as the ARF's 24th participant and second from South Asia (after India). Pakistan and Japan were also recognized for their accession to ASEAN's Treaty of Amity and Cooperation (TAC), following India and China's accession at their respective ASEAN Plus One summit meetings last October. The ministers also endorsed a Chinese proposal to establish a defense officials forum at the deputy minister level under ARF sponsorship. The first meeting, hosted by Indonesia, will take place in China this fall, with subsequent meetings being convened back-to-back with the annual ARF Senior Officials Meeting (SOM), hosted by the ARF Chair.

At last year's ministerial, a fairly strong (for ASEAN) statement was issued urging Burma "to resume its efforts of national reconciliation and dialogue among all the parties concerned leading to a peaceful transition to democracy," while also noting that the ministers "looked forward to the early lifting of restrictions placed on Daw Aung San Suu Kyi and the NLD members." This year, the ministers "recalled and emphasized the continued relevance" of last year's statement and "underlined the need for the involvement of all strata of Burmese society in the on-going National Convention," while urging Rangoon to "take every action that will add substance to the expression of its democratic aspiration." As noted previously in these pages, ASEAN faces a moment of truth in 2006 when Burma is scheduled to task over the ASEAN Chair, since several ARF members, specifically including the United States, have said they will not send senior officials to any meetings there unless significant steps have been taken to institute democratic reform (including, of course, the release of Aung San Suu Kyi and other National League for Democracy leaders).

Other Meetings of Note. Multilateral cooperation in Central Asia continued apace this quarter with Shanghai Cooperation Organization (SCO) heads of government meeting in late Sept in Bishkek, Kyrgyzstan for a summit meeting aimed at boosting economic cooperation and strengthening joint efforts to fight against terrorism, separatism, and extremism. The first SCO Defense Security Seminar was also held in Beijing in late July. In addition, the U.S., ROK, and Japan held another Trilateral Coordination and Oversight Group (TCOG) meeting in Tokyo Sept. 10-11 to help prepare joint positions in advance of what turned out to be a nonexistent round of six-party talks. APEC finance ministers also met in Santiago, Chile in early Sept, as did APEC senior officials later that month, to lay the groundwork for the Nov. 20-21 APEC Leaders' Meeting. Tackling corruption looks to be among the meeting's priorities following an APEC meeting of government anticorruption experts in Santiago on Sept. 25. Earlier in the quarter, the fourth APEC Counter-terrorism Task Force meeting was held in Singapore in July.

Steady economic progress; continuing concerns about overheating*

Most East Asian countries saw steady progress in consolidating their economic recoveries this quarter, with 2004 GDP growth in the region forecast to reach 7 percent, on par with 2004, the best year after the financial crisis. The risks of overheating in China have not abated, however, and rising oil prices will scale back growth for 2005. The quarter closed with continued attention to China's currency liberalization, as senior Chinese officials prepared to meet their G-7 counterparts on Oct. 1 for the first time. Meanwhile, the IMF was openly urging China – and the rest of Asia – to adopt flexible currency regimes now.

Economic Assessment and Forecast. The bi-annual assessments by the Asian Development Bank (ABD) and International Monetary Fund issued in late September agree that economic growth rates will be higher in 2004 than in 2003, with a slowdown

* Pacific Forum Director of Programs Jane Skanderup was a major contributor to the economics section.

expected in 2005 due to higher oil prices. Growth rates have been raised by half a percentage point for Japan, Hong Kong, Malaysia, the Philippines, Singapore, and Taiwan, while growth in Cambodia, Indonesia, and South Korea continues to lag. The ADB notes that for the first time since the Asian financial crisis, business investment in most Southeast Asian countries shows a marked revival, reflecting improvement in nonperforming loans, low interest rates, and higher capacity utilization. With the expected slowdown in China yet to materialize, export growth has remained robust.

“Afloat” in Currency Issues. China is expected to receive increased pressure to move toward a floating currency when PRC officials attend their first G-7 Finance Ministers Meeting in Washington in early October. In the run-up to this meeting, Premier Wen Jiabao reiterated that China would move in a “steady and appropriate” manner toward a flexible currency regime. From a global standpoint – and U.S. elections aside – there are arguments for China to ease the yuan from its dollar peg sooner rather than later. On Sept. 30, IMF Managing Director Rodrigo Rato openly urged China for the first time to move to a more flexible exchange rate now, while its economic growth was strong. Rato argued that China does not need to wait to bolster its banking system or give up capital controls, and that exchange rate flexibility would help it to better fight inflation and prevent overheating. In fact, IMF economists argue, all Asian economies would benefit from greater exchange rate flexibility, since this would help correct global current account imbalances that many international economists believe are unsustainable.

New (bird) flu fears

Finally, brief mention should be given to fears of another regional pandemic, this time caused by avian influenza, a fowl-borne disease that has killed or resulted in the preventive destruction of millions of chickens and other domesticated and wild fowl across wide areas of Asia this year. Some 30 people have also died from the H5N1 virus this year (out of 42 infected) in Vietnam and Thailand. Until late September, all cases were believed to involve individuals who had contracted the disease through direct handling of infected fowl. In late September, however, a 26-year old woman in Thailand who had cradled her dying 11-year old daughter in her arms, became infected and died in what is feared to be the region’s first case of human-to-human transmission this year. While Thai health officials have said “there is no evidence to suggest that the virus has mutated or re-assorted,” World Health Officials have expressed concern since this could indicate “the beginning of more widespread transmission, a so-called sustained transmission of an influenza virus in humans which could lead to the global spread of this virus.” Researchers at Hong Kong University also noted that the virus is more active at cooler temperatures, and with cooler winter weather approaching, “we should be prepared particularly for bigger problems in the months ahead.”

Regional Chronology July-September 2004

July 1-2, 2004: ASEAN Regional Forum (ARF), ASEAN Plus Three, and various ASEAN Plus One ministerials take place in Jakarta, Indonesia; DPRK foreign minister meets separately with U.S. and ROK counterparts.

July 1, 2004: Hong Kong protesters mark one year anniversary of protests against the central government's proposed new security laws and demand more democracy.

July 3, 2004: Ralph Cossa and Louanne Petronio exchange wedding vows in Adirondacks ceremony.

July 3-4, 2004: Russian FM Sergey Lavrov visits Seoul and Pyongyang.

July 6, 2004: Presidential elections in Indonesia inconclusive as no candidate gets 50 percent of vote; run-off scheduled for top two finishers on Sept. 20.

July 7, 2004: U.S. withdraws offer of \$30 million in aid to Mindanao development because of Moro Islamic Liberation Front (MILF) failure to cooperate in the peace process.

July 7-9, 2004: National Security Adviser Condoleezza Rice visits Japan, China, and South Korea; in Beijing, she rebuffs demands for an end to U.S. arms sales to Taiwan; explains the Bush administration is willing to help establish a dialogue between Beijing and Taipei.

July 8, 2004: 16th annual Australia-U.S. ministerial discussions in Washington, D.C.

July 8, 2004: President Bush signs legislation renewing import restrictions contained in the 2003 Burmese Freedom and Democracy Act.

July 9, 2004: U.S. journalist Paul Klebnikov is murdered in Moscow in front of the Forbes Magazine office.

July 9, 2004: Japanese DPRK abductee, Soga Hitomi, is reunited with husband, alleged U.S. Army defector Sgt. Charles Jenkins, and their two daughters in Jakarta.

July 10, 2004: Singapore's Deputy PM Lee Hsien Loong makes unofficial visit to Taiwan.

July 11, 2004: Japanese upper house election results in significant opposition party gains.

July 11-16, 2004: A 10th round of South-North Korea family reunions is held at Mt. Kumgang.

July 14, 2004: Philippine government formally announces early pullout of its 51-man humanitarian mission from Iraq following demands by the captors of Philippine hostage Angelo de la Cruz; State Department says U.S. is “disappointed.”

July 16, 2004: The U.S. and Mongolia conclude a bilateral Trade and Investment Framework Agreement (TIFA).

July 16, 2004: Former U.S. chess champion Bobby Fischer detained in Japan; awaits possible deportation to U.S. where he has been charged for playing 1992 chess match in Yugoslavia in violation of a U.S. ban.

July 18, 2004: Sgt. Jenkins and family arrive in Tokyo for medical treatment.

July 18-29, 2004: Approximately 250 U.S. military troops and 85 soldiers from the Singapore Armed Forces participated in “Tiger Balm 2004” exercise in Texas.

July 19, 2004: Malaysian PM Abdullah Badawi visits Washington, meets President Bush and Secretary Powell.

July 19, 2004: Philippines completes pullout of troops from Iraq, following hostage takers demands.

July 19, 2004: Tokyo announces 2006 as a deadline to quit the International Whaling Commission.

July 19, 2004: Chinese authorities release Jiang Yanyong, the military doctor who exposed China’s SARS cover-up, after seven weeks in custody.

July 20, 2004: Philippines hostage Angelo de la Cruz released in Iraq.

July 20, 2004: Indonesia, Malaysia, and Singapore sign agreement for joint patrols in the Malacca Strait to combat piracy.

July 21, 2004: U.S. House of Representatives approves North Korea Human Rights Act.

July 21, 2004: Under Secretary of State Bolton, in Seoul speech, cites Kim Jong-il’s decisions as “the primary obstacles to development and prosperity in North Korea.

July 21 Chinese Vice FM Zhang Yesui says China has enacted regulations to control exports of nuclear, biological, chemical, and missile technologies, and is willing to join the Missile Technology Control Regime (MTCR).

July 21-28, 2004: Adm. Thomas Fargo, commander of the U.S. Pacific Command, visits China, Guam, Mongolia, and Japan.

July 22, 2004: PM Koizumi-President Roh hold one-day summit in Jeju, South Korea, and release statements calling for Seoul-Tokyo cooperation in resolving North Korea nuclear dispute.

July 22-31, 2004: Shanghai Cooperation Organization (SCO) holds first Defense Security Seminar in Beijing;

July 23, 2004: Seoul and Washington agree on transfer of troops and bases in South Korea, as part of the realignment of U.S. forces.

July 23, 2004: Under Secretary Bolton visits Tokyo, says, “A speedy dismantlement of North Korea’s nuclear weapons program is possible if the Pyongyang regime makes the decision to do so.”

July 24, 2004: U.S and China sign landmark air services agreement that doubles flights between the two countries.

July 26, 2004: U.S. and Indonesia sign “Open Skies” aviation agreement.

July 27-28, 2004: Over 460 North Korean refugees are flown to South Korea from an unnamed third country.

July 28-Aug. 2, 2004: The *USS Curtis Wilbur* Arleigh Burke-class destroyer visits Danang, Vietnam.

July 30–31, 2004: Fourth meeting of APEC Counter Terrorism Task Force in Singapore.

Aug. 2, 2004: 2nd Brigade of U.S. 2nd Infantry Division deploys from Seoul to Iraq.

Aug. 3, 2004: South Korea expresses regret at the DPRK’s failure to participate in ministerial talks in Seoul and urges Pyongyang to reschedule the meetings. Pyongyang protested the arrival of 460 “kidnapped” North Korean refugees in the South.

Aug. 3, 2004: President Bush signs legislation implementing United States-Australia Free Trade Agreement (FTA).

Aug. 5, 2004: Japanese government approves distribution of 125,000 tons of food aid to the DPRK.

Aug. 5, 2004: Container Security Initiative expands operations in Japan, with customs officers to be deployed to ports of Nagoya and Kobe.

Aug. 7, 2004: Manila and Washington reaffirm alliance against global terrorism after disagreeing about the Philippines’ early withdrawal of forces from Iraq.

Aug. 7, 2004: Chinese soccer fans create disturbance in Beijing following China's defeat to Japan in the Asia Cup final. Over 5,000 police are dispatched.

Aug. 9, 2004: Kansai Electric nuclear power plant cooling pipe bursts, killing four employees; no radiation leakage reported.

Aug. 13, 2004: Athletes from both Koreas march together in the opening ceremony of the Athens Olympic Games; as in Sydney in 2000, they compete separately.

Aug. 13, 2004: U.S. military helicopter crashes at university campus in Ginowan, Okinawa, no casualties.

Aug. 14, 2004: Secretary of Defense Rumsfeld visits Moscow.

Aug. 15, 2004: Four Japanese Cabinet ministers visit Yasukuni Shrine, China protests.

Aug. 15, 2004: In a Liberation Day speech, marking 59 years of ROK independence, President Roh issues call for DPRK to end its nuclear weapons program.

Aug. 16, 2004: In a speech before the Veterans of Foreign Wars in Ohio, President Bush announces that 60,000-70,000 troops will return to the U.S. from bases in Europe and Asia over the next 10 years.

Aug. 17, 2004: U.S. announces that customs officers will be deployed to the ports of Laem Chabang, Thailand and Tanjung Pelepas, Malaysia.

Aug. 19, 2004: ROK Uri party chairman Shin resigns following revelations that his father was a collaborator during Japan's 1910-1945 occupation of Korea.

Aug. 20, 2004: Secretary Rumsfeld says the U.S. expects to have a limited ability to defend against incoming long-range ballistic missiles by the end of 2004.

Aug. 21, 2004: ROK news agency *Yonhap* reports DPRK leader Kim Jong-il's wife died of a heart attack in early August.

Aug. 23-25, 2004: *KCNA* pronounces President Bush a "fascist tyrant" and "human trash," and says the DPRK "can no longer pin any hope on the six-party talks."

Aug. 23-Sept. 3, 2004: U.S. and ROK hold annual "Ulchi Focus Lens" exercises to test readiness for military emergencies on the Korean Peninsula; North protests.

Aug. 24, 2004: Tokyo agrees to deport Bobby Fischer to the U.S.

Aug. 25, 2004: Two Russian airliners crash within minutes of each following departure from the Moscow airport; explosives found amid wreckage.

Aug. 29, 2004: President Chen stops in Honolulu, Hawaii enroute to Latin America.

Aug. 31, 2004: At least 10 people are killed and more than 50 wounded in an explosion outside a Moscow subway station.

Aug. 31, 2004: DPRK recalls its ambassador to Vietnam to protest its role in the airlift of over 460 North Korean refugees to South Korea; Hanoi neither confirms nor denies its involvement.

Aug. 31, 2004: Malaysian high court calls evidence used to convict Former Malaysian Deputy PM Anwar of sodomy “unreliable,” orders his release (on Sept. 2) from jail after six years.

Sept. 1, 2004: Armed militants seize a school in Beslan, southern Russia.

Sept. 1, 2004: Seoul and Taipei sign an aviation agreement to reopen regular airline services for first time since 1992.

Sept. 1, 2004: Philippine President Gloria Macapagal-Arroyo arrives in China for a three-day state visit.

Sept. 2, 2004: ROK discloses to the IAEA that government scientists enriched a small amount of uranium four years ago.

Sept. 3, 2004: Asia-Pacific Economic Cooperation (APEC) finance ministers meet in Santiago, Chile.

Sept. 3, 2004: Siege of Russian school ends when Russian troops storm the school following a series of explosions; over 300 killed, 700 wounded.

Sept. 3, 2004: Taiwan President Chen has transit stop in Seattle on his return to Taipei.

Sept. 7, 2004: NATO and Russia agree to boost cooperation in the fight against terrorism following attacks in Russia.

Sept. 8, 2004: Gen. Baluevsky, chief of Russia’s general staff, says Russia is ready to attack terrorist bases anywhere in the world.

Sept. 9, 2004: South Korea admits to conducting plutonium research in the early 1980s.

Sept. 9, 2004: Bobby Fischer wins case allowing delay in deportation to the U.S.

Sept. 9, 2004: Car bomb explodes outside the Australian Embassy in Jakarta, kills 10 and injures 212.

Sept. 10, 2004: Under Secretary Bolton calls for a full international probe into Seoul's enrichment of nuclear material, "saying we will not allow a double standard in terms of how we treat the violations."

Sept. 10, 2004: Taiwanese investigators announce three are charged in connection with the shooting of President Chen following the discovery of homemade bullets similar to those used in the March assassination attempt.

Sept. 10, 2004: Under Secretary Bolton visits Geneva, says the Conference on Disarmament should continue negotiating a Fissile Material Cut-Off Treaty, but that verification should not be included in the treaty.

Sept. 10, 2004: A high-level delegation from China led by Li Changchun (member of the Party Standing Committee) visits Pyongyang. Separately, UK Foreign Office minister Rammell visits Pyongyang to propose a new dialogue on its nuclear weapons program and human rights record.

Sept. 10-11, 2004: TCOG meeting in Tokyo.

Sept. 11, 2004: South Korea confirms massive explosion in North Korea near Chinese border several days earlier but dismisses possibility it was a nuclear test.

Sept. 11, 2004: Alleged Korean War deserter, Sgt. Charles Jenkins, surrenders to U.S. authorities in Tokyo.

Sept. 12, 2004: Hong Kong LEGCO elections; pro-Beijing parties retain majority.

Sept. 13, 2004: President Putin orders changes to Russia's election rules limiting the number of political parties and taking full control over nominating regional leaders.

Sept. 13-14, 2004: Asst. Secretary of State Kelly stops in Beijing after TCOG talks in Tokyo in an attempt to firm up dates for the six-party talks.

Sept. 14, 2004: Department of State praises talks between the Dalai Lama's special envoy, Lodi Gyari, and the Chinese government.

Sept. 15, 2004: Taiwan loses its 12th bid for representation in the United Nations.

Sept. 16, 2004: North Korea says it will not attend new round of six-party talks until Seoul discloses details of its nuclear experiments.

Sept. 16-20, 2004: Chinese Communist Party Central Committee holds 16th plenary meeting. President Hu Jintao calls for Parliament to take a stronger watchdog role, while calling for transparency and official accountability; former President Jiang Zemin retires from post as chairman of the Central Military Commission.

Sept. 17, 2004: Marriage “virus” continues to spread. Scott Snyder and SoRhym Lee are married in Seoul; who’s next?

Sept. 17, 2004: FM Kawaguchi raises call for reform of the UNSC, including permanent seat for Japan.

Sept. 17, 2004: UN Secretary General Annan calls for Burma’s opposition leader Aung San Suu Kyi to be freed from house arrest, saying the regime’s reforms are not credible without involvement of the National League for Democracy and “substantive dialogue” between all parties.

Sept. 18, 2004: The U.S. lifts export restrictions on equipment for India’s commercial space program and nuclear power facilities.

Sept. 19, 2004: IAEA chief Elbaradei says explosion detected over the DPRK was probably not a nuclear blast.

Sept. 19, 2004: IAEA inspectors in Seoul to review ROK nuclear experiments.

Sept. 19, 2004: Taiwan FM Mark Chen visits Grenada to offer aid in wake of hurricane devastation; stops in U.S. for a private visit.

Sept. 20, 2004: Presidential elections in Indonesia; Gen. Susilo Bambang Yudhoyono appears to easily defeat incumbent President Megawati.

Sept. 21, 2004: President Bush and PM Koizumi hold meeting in New York City to discuss issues in the bilateral relationship.

Sept. 21-24, 2004: President Roh visits Russia, meets President Putin, says “South Korea sees no need to rush into a further round of talks on the North’s nuclear weapons ambitions.”

Sept. 22, 2004: ROK MOD announces deployment of 2,800 troops to Iraq has been completed.

Sept. 23, 2004: DPRK *Rodong Shinmun* states that the DPRK would turn Japan into a “nuclear sea of fire,” if the United States undertook a preemptive attack on the DPRK.

Sept. 23, 2004: Koizumi urges UNGA to give Tokyo a permanent seat on the UNSC.

Sept. 23, 2004: Shanghai Cooperation Organization summit. SCO launches its own website: www.sco-ec.gov.cn.

Sept. 23-25, 2004: Wen Jiabao pays first official visit to Russia as China’s premier.

Sept. 24, 2004: U.S. announces deployment of Aegis-destroyer in the Sea of Japan as part of its missile shield.

Sept. 24, 2004: IAEA issues statement urging the DPRK to abandon its nuclear weapons program and allow IAEA inspectors to return.

Sept. 25, 2004: APEC Senior Officials, Government Corruption Experts meet in Santiago, Chile.

Sept. 25, 2004: Google Inc. bows to China's requirement that its news service in China not display results from websites blocked by Chinese authorities.

Sept. 25, 2004: Thousands protest in Taipei against the government's \$18.2 billion arms procurement deal with the U.S., arguing it would be a detriment to social welfare and start an arms race with China.

Sept. 27, 2004: At the UN, DPRK Vice FM Choe Su Hon warns the danger of war on the Korean Peninsula "is snowballing," tells press "we have already made clear that we have already reprocessed 8,000 wasted fuel rods and transformed them into arms."

Sept. 27, 2004: Japan tells U.S. counterparts that relocation of the U.S. Army's I Corps headquarters to Camp Zama in Kanagawa is "politically difficult."

Sept. 27, 2004: India marks the Taj Mahal 350th anniversary.

Sept. 27, 2004: PM Koizumi shuffles Cabinet: Machimura Nobutaka replaces FM Kawaguchi Yoriko, Ono Yoshinori replaces Ishiba Shigeru as director general of the Defense Agency.

Sept. 27, 2004: Deputy Secretary of State Armitage and UN special envoy to Burma Razali Ismail urge the military regime to launch "meaningful" dialogue with the NLD.

Sept. 28, 2004: U.S. Senate unanimously approves North Korea Human Rights Act.

Sept. 28, 2004: Chinese FM Li blames U.S. and the DPRK and their "mutual lack of trust" for the impasse in the six-party talks.

Sept. 28, 2004: New defense chief Ono suggests Japan be allowed to engage in collective defense and make a more active contribution to international security.

Sept. 28, 2004: Thailand reports first human-to-human transmission of Avian flu virus and confirms its 10th virus death.

Sept. 29, 2004: IMF releases *World Economic Outlook*; ADB issues *Asia Development Outlook*; 7 percent growth forecast for Asia in 2004.

Sept. 30, 2004: The IMF issues a call for China to float its currency saying it would be to China's advantage to uncouple the yuan from the dollar.

U.S.-Japan Relations: Calm amidst a 'C' of Troubles

Brad Glosseman
Pacific Forum CSIS

It has been another relatively calm quarter for U.S.-Japan relations. There was one potential calamity (the crash of a U.S. helicopter in Okinawa) and a few controversies, but, in the main, the alliance was on cruise control. The issues of note had Japanese domestic political consequences: the Upper House election, comments from U.S. officials about the Japanese constitution and, related to that, the Bush-Koizumi meeting at the United Nations that addressed, among other things, Tokyo's bid for a permanent seat on the UN Security Council.

In short, the alliance is functioning well and absorbing rather smoothly whatever complications arise: in addition to the helicopter crash, chessmaster and hatemeister Bobby Fischer's arrest and subsequent asylum request and the return from North Korea of alleged U.S. Army defector Charles Robert Jenkins are the two most significant this quarter. The best indication of the state of the relationship may be the fact that Japan has not come up in this year's election campaign. The solidity and stability of the alliance have allowed it to recede into the background.

'C' is for Councilors, House of

The third quarter began with the election for the House of Councilors, the upper house of Japan's Diet. With half the seats of the 242-member chamber up for grabs, the ruling Liberal Democratic Party (LDP) won 49 seats and its coalition partner Komeito claimed 11, for a total of 60 – a wash, as the LDP lost a seat and Komeito picked up one. In total, the government still controls 139 seats in the Upper House. Psychologically, the big winner was the opposition Democratic Party of Japan (DPJ), which upped its seats by 12. Its 50 wins topped even the LDP, although it still ranks second with a total of 79 seats. This marks only the second time in the postwar era that the LDP did not “win” a parliamentary election.

Real power is in the Lower House, the stronger of the two legislative chambers. For that reason, upper house elections are often seen as an opportunity to register a protest vote. And this time, voters had plenty to protest. Topping the list was public-pension reform, a pressing concern that has been effectively torpedoed by reports that leading politicians, including Prime Minister Koizumi Junichiro himself, had not made payments to the national pension fund. Economic worries, and the unevenness of the recovery, were a second concern. A final source of unease, and pertinent here, was Koizumi's announcement at the June G8 summit that Japan would continue to deploy Self-Defense

Forces in Iraq after the handover to a U.N.-approved interim government in Baghdad. Public disapproval focused not so much on the decision itself, but the fact that Koizumi told President George W. Bush of his decision before he informed the Japanese public.

The election's impact on the U.S.-Japan relationship is threefold. First, the DPJ is emerging as an increasingly credible alternative to the LDP. While Tokyo's relations with Washington will be critical to any Japanese government, DPJ foreign policy is likely to be more UN-centric. The shift will be a matter of degrees rather than in kind, but it will be noticeable. Koizumi has anticipated this development and tried to coopt voters who favor this approach with his own UNSC bid (discussed more below).

Second, there is the rising influence of Komei. It is emerging as a third force in Japanese politics, thanks to the 8 million Soka Gakkai (lay Buddhist) voters it can mobilize. That doesn't mean the government will become captive to religious sentiment, but it could shape Japan's diplomacy in a post-Koizumi era. Komeito's foreign-policy instincts are closer to that of the dovish wing of the LDP or the Democrats, who are far more cautious about deploying Japanese forces abroad. Komeito could put a limit on the future bounds of the U.S.-Japan relationship.

Finally, there is the prime minister's loss of rapport with voters. The magic is gone, and that means his leverage within the party is shrinking. He is still determined to shake up the LDP, and postal privatization is his big goal this term. It is unclear whether he has the support to pull it off or whether voters give that policy the priority Koizumi does.

The question is to what degree the prime minister's diminishing popularity will effect the alliance. It's unclear. There appears to be little chance that he will be overthrown in an internal LDP coup or defeated in a poll since no credible challenger has emerged either within the party or across the aisle. Nonetheless, it is time to start thinking about a post-Koizumi era in the alliance. One thing is certain: Few Japanese leaders will be able to replicate the relationship Koizumi has created with Bush.

'C' is for Constitution

A series of comments by high-ranking U.S. State Department officials roiled Japan shortly after the election. On July 21, Richard Armitage, the deputy secretary of state and a long-time supporter of the alliance, was quoted as telling Nakagawa Hideo, chairman of the LDP's Diet Affairs Committee, that Japan's claim to a permanent seat on the UN Security Council depends on revision of Article 9 – the famous “no war clause” – of the Japanese constitution. He is also reported to have said that the article is an obstacle in the bilateral relationship. Predictably, those remarks set off a firestorm of controversy in Japan. Nakagawa's comment that Armitage was providing a personal opinion and that he said the ultimate decision was that of the Japanese people did little to calm the waters.

A week later, Armitage met with Okada Katsuya, head of the DPJ, and others and clarified his remarks, saying that constitutional amendment is a matter for Japan to decide, that the U.S. fully supports Japan's permanent membership on the UNSC, and

there is no linkage between the two issues. Moreover, at a news conference Okada said Armitage stressed that Article 9 is no impediment to the U.S.-Japan relationship.

Soon after, Secretary of State Colin Powell weighed in. In August, he reiterated U.S. support for Japan's UNSC bid, but he noted that those responsibilities will require a reassessment of Article 9 and its limits on Japan's international behavior. "If Japan is going to play a full role on the world stage and become a full active participating member of the Security Council, and have the kind of obligations that it would pick up as a member of the Security Council, Article 9 would have to be examined in that light," Powell said. Of course, he added, the choice is entirely that of the Japanese people. "But whether or not Article 9 should be modified or changed is absolutely and entirely up to the Japanese people to decide, because the United States would not presume an opinion." Even that carefully articulated – and realistic – comment drew fire. Fujii Hirohisa, DPJ secretary general, was blunt: "He's wrong," he said, referring to Powell's comment about the relationship between Article 9 and UNSC responsibilities.

'C' is for contract

Japan's oil contract with Iran was another bilateral irritant this quarter. In its quest to secure energy supplies, Tokyo has gone to great lengths to court the government in Tehran. The two countries signed a contract to develop the Azadegan oil field, one of the world's largest, in February. Any financial support for a charter member of the "axis of evil" is suspect in Washington, but revelations about Iran's suspected nuclear arms programs have increased U.S. apprehensions.

The International Atomic Energy Agency (IAEA) has complained about the nature and scope of Iran's nuclear programs, and a deal with the UN agency that was brokered by Britain, France, and Germany to exact compliance with the Nuclear Nonproliferation Treaty (NPT) looks increasingly shaky. Iran has said that it will proceed with the enrichment of uranium, a critical step in the process of building a bomb.

In his August comments, Secretary Powell called on Tokyo to take into account the allegations against Iran. Later in the quarter, high-level U.S. officials were quoted as saying that if the charges against Iran are referred to the UNSC –which could happen if the IAEA board decides at its November meeting that Tehran is in breach of its NPT commitments – then "Japan should abrogate the Azadegan oilfield contract."

'C' is for Crash

The alliance's most serious test this quarter occurred when a U.S. military helicopter crashed Aug. 13 on a university campus in Okinawa. The CH-53 had departed from Futenma Air Station on a routine training flight when it crashed as a result of mechanical failure. According to news reports, the helicopter lost control, hit a school building and crashed into a parking lot. Fortunately, the accident occurred during the summer holiday and no students, university personnel, or other civilians were hurt; three U.S. service

personnel were injured. Cars and homes were damaged and debris was scattered hundreds of meters from the crash site.

Lt. Gen. Robert Blackman, head of the U.S. forces in Okinawa, visited the Okinawa Prefectural Government immediately afterward to apologize to Vice Gov. Makino Hirotsugu. In addition to complaints about the crash itself, the U.S. military's refusal to allow Japanese police onto the crash site raised hackles, (again) prompting calls for revision of the status of forces agreement (SOFA) that governs the two governments' response to such incidents. Japanese irritations were compounded by the U.S. decision to resume flights three days after the accident; Japanese officials had requested that flights be suspended until after the cause of the crash had been determined. On Aug. 28, the U.S. said that it would not fly those helicopters until "appropriate" to do so. Two weeks later, 30,000 Okinawans protested the crash and the way it was handled.

This accident was inevitable. There have long been fears that an aircraft would crash near Futenma, a heavily populated area. Both the U.S. and Japan are fortunate that there were no civilian casualties and that no U.S. personnel were killed. The crash is a warning: relocation of the Marine Air Station is urgent and another accident could spark a crisis for the alliance that rivals that which followed the rape of an Okinawa schoolgirl by U.S. service personnel in 1995.

'C' is for Chess

Comic relief this quarter was provided by the arrest of former chess world champion Bobby Fischer in July. He was detained at Narita Airport July 13 as he attempted to fly to Manila. Japanese officials grabbed Fischer because the U.S. had revoked his passport. He is wanted by Washington for violating a trade embargo against Yugoslavia in 1992 when he went to Belgrade to play Boris Spassky, the Russian grandmaster he beat for the world championship in 1972. That rematch won him \$3.3 million and a U.S. arrest warrant. After his arrest, Fischer renounced his U.S. citizenship, requested asylum, and said that he was seeking German citizenship, a claim based on the German citizenship of his father. Unfortunately for Fischer, the anti-Semitic diatribes he has made with regularity over the past decade (many on a radio show he hosts) make that unlikely.

The soap opera continued with reports that Ms. Watai Hiroko, acting president of the Japan Chess Association, was going to marry Fischer. The timing of the announcement raised eyebrows: It was made after Fischer's detention, but she said the couple had met in 1973 when Fischer was playing exhibitions on a world tour. She joined him in Belgrade for the 1992 match and said that he moved to Tokyo to live with her in 2000. There are no plans for nuptials yet; it is unclear if stateless persons – which Fischer is after giving up his U.S. citizenship – can marry in Japan. Curiously, news reports had Fischer living in the Philippines, but after his arrest he said that he had made regular trips in and out of Japan, raising questions about just how much attention had been paid to his case since the offense occurred over a decade ago. At quarter's end, Fischer had won a stay of deportation as a Tokyo District Court ruled he could remain in Japan until the case against his deportation order was heard. That could take a year.

‘C’ is for Charles Robert Jenkins

Bobby Fischer wasn't the only individual on U.S. wanted lists to make news in Japan. On July 9, accused U.S. Army deserter Charles Robert Jenkins and his two daughters left North Korea to reunite with his wife, Soga Hitomi. Soga had been kidnapped by North Korean agents decades ago, and was allowed to return to Japan after Prime Minister Koizumi's 2002 summit with North Korean leader Kim Jong-il. The rest of her family – like those of the other four kidnapped victims allowed to return to Japan – remained in the North, prompting considerable anguish when the abductees refused to return to the North as originally agreed. The forced separation of the families dominated discussion of Japan's relations with North Korea.

Kim understood the need for a gesture toward Japanese public opinion and agreed to let the families go after his second summit with Koizumi in May 2004. He may have also hoped that the move would cause friction in the U.S.-Japan relationship because Jenkins, wanted as a deserter, was thought to be reluctant to return and subject himself to a court martial. Releasing him would then make the U.S. responsible for dividing the family.

Nevertheless, Jenkins agreed to meet his wife in Jakarta, a site chosen because Indonesia does not have an extradition agreement with the U.S. Once there, he agreed to travel on to Tokyo, where he was hospitalized for several medical ailments. He then agreed to surrender to U.S. military authorities to face the charges against him. In September, he returned to active duty at Camp Zama. He was billeted in base housing and assigned administrative duties pending his court martial. According to newspaper reports, he is being treated like any other sergeant, receiving a monthly paycheck and free to use all base facilities. He is not under arrest or confinement but he cannot leave the base without special permission.

Jenkins disappeared Jan. 5, 1965 while on patrol in the demilitarized zone in South Korea. The U.S. military has charged him with desertion, aiding the enemy, soliciting others to desert, and encouraging disloyalty. Jenkins' family (in the U.S.) says he was captured by North Korea. There has been speculation that the U.S. is reluctant to go easy on Jenkins because it would send the wrong signal to troops in Iraq and Afghanistan – especially when misbehavior by U.S. forces in Iraq has been so much in the news. As noted last quarter, Japanese officials have been pushing the U.S. to show leniency toward Jenkins. I'd anticipate some sort of deal in the months ahead.

‘C’ is for Cooperstown

Seattle's Ichiro Suzuki continued his march toward Cooperstown, and the Major League Baseball Hall of Fame, with another spectacular season. This quarter ended with him breaking the 84-year old record for hits in a single season, which had been set in 1920 by George Sisler of the St. Louis Browns. He topped Sisler's old mark of 257 on Oct. 1, and

closed the year with 262 hits. Earlier in the quarter, he claimed the record for hits in four seasons.

By regular season's end, Ichiro had won his second American League batting title in four years with a .372 average, set a record for singles in a season (225), hits in four years (924), and multi-hit games (80, topping the Yankees' Don Mattingly who had 79 in 1986).

Readers may think these regular digressions on baseball are an indulgence for a baseball fan. They aren't and I'm not. Sports have a powerful influence on international relations. Look at the positive effects on the Japan-ROK relationship that followed from cohosting the 2002 World Cup soccer final. Or look at the ill will generated in Japan and China after the ugly behavior of Chinese fans toward Japan's team and fans during the Asian Cup soccer games that China hosted in August.

Ichiro's success was huge news in Japan, dominating the headlines. U.S. commentary has been marked by superlatives describing Ichiro's study of the game, his determination to excel, and his incredible skill. In other words, he has been an extraordinary ambassador for Japan and has helped bring the two countries closer together. Not only in the abstract, either. Seattle games are broadcast in Japan and major Japanese travel agencies have organized tours of U.S. baseball games since Ichiro joined the Mariners in 2001. Last year, Japan Travel Bureau brought 5,000 fans to the U.S. on those tours and expects to bring 8,000 in 2004 (not bad for a team that has had a dismal season). Kinki Nippon Tours' U.S. baseball tours increased around 20 percent last year. All expect another jump next year.

With Seattle's season over, attention will shift to Hideki Matsui's post-season performance for the New York Yankees: for the second consecutive year, Matsui exceeded the century mark with 100-plus runs batted in.

'C' is for chonmage

Ichiro wasn't the only foreigner sports star to make a mark in his adopted country. Fiamalu Penitani, better known to the sumo world as Musashimaru, retired this quarter after 15 years in the ring. (At his retirement ceremony, the end of the wrestler's professional career is commemorated by cutting off his chonmage, or top-knot.) Musashimaru retired as yokuzuna, or grand champion, making him the 67th in the history of the sport. He attained the rank in 1999. he won 12 Emperor's Cups, awarded to the winner of each tournament, ranking him sixth on the all-time list and making him the more successful foreign wrestler in the sport.

Yokuzuna is the only permanent rank in sumo (all others are determined on the basis of the performance at the previous tournament), so becoming grand champion is a tremendous accomplishment. It takes more than mere victories to claim the title (although they are a necessary prerequisite). A yokozuna must have dignity and commitment; he is thought to embody the traditions of the sport and is seen as a permanent representative.

Musashimaru was only the second foreigner to achieve this ranking. His reign as grand champion did much to convey a positive image of Americans in Japan, portraying an image of discipline, solidarity and respect that was sometimes at odd with the more popular conception of America.

‘C’ is for Chat, as in summit

On Sept. 21, President Bush and Prime Minister Koizumi met in New York City on the fringe of the opening of the 59th Session of the UN General Assembly to assess the bilateral relationship. Their conversation covered a range of topics: the war on terror and Japanese efforts to aid the reconstruction of Iraq and Afghanistan, the two governments’ continued support for the six-party talks, “mad cow” disease in the U.S. and its impact on U.S. beef exports to Japan, and postal privatization in Japan.

Two big issues were also on the agenda. One is the global posture review (GPR) and the redeployment of U.S. military forces in Asia. Many of the details of the GPR are still uncertain, and that has encouraged endless speculation about what it entails. There have been reports that the U.S. wants to move the headquarters of 1st Army Corps from Fort Lewis, Washington to Camp Zama, and that the Fifth Air Force’s command functions at Yokota Air Base in Tokyo will be combined with the 13th Air Force’s headquarters and shifted to Guam. Any moves would require Japanese agreement, and the U.S. has insisted that relevant components of the GPR will only be determined after consultations with affected allies around the world. There have been reports of U.S. frustration with Tokyo resulting from Japanese unwillingness to engage in substantive discussions on this issue. Reportedly, at their summit Bush and Koizumi agreed to accelerate talks on force realignments.

Japanese concerns are twofold. Tokyo wants assurance that the GPR will not undermine the U.S. commitment to Japan’s security and that the burden on Okinawa will be lightened. The anticipated removal of some U.S. forces from Korea has raised eyebrows in Japan, but Washington has insisted that it remains committed to Asian security and stability on the Korean Peninsula. There have also been reports of future drawdowns of U.S. forces on Okinawa: according to “U.S. and Japanese sources,” 4,790 troops (27 percent of the Marine presence on the island) will be moved. This report says the United States plans to relocate 2,600 Marines in Okinawa to other parts of Japan starting in 2008; until then, the 3rd Marine Division will send 2,190 troops to South Korea, the Philippines and other parts of Asia for training and other purposes. Predictably, these reports were enough to create opposition from local governments that would host the troops.

Japanese newspapers took Koizumi to task for not going into detail on the GPR and its impact on Japan. That was unfair; this meeting was by its nature too brief for in-depth discussion of agenda items. At most, the two men could convey their primary concerns (which they should have already known). In some respects, the timing of the GPR is bad for Japan. Tokyo needs a strategic vision to fully participate in the GPR process. Yet, Japan is still writing the document that would provide that vision, the National Defense

Program Outline (NDPO), which is scheduled to be finished by the end of this year. Just after quarter's end, the Prime Minister's Council on Security and Defense Capabilities presented its report, which should have some impact on the NDPO, although the two processes proceeded in parallel. The report will get full treatment next quarter, as will the NDPO (if it is out in time).

'C' is for Council, as in United Nations Security Council

Japan's second big concern at the Bush-Koizumi summit was its bid for a permanent seat on the United Nations Security Council. At their meeting, Koizumi emphasized the significance of that bid, noting the importance of the UN to Japanese foreign policy, the need for UN reform, Japan's contributions to the institution, and Japan's desire to play a larger international role. Bush was said to have "reaffirmed that the position of the U.S. had not changed" (in other words, Washington backed Tokyo) but the passivity of that description managed to upset domestic supporters of the Japanese bid who felt the president could have spoken more strongly.

Apart from the financial issues – as the second largest contributor to the UN, "no taxation without representation" has a certain appeal in Japan – there is longstanding public support for the UN in Japan. The world body holds a privileged place in Japanese thinking about international relations. As the embodiment of a rational and structured international order, it represents the same idealism as that which lies behind Article 9 (and is equally unrealistic, counter the skeptics). Indeed, one of the key debates in Japanese foreign policy (to the extent such debates exist) centers on U.S.-centered diplomacy vs. UN-centered diplomacy. Plainly, the current government has opted for the former, a decision that has considerably strengthened the appeal of the latter for those who oppose Koizumi and the war against Iraq.

The prime minister was thought to be skeptical about the UN. Yet he has embraced Japan's rejuvenated campaign for a permanent seat on the Security Council. That shift is easily explained. First, the prospects of UN reform are improving as a result of recent events. There is increasing frustration with the workings of the world body and the inequalities of its structure. The appointment of a High Level Panel by the secretary general is designed to drive the reform process.

Second, with his popularity dwindling and Japanese public opinion largely opposed to the Iraq war, supporting the UNSC bid is an easy way to coopt the issue and those who favor a more UN-centric policy. Support for the U.S. need not clash with support for the UN; the two are not mutually exclusive choices.

Seeing into the future

The U.S. election will dominate bilateral relations next quarter (although the scheduled release of the NDPO should also have an impact). There is fear in Japan that a Kerry election would be bad for the alliance. This is based on concerns that Kerry will be more labor/union oriented, and hence more ready to beat up on Japan for (perceived) economic

offenses, that he won't be as stalwart as Bush on defending Japanese national interests, in particular North Korea, and that he will punish Japan for supporting Bush in the war on terror and Iraq.

The logic escapes me. Japan hasn't been an election issue, and to the extent trade issues have entered the campaign, China has been the primary target. (Yet even China has been notable by its absence in the campaign.) There is little reason to charge Japan for any of the U.S. economic ills. In the first presidential debate, Kerry differentiated himself from Bush by declaring himself more willing to negotiate with North Korea directly. Contrary to administration charges, that is not a bad thing: it is, in fact, the official U.S. position (and some bilateral discussions have already occurred), the Chinese and the South Koreans have encouraged such discussions, and Kerry has said that bilateral talks will occur within the multilateral framework – not as a substitute for it. Tokyo doesn't have to worry that Kerry would cut a deal with Pyongyang that ignored its interests – if, for no other reason, than the fact that the administration would be subject to blistering criticism in Washington from conservatives that oppose any deal at all. Finally, the notion that a Kerry administration would “punish” Japan for supporting Bush makes no sense. The administration should be thankful the U.S. isn't more isolated. There were similar fears in London after Bush defeated Gore – that Britain would be punished for good Clinton-Blair relations – and instead the Anglo-American alliance is stronger than ever.

Underlying all these arguments seems to be the sense that Republicans manage the alliance better than Democrats. That looks too rosily at the Reagan and Bush I years and paints the Clinton era too darkly. After all, Clinton helped boost APEC – a Japanese pet project – and signed the 1996 joint declaration on security. There is strong bipartisan support for the U.S.-Japan alliance and that is part of the reason why the bilateral relationship is as strong as it is today. Japanese should remember that it was the “NYE-Armitage Report” that has been so instrumental in shaping the alliance.

U.S.-Japan Chronology* **July-September 2004**

July 1, 2004: 50th anniversary of the formation of Japan's Self Defence Forces (SDF).

July 1, 2004: Secretary of State Colin Powell and Japanese FM Kawaguchi Yoriko meet to discuss U.S.-Japan relations, North Korea, Iraq, and Afghanistan at the 11th ASEAN Regional Forum (ARF) meeting and various ministerials held June 29 – July 2 in Jakarta.

July 4, 2004: Fuyushiba Tetsuzo, secretary general of New Komeito, opposes PM Koizumi Junichiro's remarks that the pacifist Constitution should be revised so it can exercise the right to collective defense and carry out joint actions with U.S. forces.

* Compiled by Ronald Rodriguez and Lena Kay, Vasey Fellows, Pacific Forum CSIS.

July 7, 2004: U.S. National Security Advisor Condoleezza Rice meets with PM Koizumi and FM Kawaguchi to discuss North Korea and tensions between China and Taiwan.

July 7, 2004: Defense Agency chief Ishiba Shigeru says in an annual agency report that the Self-Defense Forces troops deployed in Iraq have served Japan's national interests, strengthened the Japan-U.S. alliance and enabled the nation to carry out its responsibilities as a member of the international community.

July 9, 2004: U.S. Army defector to North Korea Charles Robert Jenkins is reunited with his Japanese wife in Jakarta, Indonesia.

July 11, 2004: Results of the House of Councilors elections in Japan: Liberal Democratic Party (114 seats), Democratic Party of Japan (79 seats), New Komeito Party (24 seats), Japanese Communist Party (9 seats), Social Democratic Party (0 seats).

July 15, 2004: Working level talks between U.S. and Japan begin in San Francisco to discuss moving some marines in Okinawa to Camp Fuji in Shizuoka Prefecture.

July 16, 2004: The U.S. government asks the Japanese government to review the 1996 Special Action Committee on Okinawa report on consolidation of U.S. military bases in Okinawa.

July 16, 2004: U.S.-Japan vice ministerial talks on Bovine Spongiform Encephalopathy (BSE), beef exports, and other agricultural issues in Tokyo.

July 16, 2004: Results of the 2004 Image of Japan Study in the U.S. show overall high favorability toward Japan as a dependable ally and positive evaluation of U.S.-Japan relations.

July 16, 2004: Former U.S. chess champion Bobby Fischer detained in Japan; awaits possible deportation to U.S. where he has been charged for playing 1992 chess match in Yugoslavia in violation of a U.S. ban.

July 18, 2004: Jenkins arrives in Tokyo from Indonesia with his Japanese wife, Hitomi Soga, and their two DPRK-born daughters, for medical treatment.

July 19, 2004: The Japan Business Federation (Nippon Keidanren) urges the Japanese government to review its three principles regulating the export of weapons to raise international competitiveness in the defense industry.

July 20, 2004: Michael Green, senior director for Asian affairs at the National Security Council, tells Nakagawa Hidenao, chairman of the LDP Diet Affairs Committee that Jenkins case will be dealt with in accordance with legal procedures while taking Japan-U.S. relations into account.

July 21, 2004: Japanese and U.S. officials begin two days of working-level talks on lifting Tokyo's import ban on U.S. beef.

July 21, 2004: Former world chess champion Bobby Fischer appeals Japanese plans to deport him to the U.S. and hopes to find political asylum in a third country.

July 21, 2004: Visiting LDP Diet Affairs Committee Chairman Nakagawa says Deputy Secretary of State Richard Armitage told him that war-renouncing Article 9 of Japan's Constitution is becoming an obstacle to strengthening the Japan-U.S. alliance and realizing Japan's bid for a permanent UN Security Council seat.

July 22, 2004: Chief Cabinet Secretary Hosoda Hiroyuki says Japan aims to become a permanent Security Council member under its current Constitution; Ishikawa Toru, chairman of the Joint Staff Council of the Self-Defense Forces, adds: "Military contribution is not a prerequisite to becoming a permanent Security Council member."

July 28, 2004: FM Kawaguchi urges U.S. Pacific Command Commander Adm. Thomas Fargo to reduce Japan's burden in hosting U.S. forces.

July 28, 2004: *Asahi Shimbun* reports that U.S. air base at Misawa has taken over command functions for naval patrol and reconnaissance for Asia as part of U.S. military's global repositioning.

July 29, 2004: Exchange of Notes concerning Modification of the Acquisition and Cross-Servicing Agreement (ACSA) between Japan and the U.S. They permit the SDF to provide supplies and services to U.S. forces engaged in disaster relief operations based on Japan's request, operations equivalent to transportation of Japanese overseas residents by the SDF, as well as training, liaison, coordination, and other daily operations.

July 30, 2004: Deputy Secretary Armitage denies linkage to Japan's constitutional revision and retracts remark on Japan's conditional membership on the United Nations Security Council (UNSC).

Aug. 6, 2004: Former chess champion Bobby Fischer says he wants to renounce U.S. citizenship.

Aug. 8, 2004: About 140 troops, the first elements of the Ground Self-Defense Force's third mission to Iraq, depart Aomori Airport for Kuwait.

Aug. 9, 2004: Two Japanese destroyers and a supply vessel leave for the Indian Ocean, where they will assist the U.S.-led antiterror campaign in Afghanistan.

Aug. 11, 2004: Lt. Gen. Thomas C. Waskow, commander U.S. Air Force Japan, says there never was, and never will be, a proposal to move the 374th Airlift Wing from Yokota Air Base to Guam.

Aug. 12, 2004: Secretary Powell says the U.S. will support Japan's bid for a permanent seat on the U.N. Security Council, but thinks it should consider revising Article 9 of the Constitution if it wants to contribute to the good of the international community in a manner commensurate with that responsibility.

Aug. 12, 2004: Powell urges Japan to weigh the pros and cons of investing in Iran, which is under scrutiny for its nuclear program.

Aug. 13, 2004: A U.S. military transport helicopter crashes at a university campus in Ginowan, Okinawa, but there was no report of casualty from students.

Aug. 16, 2004: U.S. forces resume flight drills at Marine Corps Futenma Air Station in Ginowan, Okinawa Prefecture, despite protest by Ginowan Mayor Yoichi Iha following the helicopter crash.

Aug. 17, 2004: Japan's House of Representatives Speaker Kono Yohei suggests that Japan should maintain its war-renouncing Constitution rather than revising it in order to try and gain a permanent seat of the UN Security Council.

Aug. 22, 2004: The Japanese government calls resumption of U.S. helicopter flights "extremely regrettable," complaining that the U.S. military had not done enough to address the question of safety.

Aug. 23, 2004: *Kyodo* cites U.S. and Japanese sources in reporting that the U.S. plans to relocate 2,600 Marines in Okinawa to other parts of Japan starting in 2008. Until 2008, the 3rd Marine Division will reduce troops in Okinawa by sending 2,190 of them to South Korea, the Philippines, and other parts of Asia for training and other purposes.

Aug. 23, 2004: FM Kawaguchi and Secretary Powell discuss the Aug. 13 crash of a U.S. Marine Corps helicopter; Kawaguchi requests Powell to suspend the flight of helicopters of the same type until cause of crash is ascertained.

Aug. 24, 2004: Japan's Justice Ministry rejects Fischer's request for protection as a political refugee and issues an order to deport him.

Aug. 28, 2004: The U.S. government releases a statement saying the U.S. military in Japan will not fly *CH-53D* helicopters at the request of the Japanese government until it is "appropriate" to do so.

Aug. 29, 2004: Defense Agency chief Ishiba suggests that Japan consider revising the Japan-U.S. Status of Forces Agreement (SOFA) if bilateral discussions to prevent "arbitrary use" of the accord do not produce a solution in the handling of the recent helicopter crash in Okinawa.

Sept. 1, 2004: WTO authorizes Japan's retaliatory measures of up to \$78 million annually to counter U.S. payments to companies under the anti-dumping provisions of the Byrd Amendment.

Sept. 1, 2004: Japan and U.S. agree to set up a consultative body to improve implementation of the SOFA and how to facilitate cooperation between the U.S. military and Okinawa prefectural police.

Sept. 1, 2004: Japan's Defense Agency requests 4.933 trillion yen for FY 2005.

Sept. 9, 2004: Bobby Fischer wins case allowing delay in deportation to the U.S.

Sept. 11, 2004: Alleged deserter Sgt. Charles Robert Jenkins surrenders to U.S. military authorities in Japan.

Sept. 12, 2004: White House assures Japan that President Bush supports its bid to become a permanent U.N. Security Council member.

Sept. 13, 2004: 30,000 Okinawans rallied to protest the handling of the crash of U.S. military helicopter at a local university campus

Sept. 14, 2004: Japan-made parts found in Libyan nuke plant.

Sept. 15, 2004: Japan-U.S. Joint Committee on the SOFA agrees to set up a joint study group on bilateral cooperation in handling accidents involving U.S. military aircraft.

Sept. 16, 2004: A high-level U.S. administration official suggests that Japan abrogate the oil field development contract in Azadegan signed between Japan and Iran if Iran's nuclear suspicions are referred to the United Nations Security Council.

Sept. 21, 2004: Koizumi tells Iraqi interim Prime Minister Iyad Allawi that Japan's Self-Defense Forces will stay in Iraq after Dec. 14 deadline.

Sept. 21, 2004: Bush and Koizumi hold meeting in New York City to discuss issues in the bilateral relationship.

Sept. 22, 2004: Koizumi says Japan will uphold its constitutional ban on using military force, even as a permanent member of the U.N. Security Council but continues supporting the U.S.-led invasion of Iraq.

Sept. 23, 2004: Koizumi urges UNGA to give Tokyo a permanent seat on the UNSC.

Sept. 27, 2004: Japan tells U.S. counterparts that relocation of the U.S. Army's I Corps headquarters to Camp Zama in Kanagawa is "politically difficult."

Sept. 27, 2004: Koizumi forms new Cabinet to push reforms; former education minister Machimura Nobutaka is named foreign minister.

Sept. 28, 2004: Japan lifts ban on U.S. poultry imports from the states of Rhode Island, Delaware and Maryland. (Japan imposed the ban on U.S. poultry imports on Feb. 7 following the discovery of chickens infected with avian flu in Delaware).

Sept. 28, 2004: New defense chief, Ono Yoshinori suggests Japan be allowed to engage in collective defense and make a more active contribution to international security.

U.S.-China Relations:

Rice Visits Beijing, but Disappoints Her Hosts

Bonnie S. Glaser
Consultant on Asian Affairs

After years of entreaties by China to make a solo trip to the Middle Kingdom, National Security Adviser Condoleezza Rice unexpectedly decided to visit Beijing as well as Tokyo and Seoul in early July. Chinese leaders failed in their efforts to extract a commitment to reduce U.S. arms sales to Taiwan and intensify pressure on Taiwan President Chen Shui-bian to refrain from taking provocative steps toward the establishment of a legally independent state. The third visit to China by Chief of the U.S. Pacific Command Adm. Thomas Fargo was also dominated by discussions about the Taiwan Strait. The U.S. and China faced off in the United Nations Security Council twice this quarter over how to respond to the escalating violence in Sudan. China's foreign minister personally complained about the alleged beating of a Chinese citizen by officers of the U.S. Customs and Border Protection in Niagara Falls near the U.S.-Canadian border in late July. Finally, Beijing awaits the U.S. presidential elections with trepidation and ambivalence.

Condoleezza Rice visits Beijing

High-level interaction between U.S. and Chinese officials was active this quarter, despite the approaching U.S. presidential elections. In early July, Chinese Foreign Minister Li Zhaoxing met with Secretary of State Colin Powell on the sidelines of the ASEAN Regional Forum security talks in Jakarta. The global war against terrorism and the North Korean nuclear issue led the U.S. agenda for the talks, but the Chinese side focused on Taiwan. Li told Powell that Beijing opposed the Taiwan Relations Act and the selling of weapons to Taiwan "under any pretext." Li's harangue against U.S. Taiwan policy was harsh and was yet another reminder to Washington that Chinese confidence that Taiwan's President Chen could be deterred from pursuing Taiwan independence was waning and, thus, the danger of conflict was increasing.

In an effort to shore up Beijing's trust in President Bush and his handling of the cross-Strait situation, National Security Adviser Condoleezza Rice decided to head to Beijing to personally communicate Washington's unbending commitment to a "one China" policy and the high value that the U.S. places on further promoting a cooperative China-U.S. relationship. The Chinese leadership viewed her visit as an opportunity to convince the U.S. to modify its policy toward Taiwan, especially its approach to arms sales. They believed that U.S. difficulties in Iraq, the decline of American soft power globally, and

President Bush's need to demonstrate to U.S. voters the success of his East Asia policy provided Beijing with leverage that could be used to extract concessions on Taiwan.

Underscoring the high priority that China attaches to reunification with Taiwan, Li told Rice that "even if all problems in China were added up, the sum total would still not be heavier than the Taiwan issue." He demanded that the U.S. stop selling arms to Taiwan, halt its military and official relations with the island, and cease support for Taipei's participation in international relations that require sovereignty for membership. Jiang Zemin, in what would be his last meeting with a senior U.S. official as chairman of the Central Military Commission, noted China's "grave concern" and "dissatisfaction" over "recent U.S. moves" on Taiwan, especially sales of advanced weapons to Taiwan. He warned Rice that if "foreign forces step in and support" Taiwan independence elements, Beijing would "never sit idly by and do nothing." Chinese President and Chinese Communist Party (CCP) General Secretary Hu Jintao called for the U.S. to "turn its commitments into solid actions and refrain from sending wrong signals to the Taiwan authorities" to avoid undermining peace and stability in the Taiwan Strait. Vice Premier Tang Jiaxuan read a 45-minute prepared statement that focused exclusively on Taiwan in which he asserted that "proper handling" of Taiwan would ensure U.S.-Chinese bilateral ties develop "in a sound manner" while "improper handling" would "seriously affect" them.

Rice conveyed President Bush's commitment to maintain high-level contacts with Beijing to expand economic and trade relations and cooperation in the global war on terror. "Our relationship is developing in a very promising way," she observed. To allay Chinese concerns that U.S. policies on human rights, Hong Kong, Taiwan, and its military deployments add up to a strategy to contain China's rise, Rice indicated that instead of a weak China, the U.S. wants a strong, prosperous, and transforming China that the rest of the world would welcome.

Rice reassured Chinese leaders that President Bush fully understands the sensitivity of the Taiwan issue and will stick to his promise to abide by the "one China" policy, including adherence to the three China-U.S. communiqués, the Taiwan Relations Act, not supporting Taiwan independence, and opposition to unilateral action by either side to change the status quo. In response to China's contention that U.S. policy in the aftermath of President Chen's re-election had further encouraged him to press ahead with a Taiwan independence agenda, Rice explained that the Bush administration had worked to temper Chen's independence-oriented rhetoric. According to China's *Xinhua News Agency*, she also told Chinese leaders that Bush would "not tolerate attempts by Taiwan "to make any trouble for U.S.-China relations."

In what U.S. officials later described as an impromptu comment, Rice offered to help establish dialogue between Beijing and Taipei. She was not specific about what role the U.S. might play, however, and Bush administration officials subsequently denied that Washington was prepared to actively broker a compromise that could enable the resumption of cross-Strait talks. Moreover, Chinese leaders were not receptive to Rice's

suggestion that China agree to drop its insistence that Taiwan accept the “one China” principle as a precondition for dialogue.

On the issue of arms sales to Taiwan, the Chinese came up empty-handed. Their demands that the U.S. stop selling advanced weapons to Taiwan were firmly rebuffed. Rice insisted that arms sales were necessary because of the erosion of the military balance in the Taiwan Strait caused by China’s military buildup against the island. China’s only retort was that its defense budget is small compared to that of the United States.

Apart from Taiwan, which dominated all of Rice’s discussions with Chinese leaders, the two sides discussed North Korea, the humanitarian crisis in Darfur, Sudan, the war on terrorism, and human rights in China. Rice pressed the Chinese to improve their record on human rights and raised the cases of several political prisoners, including Jiang Yanyong, the elderly physician who exposed the government’s cover-up of the SARS outbreak last year. Jiang was released a few weeks later, after being held for 45 days under military detention. On North Korea, Rice urged the Chinese to use their leverage with the North Koreans to push them to follow Libya’s example and dismantle their nuclear weapons in a transparent and verifiable way. She stressed that time is a factor and that progress must be made soon. Rice also encouraged Chinese leaders to persuade Pyongyang to accept the U.S. proposal to dismantle its nuclear weapons in exchange for fuel and other benefits. The Chinese remained hopeful that further progress could be made in the next round of six-party talks that all parties had agreed would take place in September, but, subsequently, the North Koreans balked despite a reported pledge by China to ship an additional 10,000 tons of crude oil to Pyongyang. China’s Foreign Ministry spokesman absolved China of any responsibility for the failure to convene another round of talks as planned and instead placed blame equally on the U.S. and North Korea.

Washington judged Rice’s visit to China a success. The U.S. side achieved its goal of reaffirming President Bush’s one-China policy and his resolve to prevent instability in the Taiwan Strait caused by either Beijing or Taipei. Another round of high-level strategic dialogue had further cemented ties between the U.S. and China. From Beijing’s perspective, the visit by Rice was welcomed, but disappointing. She offered no new assurances about U.S. intentions toward Taiwan and had firmly ruled out reducing arms sales to Taiwan. Chinese leaders had succeeded in clearly conveying their concerns about Taiwan to Bush’s closest foreign policy adviser, but they had overestimated China’s leverage over the U.S. and overreached in their attempts to press for limits on U.S. arms sales to Taiwan and greater U.S. pressure on Chen Shui-bian.

In a rare news conference called by the Chinese Embassy spokesman in Washington just days after Rice returned from Northeast Asia, Sun Weide expressed concern that the Bush administration’s actions have undermined support for the “one China” policy that has governed U.S.-China relations for decades. “The important thing is for the U.S. to honor its commitments,” Sun said, calling the situation in the Taiwan Strait “severely tested.” Otherwise, he warned, China-U.S. bilateral ties would be harmed and

cooperation between the two countries on such issues as North Korea's nuclear weapons would be adversely affected.

Recognizing Chinese leaders' continuing anxiety over Taiwan, President Bush phoned Hu Jintao at the end of July to offer his personal reassurances. Expressing understanding of China's concern, Bush restated that the U.S. would follow a "one China" policy, observe the three China-U.S. communiqués, and not support Taiwan independence. "The U.S. stance on the issue will never change," *Xinhua* reported Bush as saying. He also reiterated that a strong and prosperous China is in the interest of the two countries and emphasized U.S. desire to maintain good relations with China. Hu indicated China's hope to further promote the China-U.S. constructive partnership. Reaffirming Beijing's opposition to U.S. sales of sophisticated weapons to Taiwan, Hu called for the U.S. and China to "act resolutely against the independence of Taiwan and any adventurous attempts by separatist organizations." He pledged that China would do its utmost to resolve the Taiwan issue by peaceful means, but reminded Bush that Taiwan independence would never be tolerated.

Adm. Fargo makes third visit to China

Adm. Thomas Fargo, chief of the U.S. Pacific Command, made his third visit to China July 21-25 on an Asia-Pacific tour that included stops in Guam, Mongolia, and Japan. Fargo met with Liu Zhenwu, commander of the Guangzhou Military Area Command, who officially hosted the visit, as well as PLA Chief of the General Staff Liang Guanglie, Deputy Chief of the General Staff Xiong Guangkai, and Foreign Minister Li Zhaoxing. The PLA General Staff's think tank, the China Institute for International Strategic Studies, organized a roundtable meeting for Fargo with senior military researchers and scholars from the Central Party School. Taiwan figured prominently in all the discussions, along with bilateral military ties and the North Korea nuclear weapons issue. Fargo's visit took place as concern in China about U.S. military pressure spiked due to an unprecedented seven U.S. carrier strike-group exercise around the globe called "Summer Pulse '04." The drill was designed to test a new U.S. Navy strategy known as the Fleet Response Plan, which aims to enhance the ability to quickly mobilize sea-based power in the event of an emergency or crisis. [For more details regarding "Summer Pulse '04," see the Regional Overview.] An editorial carried by *People's Daily*, the mouthpiece of the Chinese Communist Party, observed that the improvement in long-distance deployment capability and flexibility of U.S. forces stationed overseas would "play a positive role in maintaining non-traditional security," but at the same time the adjustment of the U.S. military strategy toward the Asia-Pacific poses "a hidden menace to peace and stability in the region."

Chinese Foreign Minister Li delivered a harsh warning to Fargo on Taiwan, insisting that the "steady development" of bilateral China-U.S. ties could be maintained "only if" the United States "clearly recognizes the seriousness and sensitiveness of the Taiwan situation, halts its advanced weapons sales to Taiwan, and stops its military exchanges and the upgrading of its substantial relationship with Taiwan." Fargo told Li and his other Chinese interlocutors that one of the objectives of his trip was to reiterate President

Bush's commitment to a "one China" policy and allay concerns that any changes had taken place in U.S. policy toward Taiwan.

According to Chinese scholars who participated in the roundtable meeting with Fargo, the chief of the Pacific Command also conveyed another message that was not reported by the Chinese media. In the event that China attacks Taiwan, the U.S. Pacific Command is prepared to comply with President Bush's order to use force to assist in the defense of Taiwan, Fargo apparently told the group of military and party school experts. One participant interpreted that statement as indicating that the United States would intervene with military force regardless of the circumstances. "Fargo's message had a big impact here," the researcher asserted.

Clash at the UN over Darfur

The United Nations Security Council (UNSC) devoted considerable attention this quarter to the escalating violence in Sudan. After years of skirmishes between African farmers and Arab nomads over land and water in Darfur, rebels began an uprising in February 2003, which the Sudanese government attempted to suppress through reliance on Arab militia. The militia, known as *Janjaweed*, is accused of killing up to 50,000 residents of Darfur, raping women and girls, destroying crops and polluting water supplies, and forcing 1.2 million people off their lands. The U.S. sought to rally support in the UNSC for imposing sanctions on Sudan if the government in Khartoum fails to take actions to stop the killing. The Chinese government opposed sanctions, claiming that they would only aggravate an already complicated situation.

Secretary Powell and Foreign Minister Li consulted on the Darfur crisis by phone at least twice this quarter, prior to the UNSC vote on UN Resolution 1556 in late July and again on the eve of the vote on UN Resolution 1564 in mid-September. NSC head Rice also raised the issue with Chinese leaders during her visit to Beijing. However, acute differences between the two sides in their perspectives and interests prevented effective cooperation. In addition to adhering to a traditional stance of opposing interference in another country's internal affairs, the Chinese did not share Washington's sense of urgency about the humanitarian crisis in Darfur and insisted that political negotiations could facilitate an early resolution to problem. China's commercial interests in Sudan were probably more important than political factors in Beijing's reluctance to consider putting too much pressure on the government in Khartoum. China is Sudan's largest trading partner and the main foreign investor in Sudan's oil industry. China National Petroleum Corporation has a 40 percent share in the international consortium extracting oil in Sudan and China relies on Sudan for almost one-quarter of its oil imports.

China, along with Pakistan, abstained in the July 30 vote on Resolution 1556, which called on the Sudanese government to disarm the *Janjaweed* militias and facilitate international relief for the humanitarian disaster. Then, lack of progress and continued bloodshed in Darfur the following month prompted the U.S. to officially label the violence "genocide" and press for a new UN resolution containing tougher language. The Chinese threatened to veto any resolution that called for the imposition of sanctions

in the event of noncompliance by the government of Sudan. China has not exercised its veto in the UNSC since the late 1990s when it vetoed two resolutions that related to Taiwan. In 1997, China vetoed a resolution authorizing military observers to help monitor the Guatemalan peace agreements, which China took exception to because Guatemala had allowed Taiwan to take part in the signing of the peace agreement. Two years later, China vetoed a resolution that would have extended the mandate of the UN Preventive Deployment Force in the Former Yugoslav Republic of Macedonia, which maintained diplomatic ties with Taiwan.

Beijing did not carry out its threat and instead abstained on Resolution 1564, which passed with an 11-0 vote on Sept. 18. The other countries that joined China in abstaining were Algeria, Pakistan, and Russia. The final text, which underwent four revisions, holds out the threat of sanctions on Sudan's leaders and its oil industry if the government fails to curb the ethnic violence and establishes an inquiry into whether that violence constitutes genocide. The U.S. accommodated the objections of some countries to sanctions by making the threatened imposition of sanctions more conditional and less automatic, and by adding language acknowledging the steps the Sudanese government had taken to ease restrictions on relief workers and promote cooperation with UN aid workers.

The Chinese said their decision to not veto the resolution was based on the provision of an expanded role and presence for the 53-member African Union in Darfur. China's decision to abstain was undoubtedly aided by the substitution of the term sanctions with a less explicit reference to an article of the UN Charter that outlines punitive economic and diplomatic measures as the likely consequence of noncompliance with the demands of the resolution. After the resolution passed, China's Ambassador to the United Nations Wang Guangya reiterated that China's position against sanctions remained unchanged.

If the humanitarian and security situation in Darfur doesn't show signs of improvement in the coming months, the U.S. and other UNSC members may press for harsher measures, including sanctions on the government of Sudan. If that occurs, Beijing may be forced to choose between avoiding a confrontation with the U.S. (as well as France and the United Kingdom) and protecting its commercial interests in Sudan's petroleum industry. From a broader perspective, this instance may be a harbinger of future disagreements between the U.S. and China in the international arena. As Chinese interests expand to parts of the globe that were previously marginal for Beijing, China and the U.S. may increasingly butt heads in ways that will pose new challenges to their respective governments.

China's foreign minister cries foul at beating of Chinese citizen

In an incident that received virtually no media attention in the United States, a Chinese businesswoman named Zhao Yan was allegedly beaten by an officer of the U.S. Customs and Border Protection in Niagara Falls near the U.S.-Canadian border in late July. Her assailant claimed that he mistook her and her two friends, who fled from the scene, for drug suspects and said that she had resisted arrest, compelling him to use physical force to restrain her.

The regrettable, but non-extraordinary incident, was elevated to a major diplomatic flap when Foreign Minister Li raised the mishap with Secretary Powell. In a phone call that opened with expressions of Chinese concern about U.S. policy toward Taiwan, Li demanded that the U.S. thoroughly investigate the violation of Zhao's human rights and severely deal with the perpetrators according to the law. Powell subsequently sent a letter to Li informing him that the accused officer had been suspended from his post and detained on assault charges. Powell added he was deeply disturbed by the mistreatment of Zhao and pledged that the U.S. government would investigate the incident according to U.S. laws.

Perhaps the Chinese government drew attention to the case to remind the U.S. that it should pay attention to rectifying contraventions of human rights in its own country rather than heap so much criticism on China. Or the Chinese Foreign Ministry, frustrated with its lack of success in eliciting U.S. concessions on Taiwan, may have seized on the Zhao Yan incident to demonstrate to the domestic audience that it is not toothless and can reliably protect the interests of Chinese citizens abroad.

The upcoming U.S. presidential elections

China awaits the November U.S. presidential elections with trepidation and ambivalence. On the one hand, the Chinese prefer that Bush be re-elected because his defeat would bring uncertainty along with the dreaded task of educating another U.S. president about the strategic importance of China. Moreover, the Chinese leadership has already established personal ties with Bush. Hu Jintao has met him several times and they talk on the phone occasionally. U.S. complaints about China's human rights record haven't been too sharp in Bush's first term and trade problems have been managed fairly well. If a Democrat enters the White House, friction over human rights and the yawning trade deficit are expected to increase. A Republican-controlled Congress would probably challenge the new president on many fronts, including demands for closer U.S. ties with Taiwan.

On the other hand, President Bush's unilateralist foreign policy and doctrine of preventive war have not redounded to Chinese interests. John Kerry would likely rely more on multilateral approaches to resolve regional and global problems, which Beijing favors. In addition, Kerry would agree to talk bilaterally with North Korea, which would increase the prospects for a peaceful solution to the challenge posed by North Korea's nuclear weapons that could bring greater stability to China's northeast border. A Democratic administration would probably accord a lower priority to missile defense, which would ease the threat to China's nuclear deterrent. The possibility of including Taiwan in a regional defense program would be dramatically reduced and some Chinese hold out hope that they could convince a Democratic administration to curb arms sales to Taiwan and reverse the trend of closer U.S.-Taiwan military ties.

Chinese scholars who favor an accelerated pace of political reform and democracy in China expressed unabashed preference for Kerry over Bush. In their view, the cause of promoting democracy in China has met with setbacks as a result of Bush's policies that

have given democracy a bad name and demeaned the reputation of the United States around the world. They hope that Kerry will become president, restore the positive U.S. image in the world, and increase pressure on the Chinese leadership to pursue a path of political liberalization.

Chronology of U.S.-China Relations July-September 2004

July 2, 2004: Foreign Minister Li Zhaoxing meets Secretary of State Colin Powell in Jakarta on the sidelines of the ASEAN Regional Forum Ministerial Conference.

July 8-9, 2004: U.S. National Security Advisor Condoleezza Rice visits Beijing on a trip that also includes Japan and South Korea.

July 8, 2004: Office of the U.S. Trade Representative issues a press release noting that the U.S. and China have agreed on a resolution to their dispute at the World Trade Organization regarding China's tax refund policy for integrated circuits.

July 15, 2004: U.S. House of Representatives passes a Concurrent Resolution stating "that the United States Government should reaffirm its unwavering commitment to the Taiwan Relations Act as the cornerstone of United States relations with Taiwan."

July 19, 2004: Chinese government releases Jiang Yanyong, the surgeon who exposed China's SARS coverup and condemned the 1989 crackdown on democracy protesters. He was held in military custody for 45 days.

July 20, 2004: The fifth China-U.S. conference on arms control, disarmament, and nonproliferation opens in Beijing.

July 23, 2004: Adm. Thomas Fargo, head of the U.S. Pacific Command, visits China as well as Guam, Mongolia, and Japan.

July 24, 2004: The U.S. and China sign a landmark air services agreement that will more than double the number of airlines that can fly between the two countries and will permit a nearly five-fold increase in U.S.-China air services over the next six years.

July 26, 2004: FM Li and Secretary Powell talk by phone to discuss the humanitarian crisis in Sudan, Taiwan, and the alleged beating of a Chinese citizen on July 21.

July 29-30, 2004: U.S. envoy for North Korean nuclear affairs, Joseph DeTrani, visits Beijing.

July 29, 2004: Secretary Powell promises in a letter to his counterpart Li that the U.S. government would thoroughly investigate, according to U.S. laws, the beating case of Zhao Yan by U.S. Customs and Border Protection police.

July 30, 2004: Presidents Bush and Hu Jintao hold a telephone conversation that focuses on U.S. policy toward Taiwan.

Aug. 3, 2004: Ted Stevens, president *pre tempore* of the U.S. Senate, leads a delegation to China to launch a formal exchange mechanism between China's National People's Congress (NPC) and the U.S. Senate.

Aug. 13, 2004: U.S. Assistant Secretary of Commerce William Lash holds a press conference in China where he commends China's economic achievements, but condemns continuing copyright piracy.

Aug. 29, 2004: Chinese FM Li and Secretary Powell talk by phone, discussing the issue of nuclear weapons on the Korean Peninsula and Taiwan.

Sept. 9, 2004: USTR rejects a petition filed by the AFL-CIO and organizations from the steel and textile industries requesting an investigation of China's currency rate policy under Section 301 of the Trade Act of 1974, stating that engagement is more likely to produce progress on this issue.

Sept. 9, 2004: U.S. Under Secretary of Commerce Grant Aldonas attends the Eighth China International Fair for Investment and Trade in Beijing and meets with State Council Vice Premier Wu Yi.

Sept. 13, 2004: U.S. House of Representatives passes a resolution condemning China for having not followed through on pledges of greater democracy set down in the China-British Joint Declaration of 1984.

Sept. 13-14, 2004: Asst. Secretary of State James Kelly stops in Beijing after holding talks in Tokyo in an attempt to firm up dates for the six-party talks.

Sept. 14, 2004: Under Secretary of Commerce Aldonas visits China.

Sept. 16, 2004: FM Li talks on the phone with Secretary Powell on how to properly handle the humanitarian crisis in the Darfur region of Sudan within the United Nations Security Council. Li also briefs Powell on his recent visit to several Arab states.

Sept. 19, 2004: At the fourth plenary meeting of the 16th CPC Central Committee, Jiang Zemin steps down from his post as chairman of the Central Military Commission and Hu Jintao is appointed CMC chairman.

Sept. 20, 2004: U.S. delays decision on imposing sanctions on China North Industries Corporation, extending the waiver for six months that was granted when sanctions were invoked one year ago. New sanctions are imposed on China's Xinshidai for weapons proliferation.

Sept. 30, 2004: After attending the UN General Assembly session in New York, FM Li visits Washington D.C. and meets with Secretary Powell.

Sept. 30, 2004: At the invitation of Treasury Secretary John Snow, Chinese Finance Minister Jin Renqing leads an official delegation to Washington D.C. to co-chair the 16th Session of the U.S.-China Joint Economic Committee. They discuss a range of topics, including macroeconomic policy, financial sector issues, and efforts to combat terrorist financing and money laundering,

U.S.-Korea Relations:

A Holding Pattern for the Six-Party Talks

Donald G. Gross
Akin, Gump, Strauss, Hauer & Feld

The six-party talks on North Korea's nuclear program remained in a holding pattern this quarter as Pyongyang evaded a new round before the U.S. presidential elections in November. Although Bush administration officials stressed the benefits North Korea would receive from accepting the current U.S. proposal, Pyongyang was uncooperative and denounced the "hostile policy" of the United States.

In September, North Korea gave as a new pretext for delaying the next round of talks the need for South Korea to disclose more details of the nuclear experiments it conducted in 2000 and the early 1980s. Pyongyang seemed to be betting that a defeat of President George W. Bush in the upcoming U.S. elections would lead to a more accommodating U.S. policy toward North Korea.

The U.S. and South Korea reached agreement during this quarter on the relocation of the U.S. command headquarters from Yongsan base in central Seoul to the Pyongtaek region, approximately 70 kilometers south of the capital. But they were unable to resolve the issue of how many troops the U.S. would withdraw from the South by the end of 2005 as part of the planned global realignment of U.S. forces. South Korea is seeking at least a two-year delay in this redeployment and the allies are likely to announce an agreement at their ministerial-level defense consultation in late October.

On economic and trade issues, the U.S. and South Korea conducted discussions, at both working and senior policy levels, on whether U.S. export control laws should ban the export of computers and other dual-use high technologies to the Kaesong industrial complex in North Korea. South Korea hopes to locate 15 companies at this site by the end of 2004. Originally announced at the June 2000 South-North summit meeting, the planned Kaesong complex symbolizes the extensive economic development that could arise from détente on the Korean Peninsula.

Six-party talks delayed

At the outset of the quarter, high-level U.S. officials attempted to promote the first serious offer the Bush administration made to North Korea for settling the nuclear issue. In the late June round of six-party talks, the U.S. proposed a three-month freeze of Pyongyang's nuclear activities prior to their complete and verifiable dismantlement. In

exchange, the U.S. would provide North Korea with a “provisional security guarantee” against attack while Japan and South Korea gave energy assistance.

In early July, U.S. Secretary of State Colin Powell met with North Korea’s Foreign Minister Nam-Sun Paek in the highest-level direct contacts between the two governments since the two held informal talks at the July 2002 ASEAN Regional Forum meeting in Brunei. The meeting was something of a concession to North Korea since the administration has eschewed any “direct negotiations” in favor of its preferred multilateral approach at the six-party talks.

National Security Adviser Condoleezza Rice followed this meeting with consultations in Beijing and Seoul where she declared that North Korea would reap “surprising rewards” if it abandons its nuclear program. The upbeat nature of her comments and emphasis on benefits that would flow to North Korea from reaching a settlement showed a new, more positive, U.S. attitude toward the negotiations. In the past, the Bush administration tended to see any discussion of such benefits as an element of former President Bill Clinton’s policy of alleged “appeasement” of Pyongyang.

Finally, in late July, one of the most hawkish members of the Bush diplomatic team, Under Secretary of State for Arms Control and International Security John Bolton, stressed during a visit to Seoul that “the case of Libya has shown concretely the benefits that can flow if North Korean leader Kim Jong-il makes the strategic choice not to invest in weapons of mass destruction.”

The first official North Korean comment on the U.S. offer came in a statement from the Foreign Ministry on July 24 calling it a “sham proposal.” Over the next several weeks, North Korea ramped up its criticism of the United States for its “hostile policy” and attacked President Bush personally in calling him a “political imbecile” (after Bush referred to Kim Jong-il as a “tyrant” at a campaign rally).

During this same period, a mid-level North Korean negotiator, Ri Gun, met with U.S. officials including Joseph DeTrani, deputy head of the U.S. delegation to the six-party talks, and State Department policy planning director Mitchell Reiss in an unusual session on the margins of an NGO conference in New York. According to both sides, the talks were “productive” although no specific information was released about their content.

In retrospect, it appears that from July 24 North Korea decided to reject the U.S. proposal outright rather than bargain on the basis of the U.S. offer. Pyongyang’s substantive response to the U.S. proposal led it, later in the quarter, to seek a procedural delay in the next round of six-party talks that were tentatively scheduled for late September.

North Korea’s overall negotiating strategy may well have been shaped by a belief that it could obtain a better offer from the U.S. after the presidential elections in November, under either a Kerry presidency or a second-term Bush administration. While the U.S. proposal was a serious offer – with U.S. officials underscoring their desire to reach a diplomatic resolution of the crisis – it likely looked harsh from the North Korean perspective. Rather than laying out a step-by-step process toward nuclear dismantlement,

with North Korea receiving benefits each step of the way, the proposal required Pyongyang to bring all nuclear activities immediately and irreversibly to a halt in exchange for less than expected up-front incentives. Importantly, North Korea would have had to reveal any uranium enrichment program, which it previously denied, without the benefit of face-saving measures to cushion the disclosure.

Despite Pyongyang's increasingly negative view of the substance of the U.S. offer, other governments involved in the six-party talks moved forward with plans to hold a new round by the end of September. With its national prestige on the line as host of the meetings, China was particularly active in conducting bilateral consultations with all the participants.

These procedural discussions hit their first major snag in mid-August, when Pyongyang said it could not attend a working level preparatory round of multilateral talks because of the "hostile policy" that the U.S. was pursuing against North Korea. North Korea upped the ante about a month later when it announced its refusal to attend any new round of talks until Seoul disclosed details of its nuclear weapons research, apparently conducted both in 2000 and in the early 1980s.

The news of South Korea's secret experiments to develop the fissile material for nuclear weapons broke in early September, when Seoul acknowledged that its scientists separated uranium on an experimental basis in 2000. South Korea earlier revealed this information to the International Atomic Energy Agency (IAEA) under pressure from the U.N.-affiliated organization. Nevertheless, Seoul quickly denied its scientists enriched uranium to near-weapons grade.

A week after this first disclosure, South Korea admitted to conducting plutonium research tests in the early 1980s. Here again, a Foreign Ministry spokesman denied that its research was part of a nuclear weapons development program. From public reports, it was not clear whether the nuclear experiments originated from academic curiosity, clandestine government policy, or the rogue activity of government scientists. Their exposure nevertheless set off alarm bells in Tokyo and Beijing where officials have long harbored suspicions of South Korean nuclear research. The Bush administration played down the disclosures despite fears that they could help to trigger a nuclear arms race in East Asia.

Another unsettling set of events began unfolding on Sept. 11, right after South Korea's second disclosure of nuclear research, when Seoul confirmed that a massive explosion occurred several days earlier in North Korea, not far from the Chinese border. Speculation that North Korea may have conducted a nuclear test was bolstered by a *New York Times* report a day later that some U.S. intelligence agencies believed Pyongyang was taking preparatory steps toward testing a nuclear weapon.

Democratic presidential candidate Sen. John Kerry seized on the combination of events and attacked President Bush for letting a "nuclear nightmare" develop in North Korea by virtue of the administration's single-minded focus on Iraq. Responding to Kerry's

charges, both Secretary Powell and National Security Adviser Rice defended the administration's policy toward North Korea. They argued that the U.S. had a far better chance of preventing a North Korean nuclear test through the multilateral six-party talks than if the U.S. were trying to deal with Pyongyang on its own and solely through bilateral negotiations – a mischaracterization of the candidate's policy (and official U.S. policy for that matter, which also endorses bilateral talks within the multilateral framework).

The charges and counter-charges by Kerry and Bush administration officials appeared especially ironic in a U.S. political context. In the late 1990s, Republican conservatives constantly highlighted the North Korean threat to the U.S. as a means of both discrediting the Clinton administration's efforts to negotiate with Pyongyang and as a way of bolstering the case for national missile defense. The Democratic administration often responded by downplaying the North Korean threat, if only to avoid adding to Pyongyang's diplomatic leverage in bilateral negotiations.

Kerry's political attacks brought this interplay full circle. Now the Democrats stressed the threat from North Korea to discredit Bush administration policy. In response, Bush administration officials emphasized the value of the multilateral negotiating process they created, while playing down the nuclear danger from North Korea to reduce Pyongyang's diplomatic leverage.

North Korea Human Rights Act

In late July, the U.S. House of Representatives approved the North Korea Human Rights Act; it was passed by the Senate on Sept. 28. If signed into law by President Bush, the bill would authorize \$100 million annually through 2008 for humanitarian assistance and the expansion of the World Food Program into North Korea. The bill would also provide \$20 million for humanitarian and legal assistance to North Korean refugees, orphans and women who are the victims of sex trafficking. Finally, the bill would assist North Korean refugees in obtaining political asylum in the United States by setting new guidelines for refugee status and asylum eligibility.

The chief sponsor of the bill in the House of Representatives, Congressman Jim Leach (R-IA) commented that “many thousands of North Koreans are hiding inside China, which currently refuses the U.N. High Commissioner for Refugees the opportunity to evaluate and identify genuine refugees among the North Korean migrant population. China forcibly returns North Koreans to North Korea, where they routinely face imprisonment and torture and sometimes execution. Inside China, North Korean women and girls are particularly vulnerable to trafficking in sexual exploitation.”

Future of the Alliance military talks

South Korean military and political officials were clearly taken aback in June when the U.S. announced that it would cut its troops on the Peninsula by a third (approximately 12,500 soldiers) by the end of 2005, as part of a global realignment of U.S. forces.

Although the troop reduction had allegedly been foreshadowed in earlier military-to-military discussions, the actual announcement focused public debate for the first time on its consequences. After South Korean conservatives criticized the government for instigating a U.S. withdrawal while the North Korean threat still loomed, U.S. commanders went out of their way to stress the decision was not a punitive response to South Korea's policy of détente with North Korea.

When U.S. National Security Adviser Rice met with ROK President Roh Moo-hyun in early July, she said the U.S. would positively consider South Korea's request to postpone the withdrawal by at least two years. Later in the month, in a demonstration of alliance cooperation, the U.S. and South Korea agreed on an earlier than expected return of 13 U.S. bases to South Korea by 2006. They also reached final agreement on the relocation of the U.S. command headquarters from Yongsan base in central Seoul to the Pyongtaek region, approximately 70 kilometers south of the capital.

The agreement on a relocation of U.S. forces from Yongsan culminated a difficult 10-year negotiation between the two allies. It must still be approved by the National Assembly, where critics have voiced dismay at the \$3-\$4 billion in relocation costs that will have to be shouldered by South Korean taxpayers.

The larger issue of U.S. reductions of forces on the Peninsula still eluded resolution at a meeting of U.S. and South Korean defense officials in Washington during late September. South Korea reportedly emphasized the need for at least a two-year delay to allow them to make preparations for assuming their new defense burden. South Korean defense officials also asked the U.S. to preposition in the country the equipment for a heavy brigade – including hundreds of M-1 tanks, M-2 armored vehicles, and M-109 self-propelled artillery. In the event of a conflict with North Korea, U.S. troops could be dispatched to the Peninsula by planes and high-speed transport ships and enter combat quickly with their prepositioned equipment.

The U.S. reportedly expressed reluctance on prepositioning, based mainly on the cost of leaving so much equipment in South Korea. (The U.S. previously agreed to delay the withdrawal of a battalion of Multiple Launch Rocket Systems from the end of 2005 to 2006). At the end of the September military conference, the allies agreed to reach a final resolution of outstanding issues at their annual ministerial-level defense consultation scheduled for late October.

Economic and trade issues

During this quarter, the U.S. and South Korea conducted negotiations at both working and senior policy levels on the application of U.S. export control regulations to the new Kaesong industrial complex in North Korea. When completed, this complex will be a new center for industry in North Korea that is built around South Korean companies. It will bring together South Korean capital, technology, and business expertise with cheap North Korean labor and land.

Originally announced at the June 2000 South-North summit meeting, South Korean planners envision that the Kaesong complex, 7 kilometers north of the DMZ, will involve about 2,000 South Korean companies by the year 2020. Seoul is seeking to establish 15 companies at the site, as a pilot project, by November or December 2004.

To move forward, South Korea must obtain U.S. permission to export certain controlled and dual-use technologies to North Korea, even though the initial factories will produce only low-tech products such as cosmetic cases, handbags, shoes, and fuel pumps. The main technology in question consists of Pentium III computers that South Korean companies will use to guide manufacturing operations and inventory control. At present, U.S. law bans export of such computers to North Korea on the grounds that they could foster terrorism or proliferation of weapons of mass destruction.

In early September, South Korea's Unification Minister Dong-young Chung conducted discussions with senior U.S. officials on this issue and later gave an upbeat assessment that the U.S. would issue the necessary licenses to permit the Kaesong project to proceed. Chung reportedly stressed to U.S. officials that both the U.S. and South Korean governments would strictly control access to sensitive technologies at the site and that these technologies would be used only by South Korean companies.

The U.S. and South Korea also conducted inconclusive trade negotiations during the quarter on opening the South Korean rice market to U.S. imports. Currently, stiff tariffs allow South Korea to subsidize its farmers by maintaining rice prices at approximately four times higher than international prices. South Korean farmers staged street rallies nationwide in September to protest any shift in government policy that would harm the domestic rice industry.

Seoul is seeking to protect its agricultural sector from harsh tariff cuts at the current round of WTO talks (on the so-called Doha Development Agenda) at the same time as it seeks tariff cuts from other countries in the manufacturing sector to help the export of Korea's high-tech IT products. Balancing these two conflicting policy imperatives will be a difficult task for South Korean trade negotiators during the completion of the WTO's Doha round in the coming year.

Finally, early in the quarter, U.S. and South Korean business leaders, meeting in Seoul, urged their two governments to complete a Bilateral Investment Treaty (BIT) and intensify efforts to reach a bilateral free trade agreement (FTA). In the view of the Federation of Korean Industry, early signing of a BIT will help accelerate the negotiations on a FTA. Now that President Roh has appointed a new minister of culture who appears open to modifying South Korea's restrictive film quotas, the main obstacle to a BIT could well be overcome in the near future.

Prospects

It appears that the six-party talks on the nuclear issue with North Korea will stay in a holding pattern, at least through the U.S. presidential elections in November. The talks are at a stage where some concrete progress has to be made at the next round or this diplomatic process may collapse altogether. Given a choice between failure or delay, virtually all of the participants would prefer the latter course.

To date, the six-party talks have shown some convergence on long-term goals: a nuclear-free Korean Peninsula, a peace system to replace the 1953 Armistice, an end to hostility leading to normal diplomatic relations among all the parties, and an elimination of barriers to trade to facilitate the economic development of North Korea.

In view of the degree of enmity and suspicion among some of the participants, especially the U.S. and North Korea, it may be difficult to reach these goals if the parties seek a conventional, formal treaty. An alternative approach that some parties, including the U.S., may propose is to proceed through “reciprocal unilateral measures” – independent actions taken by the parties to the negotiations – to reach their shared objectives. This diplomatic process leaves to each participant some discretion in what it actually does and does not require a formal treaty.

From North Korea’s standpoint, a process of taking reciprocal unilateral measures could avoid having to accept fully, at the outset, the strict offer that U.S. negotiators tabled at the last round of six-party talks. If North Korea were to announce some initial significant action toward dismantling its nuclear program, at the next round, reciprocal unilateral actions by the other participants would more than compensate Pyongyang, while maintaining momentum toward their common goals.

Chronology of U.S.-South Korea Relations July-September 2004

July 2, 2004: North Korean Foreign Minister Paek Nam-Sun meets with Secretary of State Colin Powell at ASEAN Regional Forum meeting in Jakarta; in Seoul, South Korean and U.S. business leaders call for swift conclusion of Bilateral Investment Treaty.

July 9, 2004: During ROK visit, U.S. National Security Adviser Condoleezza Rice says North Korea will reap “surprising” rewards if it abandons its nuclear program.

July 20, 2004: U.S. arms control chief Bolton meets with South Korean Foreign Minister Ban Ki-moon, urging that North Korea adopt the Libyan model of dismantling its nuclear program in exchange for political and economic benefits.

July 21, 2004: U.S. House of Representatives approves North Korea Human Rights Act.

July 23, 2004: Seoul and Washington agree on transfer of troops and bases in South Korea, as part of the realignment of U.S. forces.

July 24, 2004: North Korea brands U.S. six-party talks offer a “sham proposal.”

July 27-28, 2004: Over 460 North Korean refugees arrive in Seoul after the South Korean government air-lifted them from Vietnam.

July 28, 2004: U.S. head of the six-party working group, Joseph DeTrani, arrives in Beijing for talks with Chinese diplomats.

July 29, 2004: Pyongyang calls South Korea’s receipt of North Korean refugees “premeditated abduction and terrorism in broad daylight.”

Aug. 2-3, 2004: U.S. and South Korean delegates to the six-party talks open two days of meetings in Washington on compensation North Korea would receive for ending its nuclear program.

Aug. 5, 2004: North Korea returns the Korean War remains of two U.S. soldiers through Panmunjom.

Aug. 8, 2004: NSC head Rice says the U.S. is considering all available options for disrupting North Korea’s nuclear weapons program.

Aug. 10, 2004: North Korean official Ri Gun and U.S. official DeTrani discuss nuclear issue at two-day NGO seminar in New York; they reportedly meet with South Korean Ambassador Han Sung-joo and State Department Policy Planning Director Mitchell Reiss.

Aug. 13, 2004: U.S. military completes air-lift of 3,600 troops from South Korea to Iraq.

Aug. 16, 2004: President Bush confirms U.S. future realignment of U.S. troops in Asia and Europe, including withdrawal of 12,500 from South Korea; North Korea accuses U.S. of pursuing “hostile policy” and says it can’t attend working-level six-party talks.

Aug. 19, 2004: At opening of two-day Future of the Alliance talks, U.S. negotiators show positive response to delaying withdrawal of U.S. troops from South Korea until 2007.

Aug. 20, 2004: U.S. Deputy Asst. Secretary of Defense Lawless announces a closed round of defense talks in Seoul on scheduling a reduction of U.S. troops on the Korean Peninsula.

Aug. 23, 2004: North Korea calls Bush a “political imbecile” and says it would not attend working-group meeting for the six-party talks; U.S. and South Korea begin annual “Ulchi Focus Lens” war game.

Aug. 30, 2004: U.S. Forces Korea spokesperson denies that U.S. speeded up decision to reduce troops in Korea because of anti-American actions.

Sept. 2, 2004: South Korea acknowledges that scientists in 2000 separated uranium on an experimental basis.

Sept. 3, 2004: South Korea denies its scientists enriched uranium to near weapons grade.

Sept. 9, 2004: ROK admits to conducting plutonium research test in the early 1980s.

Sept. 10, 2004: South Korean Foreign Ministry official denies South Korea has a nuclear weapons development program. South Korean and U.S. trade negotiators discuss opening of Korean market to U.S. rice exports.

Sept. 11, 2004: South Korea confirms massive explosion in North Korea near Chinese border several days earlier but dismisses possibility it was a nuclear test.

Sept. 12, 2004: *The New York Times* reports that North Korea may test a nuclear weapon

Sept. 13, 2004: Assistant Secretary James Kelly completes two-day visit to Beijing; at beginning of four-day meeting with IAEA, South Korea says nuclear experiments were isolated, academic efforts.

Sept. 16, 2004: North Korea says it will not attend new round of six-party talks until Seoul discloses details of its nuclear experiments; North Korea shows foreign diplomats site of explosions related to construction of hydro-electric facility.

Sept. 17, 2004: Scott Snyder and SoRhym Lee are married in Seoul.

Sept. 19, 2004: IAEA inspection team arrives in Seoul to investigate uranium enrichment experiments in the early 1980s and 2000.

Sept. 22, 2004: U.S. and South Korean defense officials complete two days of talks in Washington on planned U.S. troop cuts in advance of October annual security dialogue.

Sept. 23, 2004: North Korea threatens to turn Japan into a “sea of fire” if the U.S. attacks North Korea with nuclear weapons.

Sept. 24, 2004: FM Ban meets Secretary Powell in New York, urging North Korea not to conduct any missile tests, as indicated by intelligence reports.

Sept. 27, 2004: North Korean Vice Foreign Minister Choe Su-hon says at U.N. that Pyongyang will not resume participation in six-party talks until Bush administration ends its “hostile policy” and South Korea discloses details of its nuclear experiments.

Sept. 28, 2004: U.S. Senate unanimously approves North Korea Human Rights Act.

U.S.-Russia Relations: A Tragic Summer

Joseph Ferguson
Visiting Fellow, Princeton University

The events of the past few months in both the United States and Russia highlight just how deeply embroiled each nation is in their respective national struggles against terrorism and against “insurgents” in Iraq and in Chechnya. Whereas the terror attacks perpetrated in triplicate in Russia garnered tremendous international attention, the quiet passing of a milestone in the U.S. campaign in Iraq drew much less notice. Just this past month, the 1,000th U.S. soldier died in Iraq. Whether the tragedies of the summer months will steel the strategic partnership or sow discord will be played out in the run-up to the U.S. presidential election and afterward.

Terror strikes the heart of Russia

August has become a month of reckoning for Russia. The hard-line putsch against Gorbachev took place in August 1991. The wave of apartment bombings (still unsolved) that hit Russia in 1999 and launched the second Chechen war also began in August. August of 2000 saw the Ostankino fire and the sinking of the nuclear submarine *Kursk*. This August, Russia saw a bomb explosion in a Moscow metro station, the downing of two civilian aircraft by Chechen women carrying explosives, and the bloody attack on the school in Beslan, North Ossetia. Russian leaders have been quick to draw the link to al-Qaeda and the larger war on terrorism, invoking the United States as an ally. Although U.S. leaders (and the American public) have expressed sympathy toward Russia’s plight, there is growing concern about Russian President Vladimir Putin’s plans to centralize power even more in the Kremlin, all in the name of the war on terror.

The Russian government has been trying to pin down the Bush administration on its views on Chechnya. In July, a high-profile extradition case against Ilyas Akhmadov, the shadow foreign minister of the separatist government of Chechnya, seemed to go Russia’s way when the U.S. Department of Homeland Security (DHS) appealed a local court’s decision not to extradite Akhmadov. But later DHS dropped the appeal, much to the Kremlin’s irritation. Putin has also lashed out at the United States, especially those who would call for him to negotiate with Chechen separatists, people Putin likes to refer to as “bandits.” Putin expressed this frustration to a group of Western reporters and academic specialists, with whom he held a long discussion in early September.

The Bush administration seems less agitated about Chechnya and Russia's actions there than about the Yukos case, which Washington fears is adding to the spike in world oil prices. On several occasions the White House and the State Department delivered a personal message to Putin asking that the courts give imprisoned Yukos chief Mikhail Khodorkovsky due process before the law. The latest occasion was when U.S. National Security Adviser Condoleezza Rice spoke by telephone with Kremlin chief of staff Dmitry Medvedev in August.

There is still great concern in Russia not only about the United States' intentions in Central Asia, but also about NATO's intentions in the Baltics and Eastern Europe, and in the Caucasus and Central Asia. The latest brouhaha has been over Russian bases in Georgia, the concern in Moscow being that a Russian pullout could invite a NATO pull-in. A recent headline in the daily *Noviye Izvestia* proclaimed "Russia surrounded: the American takeover of Central Asia" in reaction to the U.S. plan to draw down forces in Germany and elsewhere in NATO, and move parts of them to southeastern Europe and Central Asia. A respected defense journal *Nezavisimoe Voennoe Obozrenie* suggested that the United States has more benign intentions in Central Asia and wondered whether the new U.S. bases in Central Asia could become foci of cooperation between the two nations. Russian Defense Minister Sergei Ivanov spent much of the time in his August St. Petersburg meeting with U.S. Secretary of Defense Donald Rumsfeld discussing the issue of NATO expansion, and Ivanov expressed his concern.

Surprisingly the U.S. presidential election has brought little notice to the Bush administration's Russia policy. Unlike the 2000 election when much was made of the Clinton administration's coddling of Boris Yeltsin, so far there has been little mention of this. John Kerry has said Bush is "ignoring America's interest in seeing democracy advance in Russia," but has made little other mention of Russia and the Bush administration's policy toward Russia. Kerry's running mate John Edwards has said that he would not want Russia to be a G8 member. The Russian press has speculated about John Kerry as president, and seems to think that a Democratic administration would complicate relations with Russia (according to an article in the daily *Versiya*). The Kremlin seems to concur with this assessment, and Putin has made it no secret that he would prefer a Bush re-election to a Kerry victory.

The American press, on the other hand, has been studiously vociferous in its criticism of the Russian government, not only in its handling of the Yukos case and the war in Chechnya, but also in its handling of the Beslan school seizure, insisting that the whole truth behind the massacre is being covered up. The *Washington Post* published an editorial entitled, "Suppressing Truth in Russia," in response to the aftermath of the Beslan tragedy. Meanwhile *The New York Times* suggested that the United States and Russia are "allies sliding apart." But the Western press has judged even more harshly the changes proposed by Putin that will centralize power in the Kremlin, by having regional governors selected by the president, and having only proportional representation in the State Duma (doing away with direct candidate elections). The *Christian Science Monitor* suggested that it is "Back to the U.S.S.R." for Russia. *The New York Times* called the new changes "Russia's Lurch Backward." Both U.S. Secretary of State Colin Powell

and his deputy Richard Armitage chimed in with their concern about Russia's political changes. Russia's Foreign Minister Sergei Lavrov responded to Powell's remarks by saying that it was an internal matter for Russia.

Iraq and the Middle East

Iraq continues to be the center of U.S. foreign policy, and increasingly U.S. relations with third countries are influenced by how that country views U.S. actions in Iraq. This is the case both with allies (France, Germany, Japan, et al) and simple partner countries (Russia and others). Russia, though not cooperating with the United States in Iraq, has at least abstained from criticism. In fact, there were reports in the Russian press (*Izvestia* and *Interfax*) that Putin was considering sending Russian troops to Iraq to support the U.S.-led coalition. The Russian Foreign Ministry quickly denied these reports, but it left many wondering whether this had in fact been considered as an attempt to tie Russia closer to the U.S. war on terror and gain more concessions.

Iran continues to be a sore spot – specifically continued Russian support for Iran's supposed peaceful nuclear energy program. Russia-U.S. cooperation in the non-proliferation arena has been above reproach – apart from this one area. Russia seems hesitant to give up something that it feels will give it clout in a region where it has been greatly marginalized over the past 15 years. In September the *Wall Street Journal* issued an editorial criticizing Russia's relationship with both Iran and Syria.

Putin seems content to tacitly support the United States in Iraq, as long as the White House continues to turn a blind eye to Chechnya. Iran could become a complicating factor in the bilateral relationship, but thus far this issue has drawn much less attention due to the war in Iraq.

Areas of cooperation

Energy is still a big area of cooperation between Washington and Moscow. The U.S. government's concern about the Yukos trials seems to be more predicated on a concern about world oil prices than about the well-being of Khodorkovsky or due process of law in Russia. There is great interest in the United States not only in importing Russian oil, but also in Russian natural gas. (Russia has the world's largest gas reserves.)

Sakhalin Island, home to billions of dollars of U.S., European, and Japanese investment could become a large supplier of natural gas for the west coast of the United States in the next few years. At least, that is the intention of Royal Dutch/Shell and also the Russian natural gas monopoly, Gazprom. It is hoped liquified natural gas (LNG) can be shipped to California as early as 2007. Several producers on Sakhalin already have signed contracts for 3.4 million tons a year of LNG deliveries to Japan. Gazprom was also recently given the green light by the Russian government to purchase the state-owned oil company Rosneft and to allow undiluted foreign ownership of the new shares. This new giant will not only be more competitive, but will control 20 percent of the world's natural gas production.

At a conference of Russian and U.S. oil producers in Moscow, Russia's Minister for Trade and Economic Development German Gref said that his country has high hopes for the United States as an export market. According to commentary in *Izvestia*, Russian firms are ready "to fiercely compete with each other on the American market." Russian-U.S. energy cooperation was further highlighted by the recent acquisition by U.S. oil giant ConocoPhillips of nearly \$2 billion for a 7.6 percent stake in Russia's Lukoil—the world's No. 2 oil company by reserves.

In spite of the grave view taken in Washington about Russia's political path, cooperation against terror is continuing, and if the Bush administration remains in office another four years, odds are that this cooperation will continue, however ad hoc it may be. The daily *Nezavisimaya Gazeta* wrote that the United States and Russia stand "shoulder to shoulder," while *Izvestia* wrote that the two are "in the same boat."

East Asia

U.S.-Russian relations in Asia are cordial, as the two sides have much less to disagree on. Korea continues to be the prime area of concern, but there was little movement over the summer months, as the DPRK leadership apparently decided that it would await the U.S. presidential election before agreeing to a new round of six-party talks. The Russian leadership has been helpful in lobbying for a new round of talks, but the North Koreans are not moving.

Russian Foreign Minister Lavrov made his first trip to Asia in July, visiting the Korean Peninsula and meeting with DPRK leader Kim Jong-il, and laying the groundwork for a visit by South Korean President Roh Moo-hyun to Moscow later in the summer. Reports suggested that Russia was hoping to play a mediating role between North and South Korea, independent of China or the United States. Although the Kremlin denied these reports, Russia is obviously keen to play a vital role in resolving the standoff on the Korean Peninsula. Russia is also hoping to reinvigorate economic relations with South Korea. President Roh visited Moscow in September and oversaw the signing of commercial contracts – primarily in the energy sector – for more than \$4 billion. The largest contract was a \$3 billion project to create a refinery and petrochemical plant in Tatarstan, signed between Lucky Gold Group, South Korea's second-largest industrial group, and the Russian oil producer Tatneft. Roh was accompanied by a delegation of about 50 top executives of some of Korea's largest corporations, including Lucky Gold, Samsung, and Hyundai. Meanwhile the Korean state-owned gas company, Kogas, was offered an equity stake by the shareholders of Sakhalin Energy, which operates the multibillion-dollar Sakhalin-2 offshore oil and gas project.

Not to be outdone by their neighbor, the Japanese government announced that it would grant \$77.6 million to the Russian government to undertake a feasibility study on a pipeline linking Russian oil fields near Taishet to the Pacific port of Nakhodka, south of Vladivostok. More than anything, Japanese leaders seem keen to not be outbid for Russian energy sources by any of their neighbors, whether they be Chinese or Korean. As eager as Japan is to further develop its relationship with Russia, Japanese leaders have

made it clear that they have not forgotten the territorial dispute. Prime Minister Koizumi Junichiro has made the “Northern Territories” a focus of his foreign policy agenda. Although he recognizes the necessity of access to Russian energy, he also has been unwilling to separate the territorial dispute from the economic relationship. To highlight his anxiety about the disputed islands, Koizumi made an offshore boat tour of the islands in early September, all the while being trailed by a Russian Coast Guard vessel.

China, Japan, and South Korea are all making concerted efforts to reach out to the Russian government and make a connection to Russia’s long-term energy strategy. Russia, meanwhile, is looking for a more active role for itself in Northeast Asia and feels that being involved on the Korean Peninsula will help give it the political clout that energy cooperation will not necessarily provide.

The United States and Russia have a complicated relationship, and this past summer bears testimony to that. Although the leaders of both countries feel close in their fight against terrorism, the peoples of the two nations are struggling to identify with one another. The lack of debate in the U.S. presidential election about Russia policy reinforces how leaders in the United States (on both sides of the political spectrum) feel about the direction of the bilateral relationship; at least it indicates that they have no fresh ideas. Additionally, this lack of debate makes it difficult for the American people to make judgments about Russia (unlike in 1992, 1996, or 2000). To be sure, Russia experts around the nation are decrying the political direction of Vladimir Putin’s Russia, but for the average American, allies such as France, Germany, and Spain probably rank lower on the popularity list. Similarly, in Russia, the people are ambivalent about how they feel toward the United States. Russia’s leaders, meanwhile, are trying their best to maintain the “strategic partnership against terrorism.” Although many expert observers feel that Beslan, and the subsequent political changes made in its wake, have changed the nature of how the United States will deal with Russia over the next several years, great change is unlikely, barring a series of catastrophic events. The bet here is that the status quo will maintain an ambiguous partnership united more by hatred of terrorism than by domestic concerns.

Chronology U.S.-Russia Relations July-September 2004

July 1, 2004: In a visit to Moscow U.S. Secretary of Health and Human Services Tommy Thompson meets with Russian Health Minister Mikhail Zurabov and the two sides announce new American-Russian efforts against HIV/AIDS and tuberculosis.

July 2, 2004: Russia and the 10 members of the Association of Southeast Asian Nations (ASEAN) issue a joint declaration on cooperation in fighting international terrorism in Jakarta and agree to improve the exchange of intelligence information.

July 5, 2004: Russian Foreign Minister Sergei Lavrov meets with DPRK leader Kim Jong-il in Pyongyang.

July 9, 2004: Forbes Russia Editor-in-Chief Paul Klebnikov, a U.S. citizen, is murdered on a Moscow street. The case draws wide attention to Russia's crime problems.

July 11, 2004: The Japanese government announces that it will give Russia \$77.6 million to study the construction of a Siberian oil pipeline to the Pacific port of Nakhodka.

July 27, 2004: Officials from Japanese Marine Security Department meet with officials from Russia's Federal Border Guard in Vladivostok to discuss further cooperation.

Aug. 7, 2004: The Russian Baltic fleet begins exercises with NATO warships, an historic first.

Aug. 8, 2004: U.S. National Security Adviser Condoleezza Rice speaks by telephone with Kremlin chief of staff Dmitry Medvedev about the effect the Yukos case is having on the world oil market.

Aug. 12, 2004: With an eye on rising oil prices, the U.S. State Department publicly calls on the Russian government to put aside internal "political considerations" in order to resolve the Yukos matter.

Aug. 14, 2004: In a visit to St. Petersburg, Secretary of Defense Rumsfeld meets with Russian Defense Minister Sergey Ivanov. The two discuss the war on terror and announce impending joint naval maneuvers. They also announce that Moscow and Washington may jointly develop a missile defense system. Ivanov expresses concern about NATO's expansion into the Baltics.

Aug. 24, 2004: Two passenger airliners leaving the same Moscow airport on domestic flights explode in mid-air at the same moment over south-central Russia, killing 90 people. The Kremlin at first denies a terrorist link, but then later concedes that it is a coordinated terror attack.

Aug. 31, 2004: Terrorists target Moscow metro station, killing 9 and wounding dozens of others in a suicide explosion.

Sept. 1, 2004: Chechen terrorists seize a school in the North Ossetian town of Beslan, taking hostage hundreds of children and adults. After a two-day standoff, violence erupts and almost 400 people—mostly children—are killed.

Sept. 2, 2004: Japanese Prime Minister Koizumi Junichiro inspects disputed "Northern Territories" by boat.

Sept. 6, 2004: Meeting Western journalists and academic specialists, President Putin lashes out at U.S. and Europe calls to discuss a settlement with the Chechen insurgents.

Sept. 12, 2004: President Bush makes an unexpected visit to the Russian Embassy in Washington, DC and signs a book of condolences for victims of the school hostage seizure. He expresses outrage at the actions of “evil terrorists.”

Sept. 13, 2004: Putin orders sweeping changes to Russia’s political system to help combat terrorism, prompting concern that he is moving to further clamp down on domestic dissent and opposition.

Sept. 14, 2004: Secretary Powell expresses concern that sweeping political changes to fight terrorism proposed by Putin will erode Russia’s democratic reforms.

Sept. 14, 2004: President Putin permits the Gazprom natural gas monopoly to acquire the state-owned oil company Rosneft.

Sept. 15, 2004: In response to Powell, FM Lavrov announces that he considers unfounded claims by the U.S. that Russia’s new political measures are a step against democratic development.

Sept. 15, 2004: U.S. Department of State declares that U.S. assistance to Russia in fiscal year 2004 amounted to \$880.38 million.

Sept. 18-19, 2004: U.S. Energy Secretary Spencer Abraham and Russian Atomic Energy head Alexander Rumyantsev convene a two-day conference in Vienna on a global initiative to keep highly radioactive materials out of the reach of terrorists.

Sept. 21, 2004: At a joint U.S.-Russian seminar on oil transportation and oil markets Russian Economy Minister German Gref says that he sees the U.S. as a promising oil export market for Russia.

Sept. 28, 2004: A group of 115 American and European foreign policy specialists, including former and current elected leaders, write a letter to President Bush and other government leaders in NATO and the European Union accusing President Putin of undermining democracy in Russia and turning the country back toward authoritarian rule.

U.S.-Southeast Asia Relations:

Philippines Withdraws from Iraq and JI Strikes Again

Sheldon W. Simon
Arizona State University

The early withdrawal of the Philippines' small armed forces contingent from Iraq in response to a militant group's threat to murder a Filipino hostage disappointed the United States but has not damaged Washington-Manila counterterror cooperation. U.S. forces continue to train Philippine soldiers in counter-insurgency. The early September Jakarta truck bomb attack on the Australian Embassy has reinforced U.S. and Australian police and intelligence collaboration with their Indonesian counterparts. Washington hopes that the election of S.B. Yudhoyono as Indonesia's next president will strengthen joint efforts against the Indonesia-based *Jemaah Islamiyah* – Southeast Asia's al-Qaeda-linked and most lethal terror organization. Washington is also offering technical assistance to Southeast Asian navies patrolling the Malacca Strait just as China proposes to raise its maritime profile in the region.

Philippine withdrawal strains U.S. relations

Philippine President Gloria Macapagal-Arroyo, one of America's earliest and staunchest Asian supporters in the war on terror, withdrew the small Philippine contingent of 51 peacekeepers from Iraq in July, a month before its scheduled departure. The kidnapping of a Filipino truck driver and threat of his execution by militants fueled already negative Philippine public opinion over the country's participation in the Iraq occupation. President Arroyo's decision occurred only days after U.S. Pacific Commander Adm. Thomas Fargo had praised the country for its support in Iraq.

With approximately 4,000 civilian Filipinos in Iraq, most working for the U.S. Army and civilian contractors, insuring their safety is an important political concern for Manila. While the government has not ordered all of them to leave – the ultimate goal of most of the insurgents who kidnap foreign workers – President Arroyo called a halt to any future Filipino laborers bound for Iraq. U.S. officials expressed dismay at the president's decision. State Department spokesman Richard Boucher averred that it sends "the wrong signal" to terrorists. "Making concessions to hostage takers only encourages their behavior." With its troop withdrawal, the Philippines became the first country to yield to kidnappers' demands. (Washington fears that others would follow as occurred after Spain pulled out earlier this year; the Dominican Republic, Nicaragua, and Honduras appear to have done just that.)

Overseas Filipino workers are a significant contributor to the Philippine economy; remittances in 2003 reached an all-time high of \$7.6 billion to account for nearly 10 percent of the country's GNP. As a key ally in the U.S. war on terror, President Arroyo does not want to damage Manila's important relationship with Washington, which has granted the Philippines "major non-NATO ally" status. The Philippines is also the largest recipient of U.S. aid in Southeast Asia.

However, given her slim victory in the hotly contested recent presidential election and her memory of how President Fidel Ramos' popularity plummeted after the execution of a Filipina maid in Singapore, President Arroyo seemed to conclude that calming public opinion was worth the risk of annoying the country's superpower ally. The Philippine presence in Iraq was a token humanitarian contingent composed of noncombat troops, but their withdrawal damages a key element of the Bush administration's strategy in the Iraq occupation/reconstruction, which is to put an international face on these activities. The troop withdrawal also appeared to contradict Manila's internal policy toward Muslim militants in Mindanao where negotiations and ransoms to release kidnap victims have long prevailed. In the Iraq case, there was no effort to negotiate a ransom for the hostage release. The Philippine government simply complied with the militants' demands.

President Arroyo's gamble may have paid off when, on July 14, U.S. Ambassador to the Philippines Francis Riccardone affirmed the alliance relationship and stated: "We are here for you." Nevertheless, Secretary of State Colin Powell admonished the Philippines when he stated that the U.S. was "very disappointed in the action of the Philippines government" in which "the kidnapers were rewarded for kidnapping." Justifying her decision, Mrs. Arroyo called upon the Philippines' allies to understand "that the Philippines is in a special circumstance unlike the U.S., Australia ... and other countries" with "1.5 million of its citizens in the Middle East." She believed that the threat to these civilians "has now been relieved as a result of the ... departure of Philippine troops." (Nonetheless, within a week after the Philippines withdrew its forces, hostage takers seized workers from Kenya, India, Pakistan, and Egypt, demanding that their employers or home countries withdraw from Iraq.)

Subsequently, Manila has reaffirmed its continued commitment to "the campaign against international terrorism" through cooperation with its neighbors and "our strategic partnership with the United States." And, in August, Philippine Foreign Secretary Delia Albert stated that the Philippines remains committed to helping rebuild Iraq and remained open to sending peacekeepers under a UN framework.

U.S.-Philippine war games and the MILF

Over the past several years, Manila has attempted to move the Moro Islamic Liberation Front (MILF) – seeking autonomy for the southern Philippines – from rebellion to negotiations. In that same time frame, however, some members of the MILF had been cooperating with elements of the Indonesia-based *Jemaah Islamiyah* (JI) – Southeast Asia's largest and al-Qaeda-affiliated Islamist terrorist organization. In 2002, U.S. Army forces began training Philippine elite troops and special forces in the south to suppress

the *Abu Sayyaf* kidnap-murder gang and any MILF allies. By 2004, MILF leaders chose to open negotiations with Manila again, and Malaysia offered its good offices. As a sign of its good intentions, the MILF has also agreed to assist Manila in locating JI operatives in Mindanao who are training *Abu Sayyaf* and those MILF fighters who have not joined the peace talks. For the United States, isolating and apprehending JI members constitutes a major benefit from its training program in Mindanao. An additional hope is to deny the southern Philippines as a training ground for Southeast Asian Islamist militants.

In July, Philippine and U.S. forces began a series of counterterrorism training exercises in areas where MILF secessionists maintain camps. To insure that the exercises do not provoke clashes with MILF forces, Philippine Defense Secretary Eduardo Ermita said that the government would share training schedules, venues, and the numbers of participating troops with the MILF leadership. In return, the MILF expressed no objection. Unlike previous exercises, no heavy U.S. equipment is involved this time; and most of the field exercises would be confined to the grounds of a Philippine military camp in the region. Moreover, the number of U.S. training staff is much smaller than in previous exercises, with only 40-50 in total. Missions outside the camp were to be humanitarian and civic action, which have generated goodwill from local populations in the past. Nevertheless, some local protests occurred, especially in Kabocan town next to the Philippine military site because local authorities were not consulted about the billeting of U.S. soldiers in a University of Southern Mindanao hostel. Concurrent with the exercises, the U.S. financed the Philippine purchase of 20 military helicopters, to be delivered by the end of 2005. U.S.-trained Philippine forces will remain deployed in the south to hunt down about 20 JI militants – mostly Indonesians – hiding in remote MILF camps. By December, U.S. special forces will have trained about 1,000 Philippine troops in counter-insurgency during 2004.

The United States also renewed an order classifying the Communist Party of the Philippines as a terrorist organization. Its New Peoples Army has been fighting the government for years in both Luzon and Mindanao, though there is little evidence that it collaborates with Moro insurgents. The U.S. terrorist list renewal led the communist National Democratic Front to postpone peace talks with Manila.

U.S. warily observes closer Philippines-China ties

In what several Philippine commentators described as a “diplomatic breakthrough,” President Arroyo visited China in early September and agreed to expand military exchanges. The newly appointed Philippine Defense Secretary Avelino Cruz Jr. stated that “defense cooperation will ease out the irritant issue of [the] South China Sea disputes...” A spokesman from the Philippine President’s Office reassured Washington that China-Philippines defense ties would not in any way affect existing bilateral security ties and military pacts with the United States. Nor would there be joint exercises between Chinese and Philippine forces.

Nevertheless, new Philippine security relations with Beijing and possible joint oil exploration in the South China Sea coming soon after Manila withdrew forces from Iraq are causing some apprehension in Washington. U.S. Charge d'affairs Joseph Mussomeli warned Manila that relations with the U.S. face "erosion" if there are additional setbacks in bilateral ties. Washington may be concerned that PRC-Philippine joint exploration in the Spratly Islands allows Beijing to project its navy permanently into the area. China also gave President Arroyo \$1 billion in soft loans and investments, some of which will involve Beijing in the Subic-Clark area, enhancing the latter's role as a logistics and service hub in Southeast Asia.

Fighting terrorism still tops the U.S.-Indonesia agenda

A terrorist attack on the Australian Embassy, the election of a new president, and controversies over U.S.-Indonesian counterterrorist plans dominated bilateral relations in this quarter. A massive truck bomb exploded adjacent to the Australian Embassy in Jakarta on Sept. 9, killing 10 and injuring 180, all Indonesians. The Australian Embassy may have been chosen by the terrorists – believed to be JI – because the U.S. Embassy was better protected and set back from its main thoroughfare. Indonesian police say the truck bomb was similar to those used to attack the Jakarta Marriott in 2003 and Bali in 2002. Those arrested for the earlier atrocities were all JI operatives. Ironically, just days before the recent attack, the U.S. and Australian embassies had issued travel warnings for Indonesia that Jakarta had labeled "exaggerated."

Although the Indonesian police are doing a good job tracking and apprehending JI terrorists, the government of President Megawati Sukarnoputri has still not acknowledged the Islamist terror organization's existence nor publicly laid out a case against it or plans to counter it. Neither has the government tackled the corruption that allows would-be terrorists to buy guns and explosives as well as false passports and identity cards. The government also needs to take action against the small number of schools that have produced a disproportionate share of the bombers. Meanwhile, the purported spiritual leader of JI, in police custody for an alleged role in the earlier bombings, condemned the attack on the Australian Embassy, denied that it could have been perpetrated by Muslims, and laid the blame on an Australian-U.S. conspiracy to divide Muslims. In late September, an Indonesian police general stated that the money for the attack was probably what remained from \$50,000 that JI had been given to bomb the Jakarta Marriott.

The September election of Susilo Bambang Yudhoyono (SBY) as Indonesia's next president has heartened those who hope Indonesia will adopt a stronger counterterrorist posture. As coordinating minister for security under Mrs. Megawati, he was the government's most outspoken critic of Islamist terror. Having served two stints in U.S. military educational institutions, SBY desires a full resumption of military relations with the United States. The U.S. training program was stopped more than a decade ago after the Clinton administration and Congress objected to human rights abuses by the Indonesian military in East Timor. The Bush administration and Congress are discussing the restoration of military training to bolster Indonesia's counterterror cooperation. The

key is whether the U.S. Congress is satisfied with Jakarta's findings in a Papua murder investigation of the killings of two U.S. teachers. The FBI concluded that the assailant was a rebel with the Free Papua Movement and not the Indonesian military as many U.S. Congressmen believed.

On the other hand, the Indonesian appeals court's August decision to overturn the conviction of four security officials convicted of atrocities in East Timor that accompanied that province's 1999 independence vote elicited an angry reaction from the State Department. With their convictions voided, out of 18 Indonesians tried for atrocities in the former Indonesian province, only two were found guilty and both of them are ethnic Timorese. By contrast, in a parallel investigation, the UN's Serious Crime Unit in East Timor has indicted more than 375 people and obtained over 50 convictions, mostly militia men who said they were acting under the orders of the Indonesian armed forces. Some 280 of those indicted remain at large in Indonesia, including the Indonesian commander at the time, Gen. Wiranto. So far, however, the United States is the only major power that has publicly stated it wants to see justice for East Timor. Ironically, the new state itself, eager to maintain good relations with its more powerful neighbor, opposed the idea of an international tribunal and has refused to forward Gen. Wiranto's arrest warrant to Interpol.

Regional security concerns involve the United States and China

Last quarter's U.S.-Southeast relations piece in *Comparative Connections* discussed U.S. backtracking on a proposal for an enhanced role in patrolling the Malacca Strait against terrorism and piracy when Indonesia and Malaysia rejected the idea as an encroachment on their sovereignty. Nevertheless, because Jakarta is promoting the concept of an ASEAN Security Community that requires some sacrifice of the group's noninterference principle, President Megawati urged ASEAN to react positively to Washington's renewed interest in Southeast Asian security when she addressed the July ASEAN Ministerial Meeting. At that meeting, Secretary Powell reiterated U.S. interest "in working with ASEAN countries to strengthen maritime security in the region." The U.S. Pacific Command now offers technical assistance and training to the littoral states rather than direct participation. In a separate development, on July 20, Indonesia, Malaysia, and Singapore signed an agreement for joint patrols in the Malacca Strait to combat piracy. The specifics of those joint patrols have yet to be defined, however, and neither Indonesia nor Malaysia have mentioned antiterrorism as an objective. Meanwhile, in mid-August, Singapore began its own negotiations with the United States for defense cooperation based on the belief that a more formal U.S. presence in Southeast Asia will enhance regional stability.

Interestingly, China has also proposed deepening security ties with Southeast Asia in response to what the PRC sees as too much U.S. influence in regional security forums such as the annual Shangri-La dialogues. ASEAN has agreed to attend a new security forum in Beijing later this year. At a seminar on ASEAN-China relations in Singapore at the end of June, Chinese participants floated the idea of joint naval patrols and maritime

military exercises, possibly as a way of urging other ASEAN members not to follow Singapore's lead in establishing closer defense ties with the United States.

On the counterterror front, Washington has contributed to an Asian Development Bank trust fund to assist member countries in dealing with terrorist finance and money laundering as well as improving port security. The funds can be used to establish financial intelligence units and to upgrade customs security. The fund grew out of an U.S. initiative at the 2003 Asia-Pacific Economic Cooperation (APEC) forum. In late August, Washington pledged \$468 million in aid to Indonesia over five years, much of it to reform school curriculum to combat Islamist extremism. A new U.S.-trained police counterterrorism detachment, "Team 88," captured a top JI operative who entered Indonesia from the southern Philippines on June 30. He and his associates are linked to bombings in Indonesia over the past six years. Many of the U.S. instructors for Team 88 are retired special forces personnel. While Indonesia has been criticized by outsiders for not giving the war on Islamist terror high political visibility, in fact, Jakarta has more home-grown terrorists in custody than any other Southeast Asian country.

Thailand and Malaysia cool to U.S. war on terror

Thailand and Malaysia have been only marginally involved in Iraq. Thai Prime Minister Thaksin Shinawatra dispatched 447 peacekeepers possibly as the basis for securing lucrative reconstruction contracts. However, after a year's deployment, they were withdrawn in late September with no indication that fresh troops would replace them – despite UN Secretary General Kofi Annan's request that the troops remain in place prior to scheduled January elections because of Iraq's ongoing security crisis. In fact, the Thai engineers and medics had stayed in their camp since April because of rising violence.

Malaysia has offered to send a military medical team to Iraq as a sign of the government's "very strong" relations with the United States. No Malaysian peacekeepers have been sent, however. Nor are there any plans to do so. Moreover, Malaysian Foreign Minister Syed Hamid Albar warned in mid-July that the U.S. invasion of Iraq had backfired and "the incidence of terrorism ... has increased." However, as current chair of the 57-nation Organization of Islamic Conference (OIC), Malaysian Deputy Prime Minister Najib Razak has urged the OIC to discuss the possibility of sending an all-Muslim force to Iraq but only if there is some way of determining whether such a force would be acceptable to the Iraqi people. The United States privately expressed disappointment at the stringent conditions outlined by Malaysia before any mission would be sent. In mid-September, after Secretary General Annan declared the U.S. intervention in Iraq to be a violation of international law, Foreign Minister Hamid Albar noted that Malaysia had stated from the beginning that the U.S. action was illegal and that U.S. and allied forces "should pull out from Iraq as soon as possible."

Despite this harsh rhetoric, routine joint military exercises continued between Malaysia and the United States. The nuclear-powered aircraft carrier *U.S.S. John Stennis* and its battle group arrived in Malaysia for a four-day visit in early September, while earlier in August a fleet of five U.S. Navy ships conducted exercises in the South China Sea with

the Malaysian Navy. The *U.S.S. Stennis* commander, Rear Adm. Patrick Walsh, told reporters, “Malaysia has been a good friend to the United States, and we want to reciprocate.”

U.S. pleased as Malaysia releases Anwar from prison

Former deputy prime minister and one time heir apparent to Prime Minister Mahathir Mohammad, Anwar Ibrahim, was released from prison Sept. 2. His sodomy conviction was widely believed to be trumped up by a vindictive Mahathir whose policies during the 1997 Asian financial crisis were challenged by Anwar. After serving six years, the Malaysian high court overturned Anwar’s conviction, stating the original evidence was unreliable. The U.S. Embassy in Kuala Lumpur immediately welcomed Anwar’s release stating: “It was gratifying to see that justice has now been served.” The court let stand Anwar’s earlier corruption conviction, which effectively bars him from running for office before 2008.

Anwar’s 1998 arrest had soured relations between the United States and Malaysia. Vice President Al Gore rebuked Mahathir to his face at a 1998 dinner meeting of Asia-Pacific leaders in the Malaysian capital for the manner in which Anwar had been treated. Subsequently, the Malaysian prime minister maintained a critical stance toward the U.S. until his retirement in October 2003. The new prime minister, Abdullah Badawi, has patched up relations with Washington. Anwar’s release can be seen as evidence that the Malaysian judiciary will be more independent than it was under Abdullah’s predecessor. Malaysian commentators are divided over whether Anwar can make a political comeback because domestic politics have significantly changed while he was incarcerated.

Implications

Both the Philippines and Thailand have withdrawn their small military contingents from Iraq, and no other Southeast Asian states deploy armed forces there. Their absence reflects the war’s political unpopularity in the region as well as Southeast Asia’s consensus that U.S. involvement in Iraq is not part of the war on terror. Nevertheless, 4,000 Philippine contract workers remain in Iraq, and their safety is a serious concern for President Arroyo’s government.

Regional terrorist activities burgeon with the JI bombing in Indonesia, continued Muslim unrest in southern Thailand, and more killings by the *Abu Sayyaf*, the communist NPA, and rogue elements of the MILF in the Philippines. Moreover, JI instructors and recruits from Indonesia continue to train in remote areas of the southern Philippines. Therefore, Southeast Asian governments welcome U.S. counterterror assistance through counterinsurgency training (Philippines) technical assistance to the police (Indonesia, Philippines, Thailand), and intelligence sharing.

The United States should encourage efforts by the littoral states to collaborate in Malacca Strait patrols against piracy (and potentially maritime terrorism). Washington should offer whatever assistance Malaysia, Indonesia, and Singapore are willing to accept

without appearing to usurp their regional authority. In time, U.S. participation in Malacca Strait surveillance may be accepted – provided U.S. Navy plans are vetted by the countries bordering these waters. Given China’s growing presence in Southeast Asia, regular U.S. Navy patrols might be favorably received as part of a Southeast Asian balance strategy.

Chronology of U.S.-Southeast Asian Relations July-September 2004

July 1, 2004: In formal remarks at the U.S.-ASEAN Ministerial Meeting, Secretary Powell states U.S. “interest in working with ASEAN countries to strengthen maritime security in the region.”

July 2, 2004: Secretary Powell at an ARF meeting in Jakarta expresses regret over the difficulty foreigners have obtaining visas for the U.S. and promises that “a more normal set of standards” will be restored.

July 2, 2004: ARF agrees to create a small permanent Secretariat for the first time, a plan long backed by the United States.

July 6, 2004: Former U.S. President Jimmy Carter visits Indonesia as an election observer, declares the round of the presidential election a success for democracy with “no real challenge to secular governments.”

July 7, 2004: U.S. Ambassador to the Philippines Francis Riccardione calls for a tougher campaign against *Jemaah Islamiyah* in Mindanao and announces the U.S. is withdrawing \$30 million offer to aid Mindanao development because the Moro Islamic Liberation Front (MILF) is not cooperating in the peace process.

July 7, 2004: U.S. Congress agrees to finance the purchase of 20 of the 50 military helicopters to be acquired by the Philippines in the next 18 months for the fight against insurgents and terrorists, says Philippine Defense Secretary Eduardo Ermita.

July 8, 2004: Philippines bars citizens from traveling to Iraq after kidnappers threatened to kill a Philippine hostage. The Philippines has 51 soldiers and police officers in Iraq and about 4,000 contract workers with the U.S. military.

July 9, 2004: Indonesia serves as venue for former U.S. Army Sergeant and alleged deserter Charles Jenkins to reunite with his Japanese wife who had been kidnapped by the DPRK in the 1970s. Indonesia was chosen because Jakarta has no extradition treaty with the U.S. Secretary Powell said the U.S. would not protest because the meeting was “a humanitarian issue.”

July 12-13, 2004: Philippine President Arroyo promises to withdraw 51 peacekeepers from Iraq “as soon as possible” to halt the execution of a captured Filipino. The U.S. government urges the Philippines not to comply with terrorists.

July 14, 2004: Philippines announces it has withdrawn some of its peacekeepers from Iraq despite the Bush administration’s opposition. The full contingent of Philippine forces was scheduled to go home in August.

July 16, 2004: Indonesia and Cambodia are among a group of countries that will share in a \$50 million aid plan announced by President Bush to combat human trafficking.

July 19, 2004: Malaysian Prime Minister Abdullah Badawi meets President Bush in Washington to discuss Muslim issues.

July 19, 2004: Philippines completes withdrawal of 51 military and police peacekeepers from Iraq as Arab militants release a Philippine hostage. The U.S. and other governments with forces in Iraq say the decision will encourage further hostage taking.

July 20, 2004: Indonesia, Malaysia, and Singapore signed an agreement for joint patrols in the Malacca Strait to combat piracy.

July 23, 2004: U.S. Ambassador to the Philippines Riccordione returns to Washington for “consultations” following the Philippines’ withdrawal of its 51 peacekeepers from Iraq.

July 26, 2004: Joint Philippines-U.S. counterterrorism exercise begins in North Cotabato province, an MILF stronghold. The exercise is confined to the grounds of a Philippine military camp.

July 28, 2004: Indonesian prosecutors drop charges against jailed cleric Abu Bakar Bashir for the 2002 Bali bombing after the Constitutional Court rules that a counterterror law passed after the Bali bombing cannot be applied retroactively. Bashir remains in jail, however, and will be charged with leading the regional terrorist organization, *Jemaah Islamiyah*.

July 29, 2004: U.S. missionary Gracia Burnham identifies six of her *Abu Sayyaf* kidnapers in a Manila court. She and her husband, who was killed in their rescue by Philippine forces, were held with 19 others for more than a year after being seized in 2002.

July 29, 2004: U.S. Ambassador to Indonesia Ralph Boyce congratulates President Megawati Sukarnoputri on Indonesia’s successful first round of presidential elections and expresses surprise at criticism of foreign election monitors for allegedly interfering.

Aug. 3, 2004: U.S. Homeland Security Secretary Tom Ridge attends Singapore National Day celebration at the Washington, D.C. Embassy, praising Singapore for sharing its homeland defense expertise with the United States.

Aug. 3-4, 2004: U.S. Pacific Command J-5 Maj. Gen. Karl Eikenberry meets Indonesia's military chief Gen. Sutarto in Jakarta for discussions about improving military ties.

Aug. 4, 2004: North Korea accuses Vietnam and the United States of "conspiring" to help several hundred North Koreans to defect via Vietnam to South Korea.

Aug. 6, 2004: Arrests in Pakistan of a top al-Qaeda computer specialist reveals electronic mail to sleeper cells in Indonesia, Malaysia, and the U.S. among other countries.

Aug. 6, 2004: U.S. State Department expresses "dismay" and "profound disappointment" over the decision by an Indonesian appeals court to overturn the conviction of three Indonesian army officers and a policeman convicted of the massacre of hundreds of East Timorese during the 1999 independence referendum.

Aug. 7, 2004: Manila and Washington reaffirm alliance against global terrorism after disagreeing about the Philippines' early withdrawal of forces from Iraq.

Aug. 9, 2004: Secretary Powell renews order declaring the Philippine Communist Party a terrorist organization even though Philippine President Arroyo plans to hold peace talks with communist guerrillas this month.

Aug. 25, 2004: More than 1,500 unregistered Hmong refugees in a Thai camp attempt to join others who have been cleared for immigration to the U.S. They were detained by the Thai military because they missed the 2003 registration deadline. U.S. and Thai authorities are reportedly working to resolve the unregistered refugees' plight.

Aug. 29, 2004: U.S. pledges \$168 million in aid over five years to Indonesia, much of it to reform school curriculum in hopes of combating Islamist extremism. Of the total, \$236 million is earmarked for other human services and \$75 million to food assistance.

Aug. 30, 2004: Singapore rejects U.S. government human rights report alleging it tolerates illicit trade in prostitutes and some foreign maids. The U.S. report accused Singapore of having no action plan to battle this trafficking, an allegation Singapore denies by pointing to stringent immigration controls.

Aug. 30, 2004: U.S. Drug Enforcement Administration launches a month-long counternarcotics training program for the Philippine National Police and Army, emphasizing identifying and preserving evidence.

Sept. 1, 2004: The *USS John Stennis* nuclear-powered carrier and accompanying battle group begin a rare four-day visit to Malaysia. Commander Rear Adm. Patrick Walsh avers America's commitment to regional security and support for Malaysia, "a loyal and faithful partner and friend."

Sept. 2, 2004: Former Malaysian Deputy Prime Minister Anwar Ibrahim is released from jail after serving six years for corruption and sodomy convictions, widely believed to have been political revenge at the behest of then Prime Minister Mahathir. The U.S. Embassy stated it is "gratifying to see that justice has now been served." The Malaysian high court called the evidence used to convict Anwar "unreliable."

Sept. 3, 2004: U.S. issues new warnings to its citizens to avoid Western hotels in Jakarta following fresh concerns that terrorists are targeting locations frequented by Westerners. Indonesian police said they were unaware of any new threats.

Sept. 8, 2004: U.S. Embassy officials in Manila illustrate new fingerprint scanning technology being required of foreign visitors to the United States. The embassy stressed it would not be harder to visit the U.S., and the new technology would stop the use of stolen and counterfeit visas.

Sept. 9, 2004: Suicide truck bomber kills 10 people and injures 180 when his vehicle detonates adjacent to the Australian Embassy in Jakarta, the third major suicide bomb incident in Indonesia after Bali 2002 and the Jakarta Marriott in 2003.

Sept. 16, 2004: Deputy Defense Secretary Paul Wolfowitz publishes Op-Ed in *The New York Times* condemning the Indonesian government's prosecution of Bambang Harymurti, chief editor of *Tempo*, the country's leading news magazine. Bambang had written an article speculating that an open-air market fire had been arson to benefit a well-connected entrepreneur who planned a large commercial development on the location. Wolfowitz sees the prosecution as a strike against freedom of the press.

Sept. 18, 2004: Vietnam denounces U.S. State Department list naming it a "country of particular concern" with respect to religious freedom. Burma was also cited for religious persecution.

Sept. 20, 2004: Presidential run-off elections in Indonesia. The official results to be announced on Oct. 5.

Sept. 23, 2004: U.S. Embassy in Jakarta criticizes Indonesian police for detaining without charge several U.S. executives of the P.T. Newmount mining company over allegations of dumping hazardous waste into Buyat Bay in North Sulawesi. While expressing support for Indonesia's judicial system, the embassy warned that arbitrary arrests could further harm the investment climate in the country.

China-Southeast Asia Relations:

Find New Friends, Reward Old Ones, but Keep All in Line

Ronald Montaperto

Consultant on Asian security affairs

Beijing's relations with the nations of Southeast Asia during the third quarter of 2004 remained basically positive and progressive. Contacts with the region as a whole through ASEAN followed a generally positive trajectory, as did China's relations with individual Southeast Asian nations. Trade and overall economic relations developed according to the announced objectives of all the parties involved; several new infrastructure development projects designed to facilitate Chinese contacts with its neighbors were announced and/or begun; Beijing made major progress in its self-defined role as bridge between Asia and Europe as the Asia-Europe Meeting (ASEM) convened; and, the Chinese announced a broad-gauge plan for integrating ties among political parties into the overall strategy for developing positive, broad relations with the sub-region.

Only two events emerged to contrast with this overwhelmingly positive pattern and, although neither threatens to challenge, much less undermine, the generally positive course of Beijing's interactions with Southeast Asia, they merit mention here. The more puzzling of the two involved Beijing's unusually harsh and unprecedented public reaction to the unofficial visit to Taiwan by Singapore's then Deputy Prime Minister and now Prime Minister Lee Hsien Loong. The second comprised region-wide speculation over the potential implications of Jiang Zimin's retirement as chairman of the Central Military Commission (CMC) of the Chinese Communist Party (CCP) and the assumption of those duties by Hu Jintao, which occurred at the Fourth Plenum of the 16th Central Committee of the CCP. The passing of control of the gun to Hu marks the completion of the transition of China's leadership to the so-called Fourth Generation.

Slapping Singapore

The harshness of Beijing's reaction to the Lee visit, as well as its willingness to give the criticism full play in China's official news media, is puzzling. In the last decade or so, different members of Singapore's leadership elite, including Senior Minister Lee Kuan Yew, have made at least three announced visits to Taiwan to meet and hold discussions with former Taiwan President Lee Teng-hui and the present incumbent, Chen Shui-bian. The Singaporean leaders have also met with members of the Taiwan opposition.

Unofficial readouts of the visits and the talks all tell a similar tale. The Singaporeans have counseled moderation by Taipei in conducting relations with the mainland, told Taipei

that Beijing's military procurements and exercises represent a direct effort to develop military options undertaken in response to a deeply held perception that Taiwan is following a path toward separatism and independence, underscored their belief that Beijing will respond to any effort by Taiwan to move toward independence by using its new military options, and explained to Taiwan's leaders that they will receive virtually no meaningful support (and indeed will suffer the blame) for starting a conflict that would wipe out much of the economic progress that has been achieved in the last decades. To offset these potential negatives, the Singaporeans have reportedly counseled conciliatory efforts to establish a framework for conducting cross-Strait relations. In other words, with the possible exception of encouragement to establish a framework for relations, all indications are that Singapore's leaders have carried and delivered messages on behalf of Beijing and, moreover, done so in ways that undercut Taipei's abilities to spin the visits as examples of growing recognition of the government of the Republic of China. In fact, it is an open secret that relations between the leaders of the two states reflect a high level of mistrust and that even the economic relations that are so beneficial to both sides play out in an increasingly cool political context.

Accordingly, regional leaders were clearly surprised by and concerned about why the Chinese government chose to make such a major issue over a visit for which ample and positive precedent existed. On the one hand, it could be interpreted and explained as a manifestation of increased impatience with President Chen's perceived effort to push the envelope by means of constitutional reform and a desire to send that message to the entire region in the most direct and unambiguous terms. In that context, Singapore's *de facto* position as a leader of Southeast Asia would add substance to the Chinese message, reminding all of the nations of the region that China's patience with respect to relations no matter how informally conducted is approaching its outer limit.

It could also be seen as an attempt by Beijing to redefine its relations with Singapore by signaling a desire that Singapore give up what has, after all, been fairly intense involvement in what the Chinese consistently refer to as an "internal matter." In that sense, the Chinese reaction would arguably amount to a reduction of the weight of Singapore in Beijing's foreign policy calculus. The reduction of weight interpretation assumes additional significance in light of the fact that the action occurred just as a new prime minister assumed office.

The question from the Southeast Asian perspective is what Beijing's action says and does not say about China's future posture. Is Beijing reacting as any power would when it sees actions occurring that hold potential for a major impact on what is regarded as a core, vital national interest? Or, in addition to protecting perceived vital interests, are the Chinese sending a larger message by throwing around their considerable weight and underscoring the point by coming down hard on a nation with which they have enjoyed a unique relationship for so many years?

The fact that the Chinese Foreign Ministry officially put the issue to rest in a Sept. 2 statement that hailed Singapore's reiteration of opposition to Taiwan independence argues for the former interpretation, but the nations of Southeast Asia cannot have failed

to be reminded that Beijing's putative desire for good neighborly relations is manifested against a backdrop of overwhelming comprehensive national power and that it is in the interest of all to listen. That Singapore appears to have taken the point is not likely to be lost in other capitals of the sub-region.

New Chinese priorities?

The events of the Fourth Plenum of the 16th CCP Central Committee also appear to have raised a number of questions in the minds of regional analysts and officials. Hu Jintao and Wen Jiabao are widely perceived within the region to be determined to use the power of the central government to gain control of China's rapidly expanding economy. This flies directly in the face of the politics of the last decade or so, when regions and localities were given more or less free rein to manage various investment processes. Hu and Wen are also considered to be sincere in their desire to begin to redress some of the major economic imbalances in the Chinese system, particularly the imbalances in levels of development between the coastal and western provinces. And then, there is the issue of reform of the banking system, with all its implications for China's continuing economic progress, not to mention decisions either to maintain or revalue the yuan. Issues such as these all suggest a desire to impose a larger measure of discipline on the Chinese economy and, therefore, they all bear upon opportunities for investment in China, the success of Chinese plans for cooperative development projects with such nations as Laos, Myanmar, and Vietnam, and, most important of all, the continuing competitiveness of goods produced in Southeast Asia relative to those produced in China.

It is important to note that nowhere in Southeast Asia at this time is there any evidence of a loss of confidence in Beijing's ability to manage its issues and problems in ways that will reduce the potential for regional economic dislocation. Nor is there any real concern about major changes in the trajectories presently defining Chinese economic policies. However, it seems clear to Southeast Asian economic planners and businessmen that some change is in the offing and, while they may approve of efforts to impart discipline and order to an economy that in their view often seems to be verging out of control, they remain unclear about specific policies being contemplated by Beijing and wary of being caught unawares. There appears to be a view within the sub-region that, although the Chinese have been successful thus far in economic terms, they are now beginning to grapple with many of the more nettlesome problems that have been avoided for a number of years and also that they are being forced to deal with politically volatile issues related to social balance and equity. Put differently, throughout Southeast Asia, there is a feeling that the Chinese economy is passing out of one stage and into another and that this raises a potential for unforeseen difficulties.

Military muscle-flexing?

Finally, the Fourth Plenum, the rise of Hu Jintao to the chair of the CCP Central Military Commission (CMC), the appointment of the chiefs of the People's Liberation Army (PLA) Navy (PLAN) and Air Force (PLAAF) to the CMC, what appears to be a new emphasis on developing the heretofore less than fully evolved capabilities of these

services, and the expansion of the CMC membership from seven to 11 inevitably raise in the minds of Southeast Asian officials questions about China's growing military capabilities and how these might be applied in future contingencies. These events also raise questions about the role of the PLA leadership on national policy, particularly as it bears on relations across the Taiwan Strait and with the United States. At present, Southeast Asian analysts and political leaders alike appear to remain convinced of Beijing's desire to continue its focus on economic development and maintaining the external stability that will make this possible. Given the thrust of China's diplomacy and activities in other areas, that perception is not likely to change. Let us now look at developments in these sectors.

A richer dialogue with ASEAN

If China's dialogue with Singapore over Prime Minister Lee's visit to Taiwan was intended to send a message to ASEAN as a whole, any negative connotations that might have obtained were more than offset as the rhythms of China-ASEAN relations developed through the quarter. In an Aug. 28 *People's Daily* article directly aimed at Asian nations, Beijing analyzed and seemed to reflect upon the roles, functions, and accomplishments of robust relations among the leading political parties of the region. It also signaled what it presented as a program of enriching relations with ASEAN by enhancing the CCP effort in that area. In effect, Beijing seemed to be announcing that the opportunity for direct, people-to-people relations offered by systematic interaction among members of important regional political parties would be used as a means of supplementing more formal means of discourse among the nations of the region.

This statement seemed to confirm at least in part the mid-July announcement by then State Councilor Tang Jiaxuan of China's desire and intention to enrich its strategic partnership with ASEAN. That Tang's announcement came during a meeting with ASEAN Secretary General Ong Keng Yong seemed to indicate the seriousness Beijing attaches to this objective.

At this writing, the meaning of the term "enhanced strategic relations" is not clear, either from the Chinese or the Southeast Asian (ASEAN) perspective. In economic terms, the meeting of the ASEAN Plus Three economics ministers produced a call for increasing the volume of trade between China and ASEAN. Such a call was probably in the cards in any case given the benefit to both sides of increased trade volumes.

Perhaps of greater significance in terms of economic and potential political cooperation if not integration, was the announcement that agricultural trade had been placed on the fast track for tariff reduction as a means of approaching the ultimate construction of a China-ASEAN Free Trade Agreement. According to reports, representatives from both sides, but with the main source of energy clearly emanating from Thailand, determined to take advantage of the complementary, noncompetitive nature of Chinese and ASEAN agricultural production to build confidence and work out procedures for dealing with potential disputes. As Chinese and ASEAN negotiators address agricultural issues that involve countries other than Thailand and especially as they move into discussions of

manufactured items and electronics, it is almost certain that progress will come at a much slower rate. In any case, there is likely to be a clear test of how the desire to achieve enhanced strategic relations is affected when matters of immediate economic interest become involved.

In other areas, China and ASEAN procurators general agreed to increase judicial cooperation by creating mechanisms for the exchange of intelligence, liberalizing extradition procedures, and developing common standards for evaluating evidence, all in support of an effort to fight international crime more effectively. Similar agreements emerged at the ASEAN Regional Forum (ARF) Seminar on Regional Maritime Security. As noted above, it is difficult to see how measures such as these provide meaningful progress toward enhanced strategic relations. However, it does seem clear that Beijing is continuing with some success, incrementally, to broaden and deepen its ties with ASEAN as a whole.

An emerging East Asia Community

By working with and through ASEAN, and by constantly acknowledging the importance of the organization, Beijing hopes to disarm Southeast Asian concerns with and potential opposition to the emerging larger grouping referred to by Beijing as the East Asia Community (EAC). Despite the imprecision and ambiguities concerning roles and functions involved in discussions about the EAC, among members of ASEAN the existence of a new organization – if it in fact emerges – raises fears that Northeast Asian dominance over Southeast Asia will become a reality. ASEAN capitals also see the idea as a Chinese effort to marginalize the strategic role of India.

Both possibilities are rejected by Southeast Asian governments individually and by ASEAN as a whole. ASEAN has no wish to be marginalized itself and most if not all of its members view a strong and prosperous India not only as a desirable market and trade partner, but also as a strategic counterpoise to Beijing. The Chinese will undoubtedly continue to raise high the banner of multilateral regional associations, but as they do so, they will undoubtedly increase the concerns of individual nations who fear a potential loss of influence. Ultimately Chinese policymakers will find it necessary to choose between different modes of regional and sub-regional organization in order to balance more effectively their increasingly complex interests.

Malaysia makes its move

With the exception of Singapore, China's bilateral relations with the nations of the region also evolved in positive ways. In a notable and almost certainly opportunistic attempt to take advantage of Singaporean difficulties with Beijing, Malaysian Deputy Prime Minister Najib Razak publicly "instructed" Malaysian government ministers to avoid official visits to Taiwan. Additional public statements also acknowledged China's expansion of its relations with ASEAN had made a direct contribution to expanding the influence and role of Southeast Asia in global affairs. Significantly, the same statement also described China as an ally. More substantively, and apparently not entirely as a

result of opportunistic impulses, one day earlier, on June 22, Minister Najib Razak also announced an agreement with China to purchase an undetermined quantity of medium-range missiles from China in return for which Beijing agreed to transfer to Kuala Lumpur technology related to short-range air defense.

Arguably, the developments reported above reflect a genuine improvement in Malaysia-Chinese relations and may well be part and parcel of a more general adjustment in Malaysia's external relations in the wake of Dr. Mahathir's resignation/retirement. The agreement on missile sales and technology transfer also may indicate a new Chinese willingness to adopt policies that suggest that the centrality of Singapore to Chinese relations with ASEAN may be in question. If so, and if Beijing is able to construct stronger ties with Singapore's neighbors, it might portend a qualitative change in the structure of intra-ASEAN relations that could have major consequences for the unity of the organization. In this sense, China's relations with Malaysia could well be assuming a new and strategic significance.

The military implications of the missile deal are also less than clear. Inevitably, years will pass before the medium-range missiles provided by Beijing can be integrated into Malaysia's force structure in a meaningful way. Indeed there is every possibility that that aspect of the deal may never be actualized. On the other hand, improvements in Malaysia's shorter-range air defense capabilities could be significant. All things considered, the comparative courses of China's relations with Malaysia and Singapore probably deserve greater attention by regional analysts, at least in the short term.

Moving forward with Vietnam

If China's relations with Malaysia during the quarter broke some new ground, its ties with Vietnam continued along the positive trajectories established earlier in the year. In the political sphere, Vietnam announced its intention to begin to implement earlier agreements concerning the demarcation of the border in the Bad Bo (Tonkin Gulf) as well as the agreement on fishing rights. Although the benefits of the agreement to both sides – and to the region – are clear, it is not likely that the action indicates any real improvement in the perception of either side by the other. Rather, the agreements appear to be the result of a decision by both sides to put historical, cultural, and territorial grievances aside in favor of cooperation to achieve economic development objectives.

On the other hand, economic relations continue to develop in ways that could take some of the edge off the residual suspicion that continues to influence the bilateral relationship. For example, Hanoi and the capitol of China's Guangxi Province, Nanning, agreed to host an annual China-ASEAN Expo. Intended to encourage the increase of trade between China and ASEAN, the Expo also enjoys the personal sponsorship of Chinese Premier Wen Jiabao. In effect, the high-profile agreement marks the entry of Guangxi Province into relations with ASEAN. As such the agreement is presented as yet another link in the chain of agreements and activities intended to cement ties between Beijing and ASEAN.

In the same vein, in mid-September leaders of Yunnan Province joined with leaders of the city of Hanoi, Hai Phong, Quang Ninh, and Lao Cai to announce the creation of an economic corridor to facilitate trade between the different areas. Under the terms of the agreement, the number of customs inspections are to be reduced, and rail and road transportation are to be improved, as are means of electronic communication. More significantly, the “corridor” is to be expanded eventually to include areas of Laos, Burma, and Thailand, for the purpose of easing the flow of communication and trade throughout the area.

Thickening the web

All in all, events throughout the quarter illustrated Beijing’s ongoing effort to consolidate and expand its continuing economic and political gains while simultaneously discovering and improving ties with what might be termed new found, or previously overlooked, friends and associates. As has been seen, relations with ASEAN as a whole and with Vietnam continued to improve, despite nascent concerns about Beijing’s intentions in the longer term. Similarly, the Chinese continued to assure smooth relations with the increasingly isolated government of Burma as Prime Minister Khin Nyunt enjoyed a seven-day long official visit that produced a number of agreements for economic aid and joint development.

At the same time, Beijing and Manila broke some new ground as a result of the Sept. 1-3 state visit of Philippine President Gloria Macapagal-Arroyo. President Macapagal-Arroyo acknowledged the effectiveness of Chinese investment and development assistance. Plans were announced to make the Philippines an official Chinese tourist destination and, most important of all, the two sides acknowledged the “breaking of some new ground” in managing issues of disagreement over territorial claims in the South China Sea. Finally, Beijing may have adjusted its relations with Singapore and simultaneously added a new dimension to its ongoing ties with Malaysia.

Chronology of China-Southeast Asia Relations* **July-September 2004**

July 1, 2004: Chinese Finance Minister Li Zhaoxing attends fifth Association of Southeast Asian Nations Plus Three (ASEAN Plus Three) Foreign Ministers’ Meeting in Jakarta.

July 2, 2004: FM Li attends ASEAN Regional Forum (ARF), plus informal meetings between ASEAN and dialogue partners in Jakarta.

July 9, 2004: Su Tseng-chang, secretary general of Taiwan Presidential Office, quietly visits Manila to relay President Chen Sui-bien’s congratulations to President Gloria Macapagal-Arroyo on her election, and meets with senior Philippine officials.

* Compiled by Ronald Rodriguez and Lena Kay, Vasey Fellows, Pacific Forum CSIS.

July 10, 2004: Singapore's Deputy PM Lee Hsien Loong makes unofficial visit to Taiwan.

July 11, 2004: Chinese Foreign Ministry spokeswoman Zhang Qiyue says China is dissatisfied with the visit by Deputy PM Lee to Taiwan; adds the Singaporean leader hurt China's core interests, the political base between the two countries, and 1.3 billion Chinese people by visiting Taiwan.

July 12, 2004: Burma's PM Khin Nyunt arrives in Beijing for seven-day official goodwill visit, meets with Premier Wen Jiabao.

July 12, 2004: Vietnam's Commercial Counselor in China says two-way trade volume between Vietnam and China is expected to exceed \$5 billion this year.

July 12, 2004: Vietnam moves to implement Bad Bo (Tonkin) Gulf Demarcation Agreement and the Fishing Co-operation Agreement between Vietnam and China.

July 12, 2004: Singapore reiterates that it adheres to the "one China" policy, and does not support Taiwan's independence, stressing that Deputy PM Lee's visit was a "private and unofficial visit" to Taiwan.

July 13, 2004: Chinese President Hu Jintao meets Burma's PM Khin Nyunt in Beijing.

July 16, 2004: Deputy PM Lee says Singapore's "one China" policy has not changed, and Singapore has no intention of being an intermediary between China and Taiwan.

July 20, 2004: Deputy PM Najib Razak says Malaysia has agreed in principle to purchase medium-range missiles from China, which in return will transfer technology on very short-range air defense to the country.

July 21, 2004: Indonesian decision to cut tariffs on Chinese farm imports as part of a free trade agreement between ASEAN and China takes effect.

July 22, 2004: China's Ministry of Foreign Affairs delays official invitation for Singapore's National Development Minister Mah Bow Tan to visit Chengdu at the end of month; action seen as latest Chinese reaction to Deputy PM Lee's visit to Taiwan.

July 22, 2004: Deputy PM Najib Razak says Malaysia regards China as an ally to strengthen the position and voice of Southeast Asian nations in regional affairs.

July 22, 2004: Malaysia concludes a technology transfer deal with China, raising likelihood of purchases of Chinese medium-range surface-to-air missiles under the upcoming Ninth Malaysia Plan.

July 23, 2004: Deputy PM Najib Razak instructs Malaysian government ministers to avoid official visits to Taiwan.

July 23, 2004: Burma's ruling junta hails its close political and economic relations with China as counterweight against Western efforts to isolate the country.

July 26, 2004: China and Burma sign large-scale mineral exploration agreement.

July 30, 2004: Vietnam's Deputy PM Vu Khoan meets Li Jinzao, vice governor of Guangxi Zhuang Autonomous Region, in Hanoi; says Vietnam would like to deepen economic and trade ties with Guangxi to foster cooperation between ASEAN and China.

July 30–31, 2004: Fourth meeting of APEC Counter Terrorism Task Force held in Singapore.

July 31, 2004: *Straits Times* reports that China wants to reduce vulnerability over imported oil shipped via the Malacca Straits by building a pipeline to a port in Burma.

Aug. 3, 2004: China says it may delay talks on a free trade agreement with Singapore following a recent visit to Taiwan by Deputy PM Lee.

Aug. 3, 2004: SARS whistleblower Jiang Yanyong in China receives Ramon Magsaysay Award, Asia's equivalent of the Nobel Prize.

Aug. 5, 2004: Beijing, Kuala Lumpur, and Tokyo urge South Korea and ASEAN countries to attend a 2005 summit of the ASEAN Plus Three countries to push for the East Asian Community (EAC).

Aug. 5, 2004: ASEAN states express worries about the EAC, saying it will overshadow APEC and ASEAN, allow Japan, China, and South Korea to dominate the agenda, and marginalize India.

Aug. 5, 2004: First ASEAN Plus Three Telecommunications and Information Technology Ministers Meeting held in Bangkok.

Aug. 8, 2004: Chinese FM Wang Yi holds talks with Vietnamese counterpart Vu Dung in Nanning; they agree to detailed regulation of the land border, the Beibu Gulf, and at sea.

Aug. 12, 2004: China Central Bank of China governor cancels trip to Singapore because of Deputy PM Lee's Taiwan visit. Chinese officials snub Monetary Authority of Singapore dinner hosted by Lee. Zhou Xiaochuan turns down speaking engagement.

Aug. 18, 2004: World Health Organization (WHO) confirms two human deaths from bird flu in Vietnam. This is Vietnam's third outbreak of avian flu.

Aug. 21, 2004: Scientists find bird flu virus in pigs in China.

Aug. 22, 2004: Singapore PM Lee explains he visited Taiwan to assess the situation in cross-Straits relations for himself.

Aug. 23, 2004: Taiwan's secretary general to the president, Su Tseng-chang, responds to Lee, saying "it's China, not Taiwan, that is likely to provoke a cross-Strait conflict."

Aug. 26, 2004: Chinese authorities refuse to grant Jiang Yanyong travel papers to receive the 2004 Ramon Magsaysay Award in Manila.

Aug. 31, 2004: Jiang Yanyong's brother receives Magsaysay Award in Manila on his behalf.

Sept. 1, 2004: Philippine President Gloria Macapagal-Arroyo arrives in China for a three-day state visit.

Sept. 2, 2004: China hails Singaporean PM Lee's comments against Taiwan independence.

Sept. 2, 2004: Malaysian former Deputy Prime Minister Anwar Ibrahim freed from jail after the country's highest court overturned his sodomy conviction.

Sept. 3-5, 2004: Third International Conference of Asian Political Parties (ICAPP) in Beijing.

Sept. 4, 2004: ASEAN Economic Ministers and the PRC Minister of Commerce meet at the 36th ASEAN Economic Ministers Meeting in Jakarta.

Sept. 5, 2004: Singapore Education Minister Tharman Shanmugaratnam stresses role of China and India in region's development.

Sept. 6, 2004: China agrees to lower tariff on Indonesia's palm oil as part of wider plans to free up trade in the Asian region.

Sept. 8, 2004: WHO meets in China to tackle Asian diseases such as bird flu, SARS, AIDS, and others.

Sept. 10, 2004: Chinese lab says deadly bird flu strain found in pigs.

Sept. 22, 2004: Asian Development Bank (ADB) raises its 2004 gross domestic product growth forecast for Asia excluding Japan to 7 percent, and identifies global and regional economic risks, the threat of various epidemics, and terrorist outrages as risks to the economic outlook for the region.

Sept. 27, 2004: Taiwan's Minister of Education Tu Cheng-sheng visits Philippines for 3 days to attend an academic seminar and discuss bilateral exchanges and cooperation.

China-Taiwan Relations: Unproductive Military Posturing

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

This quarter much attention was focused on unproductive military posturing. While some saw an increase in military tension, it is more accurate to say that both sides were using military exercises to signal the political resolve behind their declared policies. One real issue – whether Taiwan will invest more in its own defense – was hotly debated in Taipei, but the Legislative Yuan (LY) took no action on the proposal. The months leading up to Beijing’s Central Committee Plenum in September saw considerable speculation about policy differences between Jiang Zemin and Hu Jintao, including over Taiwan. Although Jiang completed his retirement at the Plenum, it remains to be seen whether Hu will make significant adjustments in Taiwan policy next year. In Taipei, the LY passed proposed constitutional amendments including provisions to use referendums to ratify future amendments. Despite its past allergy to Taiwan referendums, Beijing reacted calmly. With the December LY elections in the offing, the standard dichotomy between rapidly expanding cross-Strait economic ties and deadlocked political dialogue continued to hold true this quarter.

Military signals

This summer saw an unusual degree of attention to military exercises related to the Taiwan Strait. The PRC conducted its annual multi-service joint exercises on Dongshan Island in the southern approaches to the Taiwan Strait in July. Public comments by U.S. military analysts indicate that the exercises represented only incremental changes from past exercises. What was different this year was that the official PRC media reported on aspects of the exercises. Roughly simultaneously, Taiwan was conducting some portions of its annual “Hanguang” military exercise. For the first time in two decades, this year’s training included a highly publicized exercise of the use of a section of Taiwan’s main north-south freeway as an alternate runway for refueling and rearming Mirage fighters. Press reports indicated that a large U.S. military contingent was in Taiwan to observe and participate in phases of the “Hanguang” exercise. In August, Premier Yu Shyi-kun told the media that the PRC was simulating “decapitation” attacks designed to eliminate Taiwan’s leadership in the early phases of a military conflict.

Media reporting linked these two concurrent exercises to a major exercise being conducted by the U.S. Navy code-named “Summer Pulse 04.” This was a global exercise

designed to demonstrate the U.S. ability to surge decisive military power even in a period when U.S. forces are already heavily committed in Iraq and Afghanistan. As part of the exercise was conducted in the Pacific, though not near Taiwan, some observers speculated that it was intended to show the U.S. ability to respond to contingencies in Korea or the Taiwan Strait, speculation that the U.S. government did not explicitly deny. In July, news leaked in Washington, later confirmed, that the National Defense University had conducted a crisis simulation exercise (code named “Dragon Thunder”) to examine responses to Taiwan Strait contingencies.

The media and some observers linked these military activities to Beijing’s threatening rhetoric about President Chen Shui-bian’s plans for constitutional reform to portray a picture of increasing military tension in the Strait. In retrospect, it appears that both sides were only using the exercises to underline their political resolve. No military incidents occurred in the Strait. Beijing has been concerned that many in the pan-green camp in Taipei believe China will not use force despite its firm warnings about that possibility and hence Beijing has been trying to persuade them that its capabilities and resolve are real. For its part, with widespread perceptions that the military balance in the Strait is shifting in China’s favor, Taipei is intent to demonstrate its defense preparedness. With Beijing’s rhetoric rising, Washington appears happy to let observers conclude that it has the capability to respond if Taiwan is attacked.

In late September, Premier Yu asserted that Taipei needs a “balance of terror” to deter the PRC from attacking Taiwan. Yu said, “You fire 100 missiles and I’ll fire 50 missiles back. If you attack Taipei and Kaohsiung, I’ll attack Shanghai. As long as we have the ability to counter-attack, Taiwan will be safe.” The official Chinese media accused Yu of clamoring for war. Other Chinese commentators brushed off his remarks as empty bravado, saying Taipei does not have such capabilities. Washington said that raising tensions was not welcome. Unfortunately, Yu’s remarks, made in the debate over the supplemental defense budget, represent an ambition held by many in the pan-green camp.

What took place on Dongshan?

On Aug. 30, Taipei’s Ministry of Defense (MND) stated that the PRC had apparently withdrawn 3,000 troops from Dongshan Island. This was subsequently confirmed privately by PLA sources. Within hours of the MND announcement and while it was still uncertain just what had taken place on Dongshan or why, President Chen personally decided to call off a live fire drill that was part of Taipei’s Hanguang exercise, portraying his decision as a reciprocal goodwill gesture toward the PRC. The fact that Chen announced his decision on the way to his transit stop in Hawaii left the impression that the U.S. was a principal intended audience for his remark. Democratic Progressive Party (DPP) sources have mentioned privately that Chen was looking for a gesture that would be welcomed in the U.S. The U.S. State Department did comment subsequently that it welcomed such steps toward reducing tensions.

What is not yet clear publicly is why the PLA withdrew some troops that apparently had been sent to Dongshan for an exercise. There has been no mention or explanation in the

official media, which one would expect if it were a goodwill gesture. It is possible that the PLA move was necessitated by weather considerations. But the absence of official comment did spawn speculation about whether this move was related to policy differences in Beijing or a tactical move designed to influence the debate in the LY over the supplemental defense budget.

Taiwan issues at the Fourth Plenum

The past several months saw considerable speculation about policy differences between Party Secretary General Hu Jintao and Central Military Commission (CMC) Chairman Jiang Zemin. While Taiwan was said to be an issue on which differences existed, commentators were not able to describe what those differences were, except to assert a stronger inclination to emphasize military factors on Jiang's part. Throughout this period official spokesman adhered closely to the line laid out in Beijing's May 17 statement, and it appeared that no new policy directions would be set until after both the Fourth Plenum in September and the LY election in December. Whether or how purported differences affected Beijing's handling of specific Taiwan-related issues such as military exercises on Dongshan Island, pressure on pro-Chen businessmen, consideration of a Unification Law, the concert appearance by Taiwan pop singer A-Mei, or propaganda criticism of Chen "splittist" activities was difficult to see.

At the plenum, Jiang announced his retirement from the CMC, and Hu was appointed to take his place as chairman. Little can be gleaned from the brief references related to Taiwan in the official report on the plenum. The report contained standard language about the PRC basic policy of peaceful unification under the "one country, two systems" formula and referred to Jiang's eight-point proposal for promoting reunification "in the present stage." While Hu consolidated his position at the plenum, it will be some time before his personal imprint on Taiwan policy will become apparent.

Taiwan issues were prominently featured in official reporting on Jiang and Hu's attendance at an expanded CMC meeting on the last day of the plenum. Jiang stated that China should persevere in efforts for peaceful reunification but that it was a major political principle that China should never make a commitment to give up the use of force. "The better we prepare for the military struggle, the more likely we are to gain peaceful reunification in the future," Jiang said.

Constitutional amendments

After months of haggling, the Legislative Yuan, with support from both the DPP and opposition parties, adopted a package of amendments to the ROC Constitution in August. While most deal with domestic matters, two provisions concerning procedures for future constitutional amendments and for changing the definition of the territory of the Republic of China touched on issues of concern to Beijing and Washington. In both these provisions, the amendments establish new procedures under which changes initiated by the LY will be confirmed by popular referendum. Despite the PRC past allergic reactions to anything related to referendums on Taiwan, the official PRC media has been silent on

the matter. Privately, Chinese analysts have noted that the three-quarters majority required in the legislature under the new procedures sets a high standard that the DPP and its allies are not able to achieve now, and probably will not be able to achieve in the future, without cooperation with the opposition. They see a domestic constraint on Chen's freedom of action.

The re-write of Article 4 – the territorial provision – is noteworthy as an indication that President Chen is abiding by his inaugural undertaking to keep sovereignty issues out of his push for constitutional reform. The re-write of Article 4 is accomplished now as an amendment to the 1947 constitution rather than as a part of a totally new constitution as Chen envisaged during the electoral campaign last fall. Hence the article is linked to the territory the ROC had in 1947. Second, the language in the re-write continues the concept that there is a “free area” of the ROC and by extension a “mainland area” as is mentioned in Article 11 of the current constitution. As such, fears that the territorial article would be amended in a way that stated or implied that the ROC was only the territory currently administered by Taipei were not borne out.

Defense budget debate

The Ministry of Defense and the Chen administration have continued to press the LY to pass the NT\$610 billion supplemental defense budget. President Chen took a dive on one of Taiwan's submarines in August to underline his support for passage of the appropriation. The LY held a special session in July, at which it adopted important constitutional amendments and passed a NT\$350 billion supplemental budget for 10 major development projects, but took no action on the defense supplemental.

Despite intense consultations between LY President Wang Jin-pyng and senior MND officials, the prospect for passage of the defense supplemental in its present form is minimal. Opposition to the bill is widespread. It continues to be perceived as a form of insurance payment to the U.S. rather than as a needed self-defense investment. The supplemental has become a political issue in the run-up to the LY elections. Kuomintang (KMT) Chairman Lien Chan argued against the supplemental saying that domestic social and economic needs were higher priorities. The submarine component, which accounts for two-thirds of the supplemental, has occasioned the most controversy and opposition. The possibility of dealing with the submarines separately from the rest of the supplemental has been discussed but is not supported by either the Chen or Bush administrations. The intense lobbying for the bill by the Chen administration and the arguments against the bill from many public groups have created the first significant public debate on defense policies in Taiwan.

Cross-Strait transportation issue

There has been no progress toward setting up talks on cross-Strait transportation issues. In July, Taiwan Affairs Office Deputy Wang Zaixi stated that such talks could only take place if Taiwan agreed to treat the transportation routes as “domestic.” This appeared to be a step backward from former Vice Premier Qian Qichen's position that talks should

take place on the basis of calling the routes “cross-Strait.” In August, President Chen stated that Taipei was now ready to have talks take place on the basis of the routes being considered “cross-Strait.” There has been no PRC response to this authoritative and welcome statement from Taipei.

The Mainland Affairs Council (MAC) reports that several Taiwan business groups have visited Beijing to explore modalities for getting talks started. The business groups have reported that PRC contacts have said that talks can only occur if Taipei agrees to treat the routes as “domestic,” comments that are consistent with Wang’s public comments. The MAC’s interpretation is that the PRC is delaying talks either because it does not wish to do anything that will benefit the DPP in the LY elections or because of internal policy differences in Beijing.

What’s in a name?

During his visit to Honduras in August, Premier Yu repeatedly used the term “Taiwan, ROC.” This unleashed another public debate within the DPP about what Taiwan should be called internationally. President Chen eventually ended this debate by expressing his belief that the best synonym for the Republic of China was just “Taiwan.” The Foreign Ministry then rewrote its terminology guidance to say that in dealings with countries that recognize Taipei diplomatically the official name “the Republic of China” would be used but otherwise Taipei would prefer to call itself just “Taiwan.” In September, Premier Yu suggested that in parallel with this Taipei would no longer use the term “the Mainland” but refer to Beijing henceforth as China or the PRC. This would seem to imply a name change for the Mainland Affairs Council, but that has not happened, though the Cabinet has proposed to downgrade the MAC to an “office” under a new government reorganization plan. As would be expected, the Taiwan Affairs Office (TAO) has denounced these terminology changes as more evidence of President Chen’s “splittist” activities.

Diplomatic lessons for Taipei

In September, the UN General Committee once again rejected the request of Taipei’s diplomatic allies that the question of Taiwan’s participation in the UN be put on the UN General Assembly agenda. That was predictable. Some other diplomatic setbacks were not well anticipated in Taipei. In August, Australian Foreign Minister Alexander Downer visited Beijing and reiterated his country’s adherence to the “one China” policy. Downer said that Taiwan’s pursuit of independence was a mistake and, when asked, added that Australia might not support a U.S. effort to defend Taiwan if it were attacked.

Earlier in July, Lee Hsien Loong of Singapore made a four-day unofficial visit to Taipei in part to size up the DPP leadership. Beijing criticized the visit and at one point threatened that negotiations on a free trade agreement with Singapore would be adversely affected. In August, Lee delivered his inaugural address as prime minister. He reiterated Singapore’s “one China” policy, expressed concern that Taipei’s policies threatened peace in the Strait and stated that Singapore would not support Taiwan in a conflict with

China. Beijing welcomed and Taipei criticized his remarks. Taiwan officials are not unaware of the diplomatic costs of the DPP's campaign for a Taiwan identity. Yan Jiann-fa, the vice chair of the Foreign Ministry's Research and Planning Committee, acknowledged that attitudes toward Taiwan in ASEAN have changed. He noted that because of cross-Strait tensions, Southeast Asian countries no longer welcome visits by Taiwanese leaders.

Economics

As is usual, despite the political strains, cross-Strait trade has continued to grow rapidly. Taipei's Board of Foreign Trade reported that Taiwan's exports to China during January-June 2004 reached \$21.45 billion, up 34.1 percent from a year ago and that China's exports to Taiwan totaled \$7.62 billion in the period, up 56.1 percent. In June, for the first time, China's exports accounted for more than 10 percent of Taiwan's total imports. Although the torrid pace of both China and Taiwan's export growth declined somewhat in this quarter, it appears that trade is continuing to expand this quarter at a double-digit rate.

Policy implications

The heavy attention to military issues this quarter is a reflection of the current cross-Strait political tensions. Regrettably, this military posturing does little to advance the interests of any of the parties. Attention needs to be refocused on resuming cross-Strait dialogue. This cannot happen until after the December LY election clarifies the future political landscape in Taiwan and until Beijing, under Hu Jintao's leadership, has reviewed its approach to dealing with Taipei during the remainder of Chen's second term. Early next year could be a time of particular danger or opportunity. The area where cross-Strait progress may be possible is not on broad political issues but on cross-Strait economic and transportation issues. For its part, the U.S. should consider what further steps it can take to facilitate talks early next year and begin modulating its military ties with Taiwan in a way that supports its policy of discouraging unilateral steps to change the cross-Strait status quo.

Chronology of China-Taiwan Relations July-September, 2004

July 1, 2004: Prodemocracy demonstration in Hong Kong.

July 1, 2004: Executive Yuan (EY) spokesman says Hong Kong developments show that Beijing reneges on its "one country, two system" promises.

July 4, 2004: China's Association for Relations Across the Taiwan Strait (ARATS) sends the Taiwan-based Strait Exchange Foundation (SEF) written message of sympathy for hurricane losses.

July 8, 2004: U.S. National Security Advisor Rice in Beijing is told forcefully that arms sales send wrong message to Taipei.

July 10, 2004: Singapore's Deputy PM Lee Hsien Loong arrives in Taipei for unofficial visit.

July 13, 2004: Mainland Affairs Council (MAC) Chair Joseph Wu in Washington for consultations.

July 15, 2004: Unconfirmed press reports indicate Jiang Zemin has said force may need to be used within 20 years to achieve unification.

July 15, 2004: *Xinhua* news agency states that military exercises on Dongshan Island have begun.

July 17, 2004: Pentagon spokesman acknowledges that recent "Dragon Thunder" exercise simulated PRC military action against Taiwan.

July 21, 2004: In "Hanguang" exercise, Taiwan military practices Mirage aircraft landings on highways.

July 22, 2004: Commander of U.S. Pacific Forces Adm. Thomas Fargo in Beijing hears message of opposition to arms sales.

July 23, 2004: *China Youth Daily* reports exercises on Dongshan Island have concluded.

July 28, 2004: Taiwan Affairs Office's Wang Zaixi says three links only possible if routes are "domestic."

July 30, 2004: In phone call to President Bush, President Hu urges end to arms sales.

July 31, 2004: For Armed Forces Day, Minister of Defense Cao Gangchuan says PRC will never tolerate Taiwan's independence.

Aug. 3, 2004: President Hu reiterates opposition to arms sales to Sen. Ted Stevens' delegation.

Aug. 3, 2004: *China Daily* criticizes Lee Hsien Loong's visit to Taipei.

Aug. 4, 2004: NSC director Chiou I-jen in Washington to discuss President Chen's transits.

Aug. 9, 2004: Australian FM Downer in Beijing; reiterates "one China" policy and says Australia might not support U.S. in Taiwan's defense.

Aug. 12, 2004: Annual resolution on Taiwan participation presented to UN General Assembly.

Aug. 12, 2004: Taipei star A-Mei, at Beijing concert, makes propaganda statement.

Aug. 14, 2004: Large military air show in Taiwan.

Aug. 15, 2004: Premier Yu says Beijing practicing “decapitation” attack against Taipei.

Aug. 17, 2004: President Chen says transport routes should be called “cross-Strait.”

Aug. 18, 2004: In Honduras, Premier Yu uses name “Taiwan, ROC.”

Aug. 21, 2004: Premier Yu transits New York, makes anti-China statements.

Aug. 22, 2004: Foreign Minister Tan Sun Chen says he favors name “Taiwan (ROC).”

Aug. 22, 2004: Lee Hsien Loong reiterates Singapore’s “one China” policy; says Singapore does not support Taipei’s desire for independence.

Aug. 24, 2004: Legislative Yuan (LY) adopts series of constitutional amendments.

Aug. 24, 2004: Premier Yu’s plane makes emergency stop in Okinawa.

Aug. 26, 2004: President Chen announces decision to shorten transit stops in U.S.

Aug. 29, 2004: President Chen stops in Honolulu, Hawaii enroute to Latin America.

Aug. 30, 2004: Taipei’s Ministry of Defense (MND) states Beijing has withdrawn troops from Dongshan Island.

Aug. 30, 2004: President Chen announces cancellation of a live fire exercise.

Aug. 30, 2004: MND releases report on PLA military capabilities.

Aug. 31, 2004: Red Cross resumes cross-Strait repatriation of illegals and criminals.

Sept. 1, 2004: Vice Foreign Minister Zhou Wenzhong blasts U.S. arms sales to Taiwan.

Sept. 1, 2004: Taiwan and Korea sign agreement to resume air service.

Sept. 3, 2004: President Chen says “Taiwan” is best synonym for the Republic of China; stops in Seattle enroute to Taipei.

Sept. 7, 2004: President Chen honors Olympic medalists as “heroes of Taiwan.”

Sept. 7, 2004: TAO official says Beijing seriously considering a Unification Law.

Sept. 8, 2004: Executive Yuan proposes downgrading MAC to “Mainland Affairs Office.”

Sept. 12, 2004: Madame Chen arrives in Greece as head of Paralympics team.

Sept. 14, 2004: President Chen holds telepress conference with UN correspondents.

Sept. 15, 2004: Taiwan’s UN bid again rejected.

Sept. 15, 2004: Former U.S. DAS Don Keyser indicted for unauthorized trip to Taiwan.

Sept. 19, 2004: Jiang Zemin retires; Hu Jintao becomes chair of Central Military Commission (CMC).

Sept. 19, 2004: Jiang tells CMC to never give up right to use force for reunification.

Sept. 19, 2004: President Chen says Hu’s appointment should not lead to wishful thinking about China’s policy toward Taiwan.

Sept. 20, 2004: *Janes* reports China has tested a cruise missile with range of 1,500 km.

Sept. 23, 2004: PRC repatriates two most wanted criminals to Taiwan.

Sept. 24, 2004: Premier Yu proposes term “mainland” should be replaced by “China.”

Sept. 25, 2004: Premier Yu says Taiwan needs a “balance of terror” to deter PRC.

Sept. 27, 2004: PRC Foreign Minister Li Zhaoxing urges UN to recognize serious threat posed by Taipei’s “splittist” activities.

Sept. 30, 2004: Foreign Ministers Powell and Li meet at UN; Li says U.S. arms sales encourage separatism.

North Korea-South Korea Relations: Mostly Off, Again

Aidan Foster-Carter
Leeds University, UK

North Korea's capacity to wrongfoot the analyst should never be underestimated. Three months ago, extrapolating from recent trends, it seemed reasonable to conclude that inter-Korean talks are now institutionalized. In the longer term that remains true, but in July, Pyongyang reverted to its old bad habit of boycotting most major formal channels of North-South dialogue and, by late September, had not relented. It acted, as ever, out of anger – especially at a mass airlift of DPRK refugees to Seoul from Vietnam, plus assorted other gripes. While some contacts continued, this hiatus, along with North Korea's virtual refusal to allow the six-party talks on the nuclear issue to reconvene, made this a summer during which the Korean question in all its manifold complexities mostly marked time.

None of this was apparent when the quarter began. A third round of six-party talks, held in Beijing in late June, committed to meet again by end-September, preceded by working meetings in August. With the U.S. for the first time offering a detailed proposal, the DPRK Foreign Ministry noted “common elements helpful to making progress.” Bilaterally, after the second quarter's major breakthroughs – the first ever high-level military talks, setting up a naval hotline (albeit with teething problems) and starting to dismantle propaganda displays and speakers at the Demilitarized Zone (DMZ) – the last week of June alone saw a density of contacts that seemed the new norm. In quick succession: both Koreas agreed to march together at the Athens Olympics; their central bank chiefs met in Basel, Switzerland, while at home, foreign trade banks agreed to payment clearance mechanisms; 350 dignitaries came to a ground-breaking ceremony for the first phase of the Kaesong Industrial Zone (KIZ); and working-level talks on road and rail links began at Mt. Kumgang. It all looked good.

Condolence ban angers Pyongyang

July too began well, as the chronology shows. The road-rail talks reached a 5-point agreement, Hyundai started cross-border day trips to Mt. Kumgang, and working-level military talks in Kaesong fine-tuned their radio contact agreement. But July 8 marked the 10th anniversary of the death of North Korea's founding “great leader” Kim Il-sung, and that was where the trouble started. Although South Korea's “Sunshine” policy gives leftist NGOs a lot of leeway to cavort with the DPRK, letting them head north to mourn a man whose life was dedicated to bringing down the ROK remains beyond the pale.

Pyongyang denounced Seoul's ban, then on July 9 said it could not attend a meeting a few days later in Sokcho, ROK on maritime cooperation. More pullouts followed: from further military talks July 19 (the North did not answer the South's phone calls) and even from the usual joint NGO anti-Japan fest to mark Liberation Day on Aug. 15.

The pattern continued in August, with the North now further riled by a mass airlift of its refugees to Seoul from Vietnam (see below). Accordingly, the two quarterly main events in the inter-Korean calendar were cancelled: the 15th ministerial talks, due in Seoul from Aug. 3-6, and the 10th session of the Economic Cooperation Promotion Committee (ECPC), also set to start in Seoul on Aug. 31. South Korea issued mild statements of regret each time, but did not retaliate. Thus, on July 14, it was agreed that a quarter of the 400,000 tons of rice that the South had regularly given the North would be sent overland. There was no question of withholding it or attaching conditionality.

Calculated, calibrated

North Korea's rebuff was both calculated and calibrated. Thus it did not cancel the 10th set of family reunions, which were held as usual at Mt. Kumgang on July 11-16. To do so might have risked a backlash in Southern public opinion, whereas missing a few official meetings cut little ice with the public. Some courtesies were maintained: on Aug. 14, the North used its liaison officer at Panmunjom in the DMZ to give notice of a discharge of water the next day from its Innam dam on the Imjin river, which flows into the South.

The day before, the two Korean teams marched together at the opening ceremony of the Athens Olympics, as in Sydney in 2000. (But this time the full teams took part; in Sydney over 80 percent of ROK athletes missed the parade, to their chagrin, to keep numbers equal.) And the Kaesong zone project continued to move forward, as discussed below. Still, two months (at least) mostly devoid of contact must cast doubt on whether, for instance, plans to have the two new road and rail corridors partially open this year can now be sustained.

NSL: just say no

Calculation was also evident in North Korea's additional call for the South to repeal its National Security Law (NSL) so dialogue can recommence. If this is a hoary old demand, it may be one whose time has come. The NSL, which dates from the ROK's founding in 1948, has long been criticized for a vagueness that enabled military dictators to use it to quash domestic democratic dissent. Former President Kim Dae-jung (1998-2003) has just been awarded compensation for his detention under the NSL in the early 1980s. A separate and more recent objection is that by defining North Korea as an anti-state organization, the NSL technically renders all inter-Korean dialogue and exchange illegal.

Still, in judgments in August, both the Supreme Court and Constitutional Court upheld the NSL, dismissing suits that argued that its provisions were draconian and suppressed freedom of speech. That did not stop the ever combative Roh Moo-hyun from saying on Sept. 5 that the law should be scrapped, as "part of Korea's shameful history and an old

legacy of dictatorships.” The ruling Uri party, which controls the National Assembly, dutifully fell into line; hitherto its more moderate members sought revision, not repeal. Backed by minority parties, Uri may push this through against the main opposition Grand National Party (GNP), whose leader Park Geun-hye (Park Chung-hee’s daughter) has flip-flopped on the issue by withdrawing a compromise proposal after a backlash from the GNP’s hard right. But it is not only diehards who may feel that so large a change is better sought by consensus and that the pollyanna pacifism that animates some sections of Uri is no match for Kim Jong-il, who doubtless enjoys sowing discord in the South.

The Vietnam 468: the deluge begins?

What the “Dear Leader” definitely did not enjoy was the arrival in Seoul on July 27- 28 of no fewer than 468 North Korean refugees from, of all places, Vietnam. This was by far the largest such group to reach the South since the 1950-53 Korean War. They were brought in two planeloads on successive days to a military airfield near Seoul (rather than Inchon, the normal gateway), with minimum publicity. Even the “Southeast Asian country” that they came from has never been officially named, in deference to sensitivities all round.

This hush-hush aspect means that full details remain unclear. But this probably represents several years’ accumulation of DPRK refugees in Vietnam. Because China takes a hard line in deporting illegal North Korean migrants – it refuses to let UNHCR consider any for refugee status or even to visit the border regions where most are hiding out – these unfortunates are left with only two options. One is to seek sanctuary in a foreign mission in Beijing or elsewhere, as a group of 44 did Sept. 29 at the Canadian Embassy, despite tight Chinese security in the diplomatic quarter. Earlier in September, a group of 29 similarly entered the Japanese school in Beijing. The alternative is to leave China for another country: either northwest to Mongolia, or south into Thailand, Laos, Cambodia, Burma, or Vietnam. Either journey is arduous and risky. Vietnam reportedly was uneasy at this buildup and threatened to deport them – forcing South Korea to act swiftly, rather than its usual slow processing of small groups for eventual passage to Seoul.

Seoul tiptoes, Pyongyang rants

If the secrecy was to mollify Pyongyang’s feelings, Seoul may as well not have bothered. North Korea was loudly and repeatedly furious with all involved, and even uninvolved: it accused the U.S. of orchestrating this conspiracy. Vietnam, which had recently improved its not especially close ties with the DPRK – whose economists now go to Hanoi to study cautious market reform – was lambasted for being “involved in the plot... self-exposed that it can stoop to any perfidious action, discarding elementary sense of obligation and morality.” As for South Korea, “cat burglars” and “terrorists” were among the milder epithets for what, a month later, the official *Korean Central News Agency* (KCNA) was still denouncing as “this thrice-cursed crime ... a blatant challenge and an unpardonable hostile act intended to bring down the political system in the DPRK.” In a switch of tone unlikely to gain many takers, North Koreans abroad were urged to come home “to the republic you love and to the warm home that you miss,” with a pledge that “we in no way

see you as having committed a crime to the fatherland or to the nation.” (Repeated reports suggest that brutalization of migrants repatriated from China, whose initial exit may only have been to find food or work, turns many against the regime; they flee again, for good.)

Why did North Korea get quite so angry, rather than ignoring this as it usually does with refugees? The role of a fellow-communist state is one issue: Pyongyang must fear what would happen if China too eased its stance. The sheer scale has to be alarming; for that matter, for Seoul and Beijing too the nightmare is that the North Korean refugee trickle may one day become a flood. But the charge of a U.S. conspiracy, although ludicrous, is revealing. As seen from Pyongyang, this must appear to chime in with the rising political saliency in Washington of North Korean human rights issues. Two bills on this are before the U.S. Congress; one of which has passed in both the House and Senate, so (time permitting) it may well become law, mandating the U.S. to raise human rights issues with the DPRK and to assist refugees. Even so, bluster is no answer. At all events, North Korea has used all this, as well as its earlier gripe over the banned condolence team, as a pretext to suspend most of its official dialogue with the South – for how long, remains to be seen.

Carry on, Kaesong

But Pyongyang was careful not to jeopardize areas of inter-Korean intercourse where it stands to gain. Work on the Kaesong Industrial Zone (KIZ) just north of the DMZ has continued, if not always smoothly. One issue, bilateral on another front, is the potential transfer to the zone – and thence, it is feared, to Pyongyang – of sensitive or dual-use technologies with potential military applications. Such transfers are restricted under the Wassenaar Arrangement, of which the ROK is a signatory. The U.S. raised this issue; it appears it is being discussed on a case-by-case basis. Thus it was reported in September that a list of approved transfers had been agreed, but also that the last four of the 15 ROK companies due to set up factories in the initial phase were still awaiting such clearance.

Vital as this project could be to the North’s creaking economy, Pyongyang could still not resist playing politics. A ceremony set for Sept. 21 to mark the opening of an ROK office in the zone was called off when North Korea barred 11 GNP legislators from the 259-strong Southern guest-list. The North relented three days later, and this occasion has now been rescheduled for Oct. 21. One can only wonder what is the DPRK’s logic and motive in thus causing needless ill-will and delay, rather than building mutual trust.

Also unclear, given the wider hiatus in contacts over the past two months, is how soon the full cross-border road and rail links essential to this project will be up and running. With no joint meetings on railway issues since July 2, the previous timetable to hold test runs in October must surely have slipped. Meanwhile, on Sept. 20 Hyundai Asan, KIZ’s co-developer, began a daily shuttle bus service from Seoul, initially on a test basis, to the zone using the existing temporary road. This further breach in the once impassable DMZ is, in its way, momentous; yet one could still wish the process faster and smoother. Even more remarkably, if and when it happens, Hyundai Asan said Sept. 24 that Pyongyang

has approved Southern tourists driving their own cars to Mt. Kumgang via the eastern Donghae trans-DMZ corridor. It is not clear when this would start.

What mushroom cloud?

Some events are non-events, but they still matter. On Sept. 12, anonymous sources in Seoul and Beijing reported that a mushroom cloud up to 4 km wide had appeared three days earlier over Kimhyongjik-gun (county) in Ryanggang province, a mountainous area near the Chinese border. The same day *The New York Times* – as ever, a prime outlet for hawk leaks from Washington – reported intelligence that North Korea was preparing a nuclear test: the report was credible enough that President Bush had been alerted. Briefly, everyone put two and two together – and made five. Then doubts crept in. There was no seismic or radiation evidence. Even in a remote fastness, even North Korea would surely not test a nuke so close to China. But the date looked significant: Sept. 9 is a holiday marking the DPRK's state foundation in 1948. Parallels were made with April's railway explosion at Ryongchon, hours after Kim Jong-il had passed that way. Some speculated that one of the many underground munitions or missile sites in the region had exploded accidentally.

Then Pyongyang explained, with characteristic scorn. "Much Ado in S. Korea and U.S. Refuted" was the Sept. 14 headline of the official *KCNA*. It attacked this "preposterous smear campaign ... Probably, plot-breeders might tell such a sheer lie, taken aback by blastings at construction sites of hydro-power stations in the north of Korea. The story about the explosion is nothing but a sheer fabrication intended to divert elsewhere the world public attention focused on the nuclear-related issue of South Korea for which they are now finding themselves in a dire fix."

Dam nuisance?

Pressed by the British Foreign Office Minister Bill Rammell, who chanced to be in North Korea then (on the first ever such visit from UK) to talk nukes and human rights, a few days later the authorities arranged for the British and other ambassadors to visit the site. They duly reported thousands toiling in a massive hole in the ground. The only problem is that this was some place else: in Samsu-gun, about 100 km to the east. But then a shame-faced South Korea decided that this had indeed been much ado about nothing, stating that the mysterious cloud may after all have been no more than an unusual weather event.

This whole episode drove home the fallibility of so-called intelligence, and the folly of jumping to premature conclusions. (Equally, while North Korea's nuclear issue remains unresolved it is hardly surprising if people are jumpy.) More specifically this exposed the limitations of South Korea's spy satellites. Cooperation in this area with Russia may flow from President Roh Moo-hyun's visit to Moscow soon after, amid rumors that the U.S. was slow to share its own pictures, leaving Seoul scrabbling to buy commercial images.

Et tu, Seoul?

Pyongyang's crowing charge of diversion relates to another murky matter, not strictly bilateral, but again pertinent. In September, it transpired that at least twice, in 1982 and 2000, South Korean scientists carried out nuclear experiments that were not reported to the International Atomic Energy Agency (IAEA), violating Seoul's obligations under the Nuclear Non-Proliferation Treaty (NPT). This came out now because IAEA inspectors found physical traces under a new more stringent protocol that South Korea has signed.

Seoul's line that these were just one-off displays of scientific curiosity is not universally believed. After all, the first Korean bid to build the bomb was not Kim Il-sung's but Park Chung-hee's in the 1970s, alarmed that China-U.S. rapprochement and the Nixon doctrine might leave him unprotected. The U.S. found out and quashed the program, but knowledge does not go away, especially with a vast civil nuclear industry generating 40 percent of South Korea's electricity where some have long wished to copy Japan and "close the fuel cycle" by reprocessing plutonium from spent fuel. Remarks by ex-President Kim Young-sam to a Japanese paper, later denied, hinted that politicians knew something was going on.

Even if the IAEA's rigorous investigations confirm the rogue boffin theory, this episode has both dented South Korea's credibility as an ally – significantly, news of the 1982 test leaked from Washington – and, of course, given North Korea an excuse to do what it was doing anyway and stay away from the six-party talks, claiming double standards. Despite the end-September deadline for the fourth round agreed at the third round in June, and much shuttle diplomacy in all directions since, Beijing's hexagonal table is unlikely to be rolled out again until we know who will occupy the White House until 2008. There is sense in waiting, rather than hold yet another merely formal meeting, even if Roh Moo-hyun's comment in Moscow that he sees no need "to rush things" sounds overly complacent.

Lack of leverage

Looking ahead, it remains unclear when North Korea will deign to resume the full range of inter-Korean contacts and fora. With the six-party nuclear talks also in abeyance, it is possible that Pyongyang will now wait until 2005 before deciding on its overall strategy towards its various foes under the new U.S. president – or the same old one with a new administration. Despite having in the past two years ended its perverse habit of blaming and boycotting Seoul as a by-product of wrath with the U.S., the North seems now to be reverting to this. If that continues, South Korea might wish to reconsider the pros and cons of the "axis of carrot" stance that it shares with China and Russia (a real post-Cold War troika). The trouble with "Sunshine" is that, by forswearing any conditionality and never even threatening to punish Northern malfeasance, it gives Seoul zero leverage.

Japan, by contrast, seems to have established an altogether more equal and tough-minded mode of engagement with North Korea. There are carrots (or rice), for sure, if Pyongyang plays ball – but also sticks, even "sanctions," if the DPRK continues to lie about why

most of the young Japanese it had abducted are dead. Japan may get no joy, but at least this sets up a sound incentive structure for Kim Jong-il. Whereas as long as South Korea takes the role of (to adapt the Zen tag) the sound of one hand giving, why would the “Dear Leader” not just keep on taking – and use his free hand to thumb his nose at the donor?

Chronology of North Korea-South Korea Relations* **July-September 2004**

June 30-July 2, 2004: Working talks on road and rail links are held at Mt. Kumgang.

July 1, 2004: ROK and DPRK foreign ministers meet at ASEAN Regional Forum (ARF) in Jakarta, and issue a joint statement. Seoul reportedly seeks to exchange liaison offices.

July 1, 2004: Chung Dong-young takes office as South Korea’s new unification minister.

July 2-4, 2004: Some 29 of the GNP’s 121 National Assembly members visit Mt. Kumgang. North Korea refuses to talk to them, but they join a 1,000-strong party for the reopening of a hotel refurbished by Hyundai Asan, at which the DPRK for the first time now allows North Koreans to work.

July 2, 2004: A row erupts in Seoul over the decision of a presidential commission to classify three North Korean agents, who died in Southern jails in the 1970s after refusing to renounce communism, as fighters for democracy against military rule.

July 2, 2004: The 10th working contact for relinking roads and railways ends at Mt. Kumgang. A 5-point agreement is signed, covering: designs for constructing stations on the newly connected sectors of the Seoul-Sinuiju and Donghae railroads, future schedules, supply of road safety materials necessary for road opening in October, and technical assistance for railroad and road works in signals, communications, and electricity systems.

July 3-4, 2004: Russian Foreign Minister Sergey Lavrov visits Seoul and meets President Roh Moo-hyun. He continues to Pyongyang, where he meets Kim Jong-il.

July 5, 2004: Working-level military talks in Kaesong agree to keep open their new wireless communications to prevent accidental clashes in the West Sea, and to start the second phase of removing propaganda at the Demilitarized Zone (DMZ). South Korea says the hotline has worked normally since July 1, and that the North promised to respond to messages in future.

* The author is deeply grateful to earlier compilers, whose chronologies he has liberally plundered to construct this one; in particular the ROK Ministry of Unification’s “Chronicles” (www.unikorea.go.kr) and Tom Tobback’s indispensable www.pyongyangsquare.com.

July 8, 2004: South Korea introduces new procedures for approving joint projects and visits to the Kaesong Industrial Zone (KIZ).

July 8, 2004: North Korea's Committee for the Peaceful Reunification of the Fatherland (CPRF) denounces South Korea for banning a Southern condolence delegation from visiting the North to mark the 10th anniversary of the death of the DPRK's founding "great leader," Kim Il-sung.

July 9, 2004: North Korea notifies the South by telephone that it will not attend the fifth inter-Korean maritime cooperation working-level contact, set for July 13-15 in the ROK.

July 11-16, 2004: A 10th round of family reunions is held at Mt. Kumgang. A select 100 from one side meets a larger number of kin from the other side in successive 3-day sessions.

July 14, 2004: The two Koreas agree that 100,000 tons of this year's rice "loan" from South to North will be sent overland via the Kaesong and Donghae corridors. Transportation begins July 20. The remaining 300,000 tons, which South Korea is to buy abroad, will arrive by sea.

July 14, 2004: DPRK patrol boat crosses the Northern Limit Line (NLL) in pursuit of Chinese poachers, but retreats minutes later after an ROK vessel fires warning shots.

July 15, 2004: A cross-party group of 86 ROK lawmakers submits a bill to the National Assembly to revise the Law on Inter-Korean Exchange and Cooperation. This would let South Koreans just inform the government of contacts with North Koreans rather than having to seek permission.

July 15, 2004: The Korea Trade-Investment Promotion Agency (KOTRA) reports that in the first half of this year inter-Korean trade grew 21 percent to \$325 million. South Korea imported goods worth \$116 million from the North, mostly agro-fisheries and textile products; while shipping \$209 million worth, mostly chemicals and textiles.

July 19, 2004: A scheduled third working-level head delegates' meeting for the military talks is cancelled as the North fails to respond.

July 24-26, 2004: Northern and Southern NGO delegations fail to agree on holding the usual joint Liberation Day celebrations Aug. 15.

July 27, 2004: Amid tight media restrictions, over 200 North Korean refugees fly into a Seoul military airport from an unnamed Southeast Asian country (in fact Vietnam).

July 28, 2004: A second airlift from Vietnam brings the total of defector arrivals to 468.

July 29, 2004: The North denounces the Vietnam refugee airlift as "systematic and planned allurements and abduction and a crime of terror committed in broad daylight."

July 30, 2004: ROK Red Cross informs DPRK counterpart of plans to send more aid to help rebuild Ryongchon, the scene of a huge explosion in April.

Aug. 2, 2004: ROK Unification Ministry reports that inter-Korean exchange visits were up 74 percent in the first half of 2004 over the same period last year. 9,545 South Koreans went North, not including the 82,444 tourists to Mt. Kumgang; while 321 DPRK citizens visited the South.

Aug. 3, 2004: North Korea boycotts 15th inter-Korean ministerial talks, due to be held in Seoul Aug. 3-6. South Korea expresses regret and urges the North to return to the talks.

Aug. 4, 2004: ROK police prevent DPRK defector Kim Deok-hong from holding a press conference at the Seoul Foreign Correspondents Club. In an internet conference, he repeats his claim that since last May, several anti-government underground organizations are active in the North.

Aug. 4, 2004: North Korea denies reports that Kim Kwang-bin, said to be its top nuclear scientist, has defected, as allegedly claimed by South Korea's Unification Ministry.

Aug. 13, 2004: Athletes from both Koreas march together in the opening ceremony of the Athens Olympic Games, as in Sydney in 2000.

Aug. 23-Sep. 3, 2004: U.S. and ROK forces hold annual joint exercise "Ulchi Focus Lens," whose aim is to strengthen deterrence against North Korea. The latter protests, as usual.

Aug. 31, 2004: North Korea boycotts the 10th session of the inter-Korean Economic Cooperation Promotion Committee (ECPC), due to be held in Seoul.

Sept. 2, 2004: Representatives of ROK Democratic Labor Party (DLP) travel to Mt. Kumgang to meet with delegates from the DPRK's Social Democratic Party (SDP), in what is billed as the first inter-Korean meeting of political parties.

Sept. 2, 2004: Lawmakers from South Korea's ruling Uri Party express concern over the North Korean Human Rights Act currently before the U.S. Congress, which they fear may adversely affect inter-Korean reconciliation.

Sept. 2, 2004: South Korea's science and technology ministry (MOST) admits that ROK scientists enriched some uranium in 2000. It claims this was done without the government's knowledge or authorization, so was not reported at the time to the IAEA.

Sept. 2, 2004: South Korean and U.S. officials agree on what kinds of possible dual-use equipment are allowed to be brought into the Kaesong Industrial Zone (KIZ) by Southern companies.

Sept. 9, 2004: MOST admits earlier unauthorized nuclear experiment in 1982; this time extracting plutonium, and again said to be by scientists acting on their own.

Sept. 11, 2004: North Korea's Foreign Ministry says it "cannot help but link" recent revelations of nuclear transgressions by South Korea with six-party talks on its own nuclear activities. Adding that, "we can't give up our nuclear plan at all under such circumstances," the North calls for a "thorough and transparent" investigation.

Sept. 12, 2004: Sources in Seoul claim that a large mushroom cloud was seen over northern North Korea three days earlier. The ROK unification minister rules out a nuclear test.

Sept. 15, 2004: South Korea says it is consulting with KEDO on how to compensate ROK firms' losses due to the halted construction of two light-water reactors in North Korea. KEPCO, the lead contractor, has already disbursed \$8 million to subcontractors to this end. The North has banned the removal of equipment from the Kumho site.

Sept. 15, 2004: An MOU source says that removal of propaganda installations along the DMZ has stalled and is unlikely to resume while the North continues to boycott inter-Korean dialogue.

Sept. 16, 2004: South Korea approves four more firms – making apparel, kitchenware, plastics, and machinery – for the KIZ first phase, bringing the total to 11. Four more await the results of U.S.-ROK negotiations on possible exemptions for Kaesong of strategic goods whose export to regimes deemed threatening is normally restricted under the Wassenaar Arrangement.

Sept. 17, 2004: South Korea says the North's mushroom cloud may just have been a weather formation. Seoul media deplore the shortcomings of their country's intelligence.

Sept. 20, 2004: First Hyundai Asan shuttle bus takes workers from Seoul to Kaesong. After two months of daily test runs, a full shuttle service across the DMZ will begin later this year.

Sept. 21, 2004: A ceremony to mark the completion of an ROK office in the Kaesong Industrial Zone (KIZ) is called off after the North bars 11 lawmakers of the main opposition GNP. It later relents, and the event is rescheduled for Oct. 21.

Sept. 23, 2004: South Korea's ruling Uri party and two small opposition parties, the Democratic Labor Party (DLP) and Millennium Democratic Party (MDP), agree to submit a joint bill to abolish the National Security Law (NSL), the cornerstone of anticommunism since the ROK was founded in 1948. *Inter alia*, the NSL defines North Korea as "an anti-state body."

Sept. 24, 2004: South Korea's Defense Ministry (MND) says 2005 defense budget is likely to be 20.8 trillion won (\$17.3 billion), 9.9 percent increase. It had sought a 12.6 percent rise, to strengthen capabilities against North Korea. (The proposed budget equates to the North's entire GNP.)

Sept. 24, 2004: Amid signs that North Korea may be preparing a missile test, ROK Foreign Minister Ban, meeting Secretary of State Powell in New York, warns the DPRK that any such launch would impact negatively on inter-Korean ties, including Kaesong.

Sept. 24, 2004: ROK's commerce, industry and energy ministry (MOCIE) confirms that 107 tons of sodium cyanide (which can make nerve gas), exported to China without permission, ended up in North Korea. The Southern exporter was sentenced to 18 months in jail.

Sept. 24, 2004: MOU announces that the ROK state-run Export-Import Bank of Korea (Exim) will insure Southern investors in the North for between 90 percent (Kaesong) and 70 percent (elsewhere) of any losses in case of agreements broken, remittances blocked, wealth confiscated, war, etc.

China-Korea Relations:

A Turning Point for China-Korea Relations?

By Scott Snyder, Senior Associate
Pacific Forum CSIS/The Asia Foundation

The debate over the history of the relationship between Korea and China dramatically took center stage this quarter – not as part of the official commemoration of the 12th anniversary of normalization between the Republic of Korea and the People’s Republic of China in August – but as part of an escalating dispute between Seoul and Beijing over the origins and legacy of the Goguryeo kingdom (37 B.C. to 668 A.D.). PRC claims that Goguryeo is part of China’s history and a decision by the PRC Ministry of Foreign Affairs to excise all references to the history of Korea prior to 1948 engendered a caustic public reaction in Seoul. The first major political dispute to arise between Seoul and Beijing since the decision to normalize in 1992 (aside from the “garlic wars” trade dispute of 2002; see *Comparative Connections*, October 2002) led to a number of high-level exchanges designed to calm the situation while continuing to coordinate efforts to keep alive six-party talks.

Despite continued benefits from the “Korean Wave” in China in various sectors, the sensitive South Korean reaction to the Goguryeo history dispute also reflects increasing worries in Seoul on the economic front: twelve years of dramatic double-digit growth in trade and investment between the two countries has resulted in increasing South Korean dependence on exports to China both through trade and as a destination for South Korean investment. However, Chinese firms are rapidly closing the technological gap with South Korea not only in low-end manufacturing but also in sectors such as IT, automobiles, and high-tech sectors that represent the core of South Korea’s export trade earnings.

History wars

In response to a PRC-government supported “Northeast Asian History Project” launched in February of 2002, the Republic of Korea government established its own Goguryeo Research Foundation in March of this year (see *Comparative Connections*, April 2004), setting the stage for potential confrontation over historical and territorial issues. In an attempt to defuse the crisis, the PRC Ministry of Foreign Affairs (MFA) decided in early August to eliminate website references to Korean history prior to the formal establishment of the ROK government in 1948 as a way to avoid offending Korean sensitivities on the Goguryeo issue. This action inadvertently became the object of a huge public backlash in South Korea, where the decision to unilaterally “erase” pre-

modern Korean history led for the first time to a harsh reassessment of China's rise and its implications for the Korean Peninsula.

The elimination of pre-modern Korean history from the MFA website catalyzed broader consideration in South Korea of what Chinese textbooks and museum displays are teaching about the Goguryeo kingdom. South Koreans have been particularly sensitive to China's treatment of Goguryeo in part because South Korea's standard historical texts have always referred to the period during which Goguryeo existed as the "Three Kingdoms" period. Some longstanding Korean traditions including horsemanship and archery (a skill in which South Korea again demonstrated Olympic dominance in Athens) are attributed as special legacies of the Goguryeo kingdom. During the three kingdoms period of Korean history, Shilla, Paekche, and Goguryeo all fought for dominance on the Korean Peninsula (with critical interventions by China's Tang dynasty), eventually resulting in the early unification of Korea under Shilla leadership. The assignation of Goguryeo as a historical precursor to either Korea or China is misleading in the sense that it projects a modern concept of the nation-state backward historically to a time when the concept was not operative in Asia; however, it is also easy to understand why Koreans would reject alternative historiographies given the influence of Goguryeo as a longstanding core aspect of South Korea's own curriculum.

The decision by the PRC Foreign Ministry to remove content on Korean history from its website unilaterally brought to the surface for the first time Korean public anxieties about China's rise as a strategic threat, stimulating a reassessment of conventional wisdom that had previously viewed China almost solely through the lens of economic opportunity. One opinion columnist concluded that "China's hegemonic ambition has been exposed." National Assemblymen from both parties joined hands to support a resolution criticizing the PRC and mobilized committees to monitor the issue. The South Korean public reaction put tremendous pressure on an embattled ROK Ministry of Foreign Affairs and Trade (reeling from public criticism of the beheading of a Korean citizen in Iraq in June) to resolve the issue satisfactorily. The PRC also had an incentive to cooperate in finding a solution to the problem before the visit to Seoul of Jia Qinglin, the number four official in the Chinese leadership hierarchy and chairman of the Chinese People's Political Consultative Conference, to celebrate the tremendous bilateral economic accomplishments and mark the 12th anniversary of the normalization of the China-South Korea relationship.

In the run-up to that visit, PRC Vice Minister Wu Dawei (former PRC ambassador to the ROK) was dispatched to Seoul to negotiate a resolution to the dispute. After intensive negotiations, the two sides announced a five-point verbal agreement designed to manage the Goguryeo issue in a manner sensitive to South Korean concerns and to prevent the issue from affecting other aspects of the relationship. The agreement includes a pledge by China to remove its claim to Goguryeo from Chinese history books, but did not lead to an immediate restoration of Korean historical information on the Chinese Foreign Ministry website. The agreement was successful in limiting the issue as one that would bring further immediate damage to the relationship and probably represented the best that could be done in a short period of time, although it was criticized by many South Koreans as a

stopgap measure and as not binding on the two sides and therefore limited in its capacity to prevent recurrence of the issue.

South Korean specialists predict that the Goguryeo incident could have a lasting impact on China-South Korea relations beyond the dramatic public opinion shift away from China toward the United States revealed in a *Korea Herald* poll conducted in August. That poll showed a majority of ruling party members now focusing on the U.S. as South Korea's most important relationship compared to 63 percent who deemed China to be South Korea's most important partner just last April. (U.S. officials could not be more pleased by China's assistance in repairing the U.S.-ROK alliance!) Another indicator that the China-South Korea honeymoon period may be coming to an end came in the form of a September decision to finally sign an aviation agreement with Taiwan, allowing flag carriers to resume direct service between Seoul and Taipei. There are rumors that the Dalai Lama may finally find his way to Seoul after years of South Korean obeisance to Beijing's stern requests on the matter. Although the closest affinity among modern-day Koreans to the Goguryeo kingdom is among North Koreans – and despite the fact that this row originated with a petition to UNESCO approved in July to recognize Goguryeo tombs and murals in North Korea as having World Heritage status as special cultural sites for historical preservation purposes – the DPRK leadership was unusually restrained on a sensitive history issue related to Korean nationalism, an implicit acknowledgement of the extent of North Korean dependence on the PRC for its own survival.

Six-party talks: dead or alive?

The most serious political issue in China-Korea relations this quarter was a non-event. Despite a visit by senior PRC party leader Li Changchun to Pyongyang for talks with senior North Korean leaders including Central Defense Commission Chairman Kim Jong-il, the DPRK refused to participate in the fourth round of six-party talks, originally promised by the end of September. DPRK officials provided a whole host of reasons why they couldn't come to Beijing in September, including the U.S. failure to change its "hostile policy" toward the DPRK and North Korean dissatisfaction with the proposal offered by the United States at the June round of six-party talks. The only reason for delay that DPRK representatives flatly denied – and the one that has been most plausible to outside observers – is that the DPRK wants to wait until after the U.S. presidential election before resuming its participation in the six-party talks. The postponement itself does not necessarily signify any great lost opportunity that can not be picked up following the U.S. elections; however, the lack of progress has raised questions among observers about the utility or capacity of the talks in and of themselves to satisfactorily resolve the North Korean nuclear issue.

Another worrisome factor is Beijing's failure – despite the offer of more free aid in connection with Li Changchun's visit to Pyongyang – to induce the DPRK leadership to fulfill its commitment to participate in the September talks as originally pledged. While Beijing still counts its sponsorship of the six-party talks as a diplomatic success, there are also widely divergent views now heard among scholars in Beijing on how best to deal

with North Korea. The Tianjin-based *Strategy and Management* journal published a sharply critical view that Beijing should end its “unconditional support” for an “unappreciative” North Korea. Although public expression of that view itself was apparently not appreciated by PRC authorities who subsequently shut down the journal, it is no longer uncommon to hear such sentiments from Chinese academics who have lost patience with North Korean intransigence.

Revelations in September of South Korea’s own undeclared experiments from the year 2000 involving lasers to reprocess uranium also became a pretext for North Korea to boycott the talks, prompting Chinese suggestions that the South Korean experimentation with reprocessing might also be included on the six-party agenda. Although the South Korean experiments should have been declared as part of Seoul’s International Atomic Energy Agency (IAEA) obligations in the year 2000, South Korean authorities voluntarily cooperated with IAEA inspectors under the Additional Protocol and continue to allow IAEA inspections of the matter to ensure that there have been no additional breaches in South Korea’s commitments under the Nuclear Non-proliferation Treaty (NPT). In the long-term, South Korean cooperation with the IAEA will be a defining difference with the North’s approach to its nuclear obligations, indirectly putting more pressure on the North to handle the issue in a manner consistent with international norms under the NPT.

Security loopholes: refugees and cyberattacks

Several critical “loopholes” remain in the delicate management of China-Korean relations as they relate to North Korea. One is the chronic issue of refugees. Due to a tightening of PRC government policy toward North Korean refugees while simultaneously maintaining international cooperation on the issue where absolutely necessary, there are some new developments in management of refugees from North Korea who seek resettlement in the South. First, intolerant PRC government policies toward the plight of North Korean refugees has pushed them farther afield. At the end of July, over 460 North Korean refugees came from Southeast Asia to Seoul aboard two charter flights. Due to intolerant and repressive PRC government policies, these refugees transited the whole of China and found their way to Indochina before it was possible for them to seek asylum in South Korea. Following the entry of 43 North Korean refugees disguised as construction workers into the Canadian Embassy in Beijing, the PRC has demanded that refugees who seek asylum at diplomatic compounds in China be turned over to the police for debriefing before they will be allowed to depart the PRC. Such a demand is hardly borne of humanitarian motives, and has thus far been resisted. It remains to be seen what impact the North Korea Human Rights Act will have on this situation.

A second security loophole in China-South Korea security relations appeared with an early July cyberattack on South Korean government systems that apparently emanated from the PRC. The attack was sophisticated and surprisingly successful, infecting at least 278 computers at 10 government agencies with Trojan horse-type viruses such as “PEEP Trojan” and “Backdoor Revacc” that allowed hackers to access computer data when the user opens the files. The source of the attacks is alleged to be connected to the Chinese

People's Liberation Army. ROK officials have asked for cooperation from the PRC to pursue the investigation. Given the DPRK's reported world-class computer hacking capacity as well as South Korea's increasing reliance on computer infrastructure, incidents targeting sensitive ROK government materials deserve careful scrutiny and cooperation to the extent possible with PRC counterparts.

Korean fears of China's economic tsunami

Another factor behind South Korea's sensitive reaction to the Goguryeo dispute is a dramatic dip in Korean confidence about prospects for the future of the China-South Korea economic relationship. China's economic growth and the accompanying rise of bilateral trade and investment from South Korea have constituted an unprecedented opportunity. China-Korean bilateral trade through August of 2004 was on a double-digit growth pace from 2003 at \$43.9 billion, and South Korean investment in China for the first seven months of 2004 totaled over \$4.12 billion. However, South Korean fears of China's emergence as a competitor in third-country markets and concerns about the rapid erosion of South Korea's comparative advantage over China in high-tech sectors are rising sharply this year, casting continued growth in China-South Korea economic relations in a very different light.

The ROK Ministry of Finance and Economy announced in September that companies will be required to seek approval before transferring technology overseas as a way of limiting the loss of comparative advantage in the communications and electronics sectors. Such regulations stem from cases of technology leakage identified by the South Korean government estimated to cost over \$38 billion in lost revenues for the Korean economy. The high-tech sector, including semiconductors, high-tech electronics, computers, and related telecommunications equipment, has led South Korea's export growth in recent years, representing almost 40 percent of South Korea's total exports.

Despite continued expectations for double-digit growth in the high-tech sector, the Korea Development Institute has documented a sharp decline in IT exports in recent months. Samsung Economic Research Institute recently forecast that new Chinese products in these sectors may undercut South Korea's price advantage at comparable levels of quality in only a few years, dramatically slowing South Korean export growth prospects through new competition. The rapid rise in China's high-tech competitiveness is squeezing South Korea in international markets and contributes to the further hollowing out of South Korea's own high-tech manufacturing base as investment continues to seek to exploit China's comparative advantage in labor costs. According to the PRC Ministry of Commerce, China's high-tech exports grew in the first six months of this year by 58 percent over 2003, and high-tech exports now represent 38 percent of China's total exports, which is already roughly proportional to Korea's share of high-tech exports as a portion of overall exports.

Another Chinese challenge to South Korean high-tech dominance comes in the form of rising inward direct investment by Chinese firms who seek to purchase South Korean companies in technology-intensive sectors, spurring worries that such transfers will

eventually weaken South Korea's national competitiveness. For instance, Shanghai Automotive Company was selected as the leading candidate to take over ailing Ssangyong Motor Company in July, following a failed bid by another Chinese company, the China National Bluestar Corporation. There is strong interest among Chinese companies in the acquisition of Orion Electric Company, which has developed leading edge plasma display products. And Chinese UTStarcom Inc. has contracted to purchase a spin-off company of Hynix Semiconductor Inc., which developed CDMA-based applications with ROK government assistance. Newly proposed legislation in the South Korean National Assembly would strengthen the review process for foreign investments in technology intensive sectors.

The Korean wave and the opportunities afforded by China's growth

In the 12 years since the PRC and ROK normalized diplomatic relations, the main story line has been unprecedented economic opportunity that has transformed the relationship. Thirty percent annual growth in trade has bolstered the relationship and obscured many problems thus far. Even despite emerging problems, the dominant theme is that growth has driven unprecedented opportunity over the past decade, mostly in positive ways. Beyond the intensification of China-South Korea economic ties, a great strength of the relationship remains the cultural affinity and growth of person-to-person interactions. Over 2 million South Koreans traveled to China in 2003 and 500,000 Chinese came to South Korea. China's university language programs have been inundated with over 30,000 Korean students, who constitute the majority of enrollments in many of the major university language programs. Korean Air Lines and Asiana compete vigorously for expanding flights to all parts of China.

The South Korean culture and entertainment industries have remained successful in appealing to Chinese audiences, with knock-on effects for South Korean consumer products from mobile phone sets to cosmetics, now perceived as reliable, affordable, and high quality. South Korean popular culture tested its popularity last July in the Great Hall of the People, the seat of power for the Chinese Communist Party, where an audience of almost 7,000 viewed a spectacular Andre Kim fashion show and concert with leading South Korean pop stars BoA, Lee Jung-hyun, NRG, and Dongbangshingi. However, with the intensification of bilateral ties at every level, conflicts are also inevitable. As new conflicts emerge, one test of the relationship – now that the honeymoon phase is waning – will be whether institutional structures are sufficient to manage the relationship and minimize political conflict on tough issues like history, refugees, hacking, and the high-stakes task for Korea of overcoming divisions on the Korean Peninsula while living in a region in which two powers, China and Japan, are simultaneously rising.

Chronology of China-Korea Relations July-September 2004

July 14, 2004: A series of hacking incidents that penetrated 211 computers at 10 different ROK government agencies was reported to have emanated from China, sparking a major government investigation and raising ROK concerns about cybersecurity.

July 15, 2004: “Korean Wave 2004,” showcasing Korean culture with an Andre Kim fashion show and leading Korean pop stars such as BoA, Lee Jung-hyun, Kang Ta, NRG, and Dongbangshingi, held at the Great Hall of the People in Beijing.

July 23, 2004: Shanghai Automotive Industry Corporation is selected as the preferred bidder to take over Ssangyong Automotive Company from its creditors. Bidding was reopened last June after a bid by China National Bluestar Corporation failed due to Ssangyong Motor Company labor union opposition.

July 27, 2004: Shanghai Automotive President Hu Mao Yuan signs memorandum of understanding to buy Ssangyong’s 48.9 percent stake and offers reassurances to labor union leaders regarding his intent to secure jobs and steady investment in the company.

Aug. 5, 2004: South Korean Director General for Asia-Pacific Affairs Park Joon-woo is dispatched to Beijing to discuss the PRC Ministry of Foreign Affairs’ decision to delete pre-1948 references to Korean history from its official website, among other issues.

Aug. 7, 2004: Fifty-two ruling and opposition party members issue a resolution in response to China’s historical claims regarding the Goguryeo kingdom.

Aug. 9, 2004: ROK government officials and lawmakers agree to form an inter-agency committee to respond to China’s historical claims regarding Goguryeo.

Aug. 11, 2004: ROK Prime Minister Lee Hae-chan authorizes the Cabinet to pursue efforts to respond to the Chinese claim to the Goguryeo Dynasty as part of its history.

Aug. 16, 2004: A *Korea Herald* survey of South Korean National Assembly members shows 80 percent as naming the U.S. as Korea’s most important diplomatic relationship, with 5.7 percent of members choosing China. Only 12 members of the ruling party chose China, in contrast to an April poll in which 63 percent of ruling party members identified China as South Korea’s most important diplomatic partner.

Aug. 17, 2004: Shanghai Automotive Company begins conducting due diligence on the Ssangyong Motor Company in preparation for its purchase from Ssangyong’s creditors.

Aug. 23, 2004: Vice Foreign Minister Wu Dawei visits Seoul and negotiates a five-point verbal accord with ROK counterparts to bring under control the dispute over historical interpretations of the significance of the Goguryeo kingdom as part of China’s and Korea’s respective national histories.

Aug. 24, 2004: The 12th anniversary of the establishment of normal relations between the Republic of Korea and the People's Republic of China.

Aug. 26, 2004: Chairman of the Chinese People's Political Consultative Conference Jia Qinglin arrives in Seoul for consultations marking the rapid expansion of China-South Korea economic relations.

Sept. 1, 2004: Seoul and Taipei sign an aviation agreement to reopen regular airline services by national flag carriers for the first time since 1992.

Sept. 9, 2004: Hyundai Motor Company announces plan to complete the construction of a second passenger car plant by late next year at a site near Beijing.

Sept. 12, 2004: Central Defense Commission Chairman Kim Jong-il meets in Pyongyang with a senior communist party delegation from the PRC led by Li Changchun, who informs the DPRK leadership that China would continue to provide development assistance to North Korea.

Sept. 17, 2004: Author Scott Snyder and SoRhym Lee are married in Seoul.

Sept. 18, 2004: LG Chem Ltd. announces plans to double its production capacity in China of polyvinyl chloride and acrylonitrile butadiene styrene, two key petrochemicals with a wide range of industrial uses, to 1 million tons and 700,000 tons, respectively.

Sept. 18, 2004: ROK Ministry of Finance and Economy announces that government approval will be required before hi-tech companies can invest overseas or to be acquired by foreign firms. The regulation is motivated by growing fears that investment in and from China is eroding South Korea's comparative advantage in key hi-tech industries.

Sept. 24, 2004: ROK government confirms that 107 metric tons of sodium cyanide, a key ingredient in the manufacture of nerve gas, was sent to North Korea via China in 2003.

Japan-China Relations: **Not The Best Of Times**

James J. Przystup
Institute for National Strategic Studies, National Defense University

Both Tokyo and Beijing looked for ways to advance cooperation this quarter. The ASEAN Plus Three framework provided one venue. North Korea provided another. Commercial and economic relations provided a third: two-way trade in the first six months of 2004, for the fifth consecutive year, hit a new high.

But a series of events, such as resource exploration in disputed areas in the East China Sea, Chinese maritime research activities in Japan's claimed Exclusive Economic Zone (EEZ), significant anniversaries – the Marco Polo Bridge Incident (July 7), Aug. 15 visits by Japan's political leaders to the Yasukuni Shrine, the Mukden Incident, (Sept. 18) – combined with Japan's 3-1 victory over China in the China-hosted Asia Cup soccer tournament to keep nationalist emotions at a high state in both countries. Other issues of history, munitions abandoned by the Imperial Army in China, court decisions on compensation claims for wartime forced labor, and Taiwan also played into the relationship. It was not the best of times.

Exploration in the East China Sea

At the end of May, the Japanese press reported that China had started exploration in the Chunxiao natural gas field, an area of the East China Sea adjacent to the mid-point maritime demarcation line between Japan and China. (Japan claims the mid-point line as the maritime boundary of its EEZ; China does not recognize the mid-point line as a maritime boundary.) Concerned that China's exploration would extend across the demarcation line and siphon resources from Japan's EEZ, Tokyo made repeated requests of Beijing for data regarding Chinese activities. Following a Cabinet meeting June 29, Economic, Trade and Industry Minister Nakagawa Shoichi told reporters that Beijing had failed to respond adequately to Japan's requests and that he was intent on Japan conducting its own survey of the area.

China's Foreign Ministry's Spokesperson Zhang Qiyue greeted Nakagawa's announcement with a call for diplomatic talks to prevent a worsening of the situation; meanwhile, China's Assistant Minister for Foreign Affairs Chen Guofang called in Japanese Ambassador Anami Koreshige to express China's "grave concern." Anami

underscored the importance of trust and confidence between the two governments and repeated Japan's request for data regarding China's exploration activities.

On July 2, Japan's Foreign Ministry Assistant Spokesperson Okuyama Jiro called for the issue to be addressed in "a quiet and peaceful manner," stating that Japan had "no intention of raising tensions" and calling on China to provide "relevant information" regarding its activities. Okuyama explained there was no need to ask prior approval from Beijing because Japan's survey activities would take place on its side of the mid-point line. Addressing the dispute over the demarcation of respective EEZs and the continental shelf, Okuyama echoed the view of China's Foreign Ministry that the issue should be resolved through "peaceful consultations."

On July 7, Japan began its survey activities. That evening, Chief Cabinet Secretary Hosoda Hiroyuki told reporters that Japan's actions, because they were taking place inside Japan's EEZ, raised "no problems whatsoever." That was not the view in Beijing. On July 8, Vice Foreign Minister Wang Yi called in the Japanese ambassador to lodge an official protest against Japan's "unilateral" action. China's *Xinhua* news service paraphrased the vice minister as saying that Japan should "immediately stop activities that infringed upon China's interests and sovereignty." Wang went on to tell Anami that China "cannot tolerate" Japan's "provocative" actions."

To address various issues related to China's maritime research activities, the demarcation of maritime boundaries, and the protection of Japan's maritime natural resources, an Inter-agency Coordinating Committee met Aug. 6 at the Prime Minister's Residence.

At the end of August, the *Sankei Shimbun* reported that the electronic version of Nanjing's *Yangtze Evening News* had carried a story that China had started to lay a 470 km seabed pipeline linking the mainland to the undersea gas fields in the East China Sea. On Aug. 27, Chief Cabinet Secretary Hosoda said that the story, if true, could only cause Japan again to express its grave concern.

The issue heated up again on Sept. 7. During a regularly scheduled press conference Kong Quan was asked to comment on Japan's repeated representations requiring China to provide data on its offshore activities. Kong made clear that the dispute over Japan's proposal for "medium line" demarcation has "long been in existence" and that the proposal itself was "no more than a unilateral action by Japan" which China has "never accepted and will never accept it." China's activities, Kong explained, were being conducted "in the offshore area, near to our coastline." Accordingly, China regarded Japan's demand for data on "the basis of its unilaterally proposed medium line" as "completely groundless."

During her September visit to China, Foreign Minister Kawaguchi Yoriko met with State Councilor Tang Jiaxuan on Sept. 12. The foreign minister expressed her regrets over Kong's remarks and was quoted as telling Tang that "we hope you will disclose information for the sake of establishing ties of trust between the two countries." Tang, in

reply, said that China had already put forth a “constructive proposal,” citing Beijing’s call for joint development of the natural gas field.

Back in the EEZ

Chinese maritime research ships continued to operate, without prior notification, inside Japan’s claimed EEZ. During all of 2003, Japan logged only eight such incursions; before the end of June, the number stood at 16. The issue was again raised at meeting between Foreign Ministers Kawaguchi and Li at the end of June but again left unresolved.

On July 6, the Defense Agency reported that a Japanese Coast Guard *P3C* had discovered a Chinese ship in Japan’s EEZ. The same day, the Foreign Ministry through the embassy in Beijing asked for an explanation. Beijing responded that the ship was engaged in military activities, thus obviating the need for notification. Underscoring sensitivities regarding issues of sovereignty, a Japanese patrol boat, three days later, warned a South Korean research vessel it found in Japan’s claimed EEZ off Takeshima Island.

On July 12, a Japanese Coast Guard *P3C* patrol aircraft again spotted a Chinese maritime research ship in Japan’s claimed EEZ south-southwest of Japan’s Okinotori Island. The next day, Economics Minister Nakagawa told reporters that China’s actions were in clear violation of the Japan-China Prior Notification Agreement.

One week later, July 20, the *Sankei Shimbun* reported that a PLA Navy vessel, *Dongce 226*, was taking soundings in Japan’s EEZ off Uotsuri Island in the Senkaku Islands, while the *Nihon Keizai Shimbun* reported that a JMSDF patrol boat had also discovered another Chinese maritime research ship, the *Xiangyanghong-9*, in Japan’s EEZ, near Oki-Daitojima Island. JDA officials judged that the ships were conducting oceanographic surveys, mapping the ocean floor for China’s growing submarine fleet. On July 21, Chief Cabinet Secretary Hosoda labeled the activities of the two ships “extremely regrettable” and told reporters that “strong protests” must continue to be made.

Chinese activities also drew the attention of the LDP’s Working Group on Maritime Interests, chaired by Takemi Keizo. Meeting on July 27, the Working Group called for a personnel increase for Japan’s Coast Guard in the 2005 budget in order to protect Japanese interests in the Senkakus. To maintain night-time surveillance of Chinese activities, the Working Group also called for budget increases to allow deployment of high performance intelligence assets.

On Aug. 5, The JMSDF again found the *Dongce 226* in the Senkakus, 65 kilometers northeast of Uotsuri Island. Less than a week later, a JMSDF aircraft again found the *Xiangyanghong-9* south-southwest of Okinotori Island. Also Aug. 6, 7, 9 and 11 PLA Navy’s survey ship, *Nandiao 411*, was spotted in Japan’s EEZ. A Defense Agency source speculated that China’s naval activities were aimed at constraining Japan’s efforts to carry out its own survey of maritime resources.

And on the soccer field...

In a run-up to the 2008 summer Olympics, China hosted soccer's Asia Cup tournament. Though the Japanese team played at various sites in China during the two-week July-August tournament, Chinese spectators uniformly gave the Japanese visitors a less than friendly welcome. Initial reports referred to booing that greeted the Japanese team and Japan's national anthem, attributing it to various issues of history that troubled the relationship and fostered the anti-Japanese nationalism expressed during its matches. The press also raised concerns over the implications for the 2008 Olympics. Demonstrating its political sensitivities, the Communist Party's *Youth Daily* on July 29 took anti-Japanese fans to task for their lack of good sportsmanship.

When asked about the team's reception, Prime Minister Koizumi Junichiro on Aug. 3 told reporters that he viewed sports as "a festival of friendship" and hoped to see all players "warmly" welcomed. Asked if the booing had any connection to his visits to Yasukuni, Koizumi replied that he did not think "that is the only reason" and that it would be "better not to give political implications to sports."

On Aug. 4, Abe Masatoshi, senior vice minister for foreign affairs, told the press that Japan on three occasions – July 26 in Chongqing; July 28 through the Japanese Embassy in Beijing, and Aug. 3 through the Chinese Embassy in Tokyo – had asked China to protect members of the Japanese soccer team and their fans during the tournament. Abe acknowledged the China had taken steps to improve security during the semi-final match between Japan and Bahrain in Jinan, but, looking toward the looming championship contest between Japan and China, Abe said that the government was considering another appeal for security in advance of the match.

On Aug. 5, Foreign Ministry Spokesperson Kong Quan addressed the issue of anti-Japanese behavior. From the facts gathered by the Foreign Ministry, Kong judged that the matches "on the whole" had been conducted in "an orderly and lively atmosphere, while recognizing that "overreactions of a handful of fans" are "from time to time" part of major international soccer contests. China, he made clear, does not support such actions. Kong hoped that all fans would watch the match respectfully as true sportsmen. At the same time, he regretted that "the Japanese media exaggerated and made an issue of the acts of a few people."

Playing under significantly reinforced security but with some Chinese fans sporting t-shirts with political messages on the Senkakus and Yasukuni and expressing anti-Japanese sentiments such as "kill our enemy" as well as booing Japan's national anthem, Japan won the match 3-1. Afterward, at least some of the Chinese spectators proved not to be good losers, burning Japanese paper flags, throwing bottles at the team's bus, clashing with police, and breaking the rear window of an embassy vehicle belonging to the Japanese minister. Chinese police kept Japanese fans inside the stadium for two hours after the game while they restored order outside.

Foreign Ministry Spokesperson Kong returned to the actions of a “handful of spectators,” which China “did not want to see.” Kong asserted that the world recognized that China had made “great efforts to ensure a smooth and successful game.”

An *Asahi Shimbun* public opinion poll, taken Aug. 28-29, found, in response to the question whether Chinese conduct during the tournament had worsened or not changed attitudes toward China, 61 percent of respondents said their attitudes had had been negatively affected, while 34 percent said they remained unchanged. Presented with the reasons for Chinese behavior, either the excesses of a handful of fans or a reflection of overall anti-Japanese attitudes, 49 percent chose the former and 42 percent the latter. As for the influence of the prime minister’s and Cabinet officials’ visits to the Yasukuni Shrine, 21 percent thought the influence was significant; 61 percent thought they had some influence, while 14 percent thought there was no influence.

Back to Yasukuni

Aug.15 marked the 59th anniversary of Japan’s defeat in World War II. Speaking at the annual national ceremony commemorating the end of the war, Prime Minister Koizumi repeated Japan’s pledge never to resort to war again. The prime minister did not visit the Yasukuni Shrine but offered flowers at the Chidorigafuchi Cemetery for the war dead. Koizumi, however, reiterated his intention to visit the shrine again next year. Meanwhile, four members of his Cabinet – Economics Minister Nakagawa, Agriculture Minister Kamei Yoshiyuki, Environment Minister Koike Yuriko and Chairman of the National Public Safety Commission Ono Kiyoko – did. Asked if she thought the anti-Japanese sentiment expressed at the Asian Cup Games was in any related Cabinet members’ visit to Yasukuni, Ono replied that she saw no connection “at all.”

Fifty-eight members of the Diet visited the shrine as did LDP Secretary General Abe Shinzo and former Prime Minister Mori Yoshiro, and 99 Diet members arranged for staff members to visit the shrine. At the same time, Tokyo Gov. Ishihara Shintaro suggested the emperor visit the shrine next year on the 60th anniversary of Japan’s surrender, “fulfilling a great responsibility to the nation that only the Emperor can fulfill.” The emperor has not visited the shrine since the spirits of Class-A war criminals were enshrined in 1978. The last visit to the shrine by an emperor took place in 1975.

Suggesting fading memories over the meaning of Aug. 15, a poll taken by the *Tokyo Shimbun* of 50 teenagers in Tokyo’s hip Shibuya district found only half could explain its significance. Memories, however, are not fading in China. Reacting to the prime minister’s expressed intention to visit Yasukuni next year, Foreign Ministry Spokesperson Kong expressed China’s regrets over “Japanese leaders constantly making provocative remarks, ignoring the voices of people who were victims crying out for justice.” Kong went on to reiterate, “the political basis for China-Japan relations is for both nations to have a correct understanding of the history of that previous time.”

Lower House Speaker Kono Yohei met with President Hu Jintao on Sept. 22 in the Great Hall of the People, his first meeting with a senior Japanese leader since assuming the

chairmanship of the Central Military Commission on the Sept. 19. Hu underscored the importance attached by China to the Yasukuni issue, telling Kono that it was “imperative now to resolve the shrine visit issue in an appropriate way.” At the same time, Hu emphasized that China regarded relations with Japan as the “most important bilateral relationship in the world.” He went on to point out that China was not responsible for the problem and that as long as the issue was not reconsidered, there could be no hope for an improvement in the bilateral relationship. The *Mainichi Shimbun* report of the meeting pointed out that Hu’s direct reference to the issue was “extremely rare” and was viewed as a message to Koizumi to find a way out.

History

In addition to Yasukuni, other issues related to the past resurfaced during the quarter.

- On July 9, the Hiroshima High Court reversed a 2002 lower court ruling and awarded full damages of ¥5.5 million to a group of Chinese wartime forced laborers. The Hiroshima decision marked the first time that compensation had been awarded in such cases. The High Court rejected a defense based on the expiration of the statute of limitations and found for the plaintiffs on the basis of serious human right violations.
- On July 27, the Chinese Foreign Ministry informed the Japanese Embassy that on July 23 four children had discovered an artillery shell and that chemicals leaking from the shell had injured two in Jilin Province. On Aug. 1, Tokyo dispatched a seven-member investigation team to the site and Aug. 3, the Foreign Ministry confirmed the shell belonged to the Imperial Army. The Foreign Ministry expressed Japan’s regrets. Later, Japan and China announced that a chemical weapons excavation and recovery program would take place in Northeast China, starting on Sept. 6. The recovery operation is the sixth in a program dating from September 2000.
- On Aug. 26, the Tokyo Metropolitan Board of Education approved for use in junior high school a history text written by the nationalist Japanese Society for History Textbook Reform. The Chinese Foreign Ministry quickly responded, defining the issue as one of Japan’s ability to deal accurately with “that period of history of aggression and urging Japan to “educate the younger generation with an accurate view of history.”
- On Sept. 29, Japanese company Nippon Yakin Kogyo agreed to a ¥21 million settlement with Chinese wartime forced laborers in Osaka High Court. Plaintiffs filed suit in 1998 and in January 2003 the Kyoto District Court ruled that the then Japanese government and Yakin Kogyo had acted illegally in abducting and forcing plaintiffs to work. In December 2003, the Osaka court recommended a settlement. Plaintiffs will continue suit against the Japanese government that did not join the settlement.

Taiwan

On Aug. 17, the *Nihon Keizai Shimbun* reported that the LDP planned to send close to 100 junior Diet members and representatives from prefectural governments to Taiwan to meet with Taiwanese officials, including President Chen Shui-bian and former President Lee Teng-hui. Later, the *Sankei Shimbun* reported that Beijing through its embassy in Tokyo had asked the Foreign Ministry and Diet members to cancel the trip.

The next week, Foreign Ministry spokesperson Takashima Hatsuhiza was asked about reports that former Taiwanese President Lee Teng-hui planned to visit Japan in September. The spokesperson retreated to “case-by-case” as the standard that the Foreign Ministry would use to evaluate any visa request from Lee. The Foreign Ministry’s caution reflected concerns that a Lee visit could come at the same time that China’s new Ambassador Wang Yi is scheduled to arrive in Japan and just before the next scheduled round of six-party talks.

On Sept. 4, the *Mainichi Shimbun* reported that Lee would be allowed to visit Japan after Taiwan’s Dec. 11 parliamentary election. However, on Sept. 17, the *Asahi Shimbun* reported that the government had decided against a Lee visit before the end of the year Lee last visited Japan in 2001, when Prime Minister Mori Yoshiro approved the visit on “humanitarian” grounds allowing Lee to receive treatment for a heart ailment.

Security

On July 6, the Cabinet approved the Defense Agency’s annual White Paper, *The Defense of Japan*. The document focused on the new challenges to Japan’s security posed by the proliferation of weapons of mass destruction and international terrorism. With respect to military developments in East Asia, the White Paper focused on China and observed that it is essential to pay attention to the own-going modernization of the PLA.

At the end of July, LDP Secretary General Abe Shinzo was interviewed by *Aera* magazine, published by the *Asahi Shimbun*. During the interview, Abe touched on relations with China and underscored the need to maintain the current friendly relations. However, Abe also went on to observe “it is conventional wisdom to regard China as a threat on the military front.”

Business/economy

At the end of August, Japan’s External Trade Organization (JETRO) released trade statistics for the first six months of 2004. For the fifth consecutive year, two-way trade with China set another record, growing 30.2 percent over the first six months of 2003 to a total of \$78.72 billion. For the first time since 1992, imports from China, including Hong Kong, produced a surplus of \$1.135 billion.

The JETRO report reflected the changing nature of trade, with China moving from its traditional role as supplier of clothing and foodstuffs toward a major importer of Japanese

parts and finished products. This change is a result of Japanese companies moving production facilities to the mainland and importing high-end parts from Japan not currently available in China. It is also attributable to China's booming economy and the rising demand for steel, plastics, and construction equipment, which has boosted the bottom lines of many Japanese companies.

Another JETRO survey revealed that 81.5 percent of China-based Japanese manufacturing companies intend to expand operations in China over the next year or two. Of those operating in China in 2003, 74 percent were profitable.

Japanese private sector interests are expanding in China. Of particular note are the six Japanese companies, including Kawasaki Heavy Industries and Mitsubishi Trading Company, in conjunction with Chinese partners that have submitted bids to bring high-speed rail transport to China. On Aug. 29, *Xinhua New Agency* reported that contracts amounting to ¥1.34 trillion were awarded to three consortia in which Japanese firms participated. The award produced an anti-Japanese reaction on the website of China's Patriot Alliance, which the government shut down Aug. 30.

Odds & ends

Other issues re-surfaced during the quarter.

- Chinese authorities released from prison Japanese national Noguchi Takayuki. Noguchi, detained in December 2003, near the China-Vietnam border, was charged with aiding North Korean citizens to transit China for refuge in third countries; on June 28, he was sentenced to eight months in prison. Credited with time already served in custody, Noguchi was deported Aug. 9. Following his return, Noguchi, speaking at the Tokyo Foreign Correspondents Club on Aug. 19, criticized China for its treatment of North Korean refugees.
- The Tokyo Municipal Government granted recognition as a nonprofit organization to the Japanese branch of China's Falun Gong. Earlier, in 1999 and 2001, the Japanese branch had applied for nonprofit status, but the Tokyo government denied previous petitions on the grounds that the organization was involved in religious activities. Following the denials, the Japanese organization changed its institutional programs, leading the Tokyo government to reverse its decision. On Aug. 10, Chinese Falun Gong adherents, with relatives in Japan, appealed to the Japanese government to be allowed to remain in Japan, citing fear of persecution if returned to China.

Economic engagement promises to continue in a positive and upward direction, the exact opposite of political relations that continue to be beset by history, a rising nationalism in both countries, and real issues related to territorial claims and sovereignty.

Chronology of Japan-China Relations July-September 2004

July 1, 2004: Japanese, Chinese, ROK foreign ministers meet in “Plus Three” format at ASEAN meeting in Jakarta.

July 1, 2004: China’s Wang Yi, vice minister for foreign affairs, announced as next ambassador to Japan.

July 6, 2004: Japanese aircraft finds Chinese maritime research ship, operating without prior notification, in Japan’s EEZ. Japanese Embassy in Beijing asks for explanation.

July 6, 2004: Japanese Defense Agency Defense White Paper, *Defense of Japan 2004*, approved by Cabinet.

July 7, 2004: Japanese survey activities begin in Japan’s EEZ.

July 7, 2004: The 67th anniversary of Marco Polo Bridge Incident.

July 8, 2004: Vice FM Wang Yi calls in Japanese ambassador to protest Japanese exploration in East China Sea.

July 9, 2004: Hiroshima High Court awards damages for wartime forced labor to Chinese petitioners.

July 12, 2004: Chinese ships again sighted in Japan’s EEZ.

July 13, 2004: Economics Minister Nakagawa finds Chinese ship in violation of Japan-China prior notification agreement.

July 20, 2004: Two Chinese ships found in Japan’s EEZ.

July 21, 2004: Chief Cabinet Secretary Hosoda calls for government to lodge strong protest over Chinese ships operating in Japan’s EEZ.

July 23, 2004: Two Chinese children in Dunhua city, Jilin Province injured by chemicals leaking from abandoned artillery shell.

July 23, 2004: Japan approves expansion of Chinese eligibility for 15-day tourist visa.

July 26, 28 & Aug. 3, 2004: Tokyo asks Beijing to take steps to protect Japanese soccer team and fans during Asia Cup tournament in China.

July 27, 2004: LDP Working Group on Maritime Interests calls for increase in Coast Guard personnel to protect Japan’s interests.

Aug. 1-3, 2004: Cyber attacks launched against Japanese government websites.

Aug. 1, 2004: Japan sends investigation team to China to identify artillery shell. It is identified as belonging to the Imperial Army.

Aug. 3, 2004: Chief Cabinet Secretary addresses Asia Cup issues.

Aug. 4, 2004: In press conference, Senior Vice Minister for Foreign Affairs Abe Masatoshi addresses Asia Cup security issues; Vice Minister Takeuchi does too with the Chinese ambassador as does FM Kawaguchi at Foreign Ministry Guest House with visiting Ka Yun of CCP Secretariat.

Aug. 5, 6, 7, 9 & 11, 2004: Chinese ships found operating without prior notification in Japan's EEZ.

Aug. 6, 2004: Japanese Interagency Coordinating Committee meets at Prime Minister's Residence to discuss EEZ-related issues.

Aug. 7, 2004: Japan defeats China 3-1 in Asia Cup Final; anti-Japanese disorder breaks out, including damage to Japanese Embassy vehicle.

Aug. 9, 2004: Departing Chinese ambassador Wu Dawei calls at Foreign Ministry; Foreign Minister Kawaguchi raises Asia Cup disorder.

Aug. 11, 2004: Thirteen Chinese plaintiffs bring suit against Japanese government and Mitsubishi Material Corporation for compensation for wartime forced labor.

Aug. 13, 2004: Chairman of Japan-China Friendship Society expresses dissatisfaction with Chinese behavior during Asia Cup.

Aug. 15, 2004: Four Cabinet-level officials and 58 Diet members visit Yasukuni Shrine to mark 59th anniversary of Japan's surrender; Chinese Foreign Ministry Spokesperson Kong calls on Japanese leaders to accurately reflect on history.

Aug. 20, 2004: Taiwanese Premier Yu hi-kun, traveling from the U.S. to Taiwan, lands in Okinawa to avoid typhoon # 17; meets with local officials while in Okinawa. China's Foreign Ministry (Aug. 25) blasts Taiwanese authorities for using weather as cover for political activities and expresses "grave concern" to Japan.

Aug. 24, 2004: JETRO releases trade statistics for January-June 2004; Japan's two-way trade with China grows by 30 percent over first half of 2003.

Aug. 25, 2004: News reports of possible Lee Teng-hui visa application and visit to Japan.

Aug. 26, 2004: Tokyo Metropolitan Board of Education approves high school text written by Japanese Society for History Textbook Reform; Chinese Foreign Ministry calls on Japan to educate youth with accurate understanding of history.

Aug. 27, 2004: Tokyo Metropolitan Government approves nonprofit status for Japanese branch of Falun Gong.

Aug. 29, 2004: China awards contracts for high-speed rail modernization to consortia of Japanese, European, and Chinese companies, introduction of Japanese shinkansen technology sparks anti-Japanese protest on website of China's Patriot Alliance.

Sept. 1, 2004: Some 29 North Korean refugees, seeking asylum, storm into Japanese high school in Beijing. Japanese Embassy assumes protective custody of the group; Prime Minister Koizumi says that Japan will deal with the issue in a "humanitarian way."

Sept. 2, 2004: Yabunaka Mitoji, director general for Asian and Oceanic Affairs, meets with China's Wu Dawei to discuss North Korea issues, including up-coming six-party talks and handling of believed North Korean defectors.

Sept. 6, 2004: During ASEAN Plus Three meeting of economic ministers, Japan's Nakagawa meets with Chinese counterpart; views are exchanged on East China Sea natural gas exploration.

Sept. 11-13, 2004: FM Kawaguchi visits China.

Sept. 17, 2004: Japanese press reports that Tokyo will not issue visa to Lee Teng-Hui to visit Japan this year.

Sept. 18, 2004: Democratic Party leader Ozawa Ichiro announces visit to China as honorary head of the Japan-China Business Exchange; Ozawa is accompanied by 17 young leaders of the Democratic Party; young leaders meet with Vice Premier Dai Bingguo on Sept. 20.

Sept. 21, 2004: Chinese Foreign Ministry spokesperson Kong Quan reacts negatively to PM Koizumi's speech at the UN seeking UN reform and a permanent seat for Japan on the Security Council.

Sept. 21-25, 2004: Lower House Speaker Kono in Beijing; meets with Wu Bangguo, head of China's National People's Congress, Vice President Zeng Qinghong; and President Hu Jintao.

Sept. 24, 2004: Japanese Embassy sources report that five of 29 North Koreans who sought refuge in Japanese school on Sept. 1, left China Sept. 24 for a third country.

Sept. 29, 2004: Nippon Yakin Kogyo agrees to ¥21 million settlement with Chinese wartime forced laborers in Osaka High Court.

Japan-Korea Relations: **Nuclear Sea of Fire**

Victor Cha
Georgetown University

Tokyo joined the ranks of cities (including Los Angeles and Seoul) bestowed with the dubious distinction of being threatened with being turned into a nuclear sea of fire by the DPRK. This rhetoric, often chalked up to harmless bluster, reflected real tension this quarter over a possible DPRK missile test and continued stalemates on the abductee dispute. Tokyo's relations with Seoul were capped this quarter by a summit. Good relations at the highest levels, however, still could not overcome history issues and potentially tectonic shifts in the character of relations.

Japan-North Korea: Missile worries

The Rodong Shinmun newspaper this quarter threatened to nuke Japan if Pyongyang comes under attack from the United States. "Par for the course" might be the response of many who have become jaded by the DPRK's bluster. But the "sea of fire" threat this quarter registered concerns because of speculation about a North Korean missile test. The Sept. 27 issue of Chosun Ilbo and the Sept. 23 issue of Yomiuri Shimbun reported heightened activity at 10 North Korean missile bases on the east coast of the Peninsula. According to these press reports, activities included the movement of vehicles, soldiers, engineers, and what appeared to be vehicles carrying liquid fuel. Concerns about a Rodong missile test prompted the Japan Defense Agency to dispatch two destroyers and a EP-3 reconnaissance plane to the Sea of Japan to monitor activities. U.S. Secretary of State Colin Powell stated that such a test would have grave consequences. Deputy Chief for Asian affairs in Japan's Foreign Ministry Saiki Akitaka also warned the North against provocative actions. Thankfully, no such test occurred by the end of this quarter, but one cannot discount the significance of these events. Each outburst of DPRK bluster and threats plants the seed of fundamental change in Japan's defense posture and attitudes toward security. Long after the DPRK threat is gone, what will remain is a Japan much less hesitant to shed its postwar pacifist identity.

The most likely response by Japan to the North's continued stroll down the nuclear path is not a nuclear Japan as many surmise. Instead, it would likely be the creation of a highly accurate missile deterrent (in addition to robust missile defenses). This quarter indeed saw news of the JDA contemplating a revised National Defense Program Outline this year that would include offensive missiles – including precision-guided munitions, anti-ship missiles, *Tomahawk* cruise missiles, and aircraft carriers. Although these plans

are tentative, the legacy that North Korea leaves for the region is likely to be a “normal” Japan in security terms.

Abductees

The high-profile reunion of alleged U.S. Army defector Charles Robert Jenkins with his family in Indonesia and Japan (where he would ultimately face a military trial following medical treatment) overshadowed a general lack of progress on the abductee issue during the quarter. Japan and the DPRK held working-level meetings in Beijing in August that aimed to take up the pledge made by Kim Jong-il to Prime Minister Koizumi Junichiro in their May 2004 summit to reinvestigate and provide more details about the 10 abductee cases. Japan sweetened the incentives for North Korea to make good on the Dear Leader’s promise by donating \$5 million to the UNICEF world appeal for North Korea (the largest donation thus far this year). But the North failed to make good on its promise. In a second set of talks in September, DPRK officials retracted a previous claim that abductee Megumi Yokota committed suicide in 1993, but beyond this provided little additional information. Japanese government spokesmen Hosoda Hiroyuki concluded wryly that the only concrete result of the talks was that there was no progress at all.

Japan-ROK relations: no-necktie summit

The highlight of the quarter in Seoul-Tokyo relations was the summit between ROK President Roh Moo-hyun and Japanese Prime Minister Koizumi on Jeju island in July 2004. The “no necktie” casual nature of the meeting was meant to convey an intimacy in bilateral relations that sought to build on the last meeting between the two leaders in June 2003 in Tokyo. The joint statement released at the end of the meetings stated both sides’ intention to accelerate bilateral consultations, to expand economic cooperation with North Korea if Pyongyang resolves the nuclear dispute, and to seek normalization of relations by Japan if the abductee and nuclear issues are addressed. Perhaps most important, the two leaders agreed to regularize at least two summit meetings annually between the two countries.

These positive measures at the highest levels, however, contrast with an uneasiness between Seoul and Tokyo over a number of issues that emerged during the quarter. First, South Korea offered a less-than-enthusiastic response to Japan’s bid for a permanent UN Security Council seat. Foreign Minister Ban Ki-moon stated that the ROK supported the augmentation of the number of seats for nonpermanent Security Council members, but opposed the expansion of permanent member seats. This official position allowed Seoul to skirt a direct statement opposing Japan’s bid.

Second, history textbooks came back to haunt relations this quarter. South Korea protested the adoption of a controversial nationalist textbook by a secondary school in Japan. The disputed history text published by Fuso Publishing – which offers a less critical interpretation of Japan’s wartime activities – was originally approved for use in 2001 by the Education Ministry for Japanese schools. The Tokyo Metropolitan Government’s education board approved in August the use of the text in a junior high

school in Taito ward (about 160 students) from April 2005 despite protests by Korean resident associations in Japan.

Third, President Roh called for a parliamentary commission to review the history of Korean collaborators during Japan's 36-year occupation from 1910 to 1945. The purpose of this "truth commission" would be to identify Koreans whose families might have benefited from the occupation period. The noble principles behind such an effort, however, were all but obfuscated by the naked political motives driving it. Seeking in particular to target Park Keun-hye, the head of the conservative opposition Grand National Party and daughter of former authoritarian, pro-Japanese ruler Park Chung-hee, the proponents of the truth commission did more damage to themselves than the opposition as the ruling party leader was forced to resign after his father was found to have been a colonial policeman. (Koreans were often recruited as colonial police because of their language and familiarity with the country; Korean colonial police were often more brutal than Japanese colonial police and were one of the most despised elements of the occupation.) These actions were, of course, taken without any regard for how they might affect Japan-ROK bilateral relations.

Finally, the quarter saw Japanese public apprehension at revelations regarding South Korean nuclear experiments in the 1980s and 2000. Despite ROK Deputy Foreign Minister Lee Soo-hyuck's efforts to quell Japanese concerns during a trip to Tokyo in September, the major Japanese press granted the ROK little slack. *Asahi Shimbun* considered the South's actions a major blow to the nonproliferation regime. *Yomiuri Shimbun* expressed concerns that South Korea's noncompliance only made the prospects of eliciting DPRK cooperation more remote.

A tectonic shift?

How do we explain this apparent gap between summit pleasantries and less-than-smooth relations on the ground? Some of the problems undeniably derive from the specific events rather than being representative of a larger trend. It would be strange, for example, if the extraordinary nuclear revelations in South Korea did not cause a problem in relations. Here, it would appear to be in Seoul's interests to welcome with enthusiasm the highest levels of verification requested by international agencies. The reasons for this are three: 1) if the experiments are indeed rogue acts by scientists without the express approval of the government, then it is in Seoul's interest to make this eminently clear to the entire world by allowing the highest levels of verification as deemed necessary; 2) taking the cooperative path would also maintain South Korea's reputation as an open democracy that is a staunch supporter of the nonproliferation regime; and 3) most important, this would create a clear and consistent precedent for verification that would then be applied equally to North Korea.

Nevertheless, the lack of concern for relations with Tokyo vis-à-vis South Korea's actions regarding the UN Security Council and the "truth commission" issues is puzzling. This could represent a new stage in Seoul-Tokyo relations where democratic maturation has unintended effects. In the past, one of the key obstacles to bilateral cooperation was

the absence of democracy in South Korea. Bilateral relations between Seoul and Tokyo during the days of Park Chung-hee, for example, were conducted on a personal level without transparency and without any institutions. This detracted from the public legitimacy of relations. Democratization and democratic consolidation in South Korea in the late-1980s and 1990s were accompanied by the proliferation of institutions (e.g., foreign minister bilaterals, defense minister bilaterals, summits, parliamentary exchanges, etc.) that gave the bilateral relationship greater transparency and legitimacy.

But a funny thing may have happened along this liberal-democracy path. Just as the institutions of dialogue have become standardized and ubiquitous – representative of that between two mature democracies – the people who filter through these institutions have changed dramatically. In particular, the political gains of the 3-8-6 generation in the April 2004 National Assembly elections in Korea now present bilateral relations with a new cast of characters with little familiarity with Japan. According to *Asahi Shimbun* (July 6, 2004), prior to the 2004 National Assembly elections, nearly two-thirds of standing assemblymen (187) participated in the Japan-ROK Parliamentarian Friendship League. The ascendance of the Uri party however has left only 62 members with ties to the league. In addition, the retirement of Kim Jong-pil, former prime minister and head of the United Liberal Democratic Party in South Korea, constitutes a watershed in the shift from the old era of Japan-ROK relations to a new one. Ruling Uri party members when polled about foreign policy priorities responded with overwhelming enthusiasm about the focus on China (63 percent), and with decidedly less enthusiasm for the U.S. (26 percent). What about Japan? Two percent.

The significance of this shift is difficult to calculate. If it were to lead to a significant decline in Japan-ROK bilateral relations, this would run contrary to widely accepted “democratic peace” arguments in international relations. It is difficult to imagine that with foreign policy experience and a rational calculation of South Korean interests along the axes of political values, security needs, and economic transparency, that these young lawmakers will not assign Japan a higher priority. Nevertheless, there is no denying that democratic consolidation has introduced a new dynamic in bilateral relations between Seoul and Tokyo.

Chronology of Japan-Korea Relations July-September 2004

July 15, 2004: DPRK ferry *Mangyongbong-92* leaves Niigata port for DPRK with 220 passengers and 80 tons of cargo.

July 16, 2004: *Chosun Ilbo* reports that Japanese and South Korean governments are considering a proposal to regularize at least two summits per year.

July 19, 2004: Prime Minister Koizumi says that he will request that the U.S. give special consideration to the desertion case of Charles Robert Jenkins, now reunited with his family in Japan.

July 22, 2004: Koizumi-Roh one-day summit in Jeju, South Korea. The two leaders release statements calling for Seoul-Tokyo cooperation in resolving the nuclear dispute with North Korea.

July 26, 2004: *Tonga Ilbo* reports that in March 2004 a Japanese *EP-3* reconnaissance plane was buzzed by a DPRK MIG fighter jet off the coast of the Korean Peninsula.

Aug. 7, 2004: DPRK *Korea Central News Agency* criticizes Japan for its announced hosting of PSI exercises to take place in October.

Aug. 10, 2004: Japan Vice Foreign Minister Aisawa Ichiro meets with Libyan counterpart, Mohamed Siala, asking for cooperation and information about North Korea's missile program.

Aug. 12, 2004: Japan-DPRK talks in Beijing on abductee issue make no progress. At issue is Japan's demands for more details on the fate of the 10 confirmed abduction cases.

Aug. 12, 2004: Japan donates \$5 million to UNICEF world appeal for DPRK. This is the largest amount given by a government to the appeal.

Aug. 16, 2004: DPRK defector Hwang Jang-yop accepts invitation to speak before the Japanese Diet in mid-September (at the House of Representatives Foreign Affairs Committee).

Aug. 23, 2004: Suit filed by 111 Koreans suffering from leprosy in Tokyo District Court demanding compensation for their imposed isolation and labor conscription during the Japanese occupation.

Aug. 25, 2004: ROK President Roh states that recognition of the "buried history" of South Korean patriots who opposed the Japanese occupation will be on his administration's agenda for resolution.

Aug. 26, 2004: Controversial nationalist history textbook is adopted for use in public secondary school in Japan.

Sept. 1, 2004: ROK Foreign Minister Ban Ki-moon lodges protest with regard to Japanese history textbooks inaccurately portraying history of occupation and wartime period under Japanese rule.

Sept. 9, 2004: Japanese government spokesman Hosoda Hiroyuki states that Japan finds South Korea's covert plutonium extraction activities "inappropriate" and says the government will await an explanation from Seoul.

Sept. 17, 2004: Japanese government spokesman Hosoda states that revelations with regard to the ROK's fissile material experiments should not be utilized by the DPRK as an excuse for avoiding a fourth round of six-party talks.

Sept. 17, 2004: *Yomiuri Shimbun* reports that Japan dispatched MSDF to the Sea of Japan, including *Aegis*-class destroyer and EP-3 reconnaissance planes to monitor movements associated with a possible DPRK missile test.

Sept. 21-23, 2004: Deputy Foreign Minister Lee Soo-hyuck meets counterpart Yabunaka Mitoji in Japan. Discussions include DPRK nuclear issues and revelations regarding secret nuclear experiments in the ROK.

Sept. 22, 2004: At UN General Assembly meetings in New York, Koizumi relays message to North Korean representatives of Japan's hopes for a peaceful resolution to the nuclear issue and speedy investigations on the abductions issues.

Sept. 23, 2004: DPRK *Rodong Shinmun* states that DPRK would turn Japan into a "nuclear sea of fire" if the United States undertook a preemptive attack on the DPRK.

Sept. 25, 2004: Japanese news agencies report Kim Jong-nam (son of Kim Jong-il) spotted in international arrivals terminal in Beijing.

Sept. 25-26, 2004: Japan-DPRK negotiations in Beijing. Japan presses abduction and missile issues.

Sept. 26, 2004: Japanese press reports increased North Korean military activities at 10 missile bases. Concerns about a possible *Rodong* missile test raised.

Sept. 27, 2004: Koizumi Cabinet reshuffle. Kawaguchi Yoriko replaced as foreign minister by former Education Minister Machimura Nobutaka. Kawaguchi and Yamasaki Taku retained as special advisors to the prime minister.

Sept. 27, 2004: Japan *RadioPress* quotes DPRK News agency saying that U.S. plans to deploy a missile defense system on ships in the Sea of Japan is an attempt to "isolate and crush" the DPRK.

Sept. 29, 2004: North Korean criticizes Japan for measures designed to protect nuclear and other energy facilities from DPRK infiltration or sabotage.

China-Russia Relations:

Lubricate the Partnership, but with What?

Yu Bin
Wittenberg University

The third quarter turned out to be a period of mixed record for China-Russia relations: military relations moved ahead, high-level exchanges were busy as usual, while economics continued to cloud China's "pipeline dream." The 10 years of talk of an oil pipeline from Russia's Siberia to northeastern China came close to an end in this quarter as Russia was finalizing a multibillion-dollar deal with Japan, a latecomer to Russia's oil feast. Even an official visit to Russia by China's "gung-ho" Premier Wen Jiabao in late September failed to reverse the tide.

While Moscow and Beijing were trying to find a way out of this pipeline scramble, internal dynamics affected both nations, though in different ways. In Russia, terrorist attacks shocked the nation. In China, Russian-educated strongman Jiang Zemin finally released his hold of the 2.5-million person People's Liberation Army (PLA).

Wen's 42 hours in Russia

The ninth China-Russia Prime Ministerial Regular Meeting took place in Moscow on Sept. 23-25. Hailed by both sides as a visit when bilateral ties were the "best" in history, Wen's first official visit as China's premier accomplished a great deal, although it left some important issues unresolved. Regardless of the outcome, the annual prime ministerial meeting provided both sides with an opportunity to exchange views on important issues.

Wen met with Russian President Vladimir Putin, held talks with Russian counterpart Mikhail Fradkov, and conferred with Russian Federal Council (upper house) Chairman Sergei Mironov and State Duma (lower house) Chairman Boris Crызlov. Wen also found time to meet business group, educators/scientists, and youth groups in Moscow. Seven documents were signed, including a joint communiqué, minutes of the eighth regular prime minister meeting in 2003, an accord for China's assistance in constructing education systems in Chechnya, a memorandum for trade standardization, a document for assisting trade in machinery and electronics, a banking agreement for border trade, and an accord for Russian-Chinese banks to cooperate in trade. The bulk of the joint communiqué was about economics (Part II with 17 articles), while the rest of the document – humanitarian exchanges, law and order, foreign affairs, and the Shanghai

Cooperation Organization (SCO) – contains only 11 separate articles. Among the notable items in this lengthy document was the completion of the bilateral negotiation for Russia's accession to the World Trade Organization (WTO). After the "China hurdle" (new applicants for WTO membership are required to hold separate negotiations with all current WTO members), Russia is expected to have "easier" talks with other major market economies including the European Union, Japan, and the U.S. The completion of the WTO talks also led Russia and China to recognize each other's full market economy status, something that China has not received from the West.

The Wen-Fradkov meeting occurred at the time of a relatively fast increase in Russia-China trade: growth has averaged 20 percent annually in the past five years. Based on this projection, both sides were optimistic about the target of \$60 billion in trade by 2010 from \$20 billion in 2004. They nonetheless had different expectations. Russia clearly wants to have more opportunity to export its finished products to China, particularly machinery for mining, power generators, nuclear energy, and aerospace sectors. China, however, is more interested in obtaining raw materials such as oil, timber, and gas. China's premier stressed that China welcomes Russia's role/input in revitalizing China's northeastern provinces (Manchuria).

Despite these differences, Wen and Fradkov agreed to cooperate in the areas of trade, investment, nuclear energy, sciences and high technology, civil aviation, space exploration, banking, transportation, timber, and cargo inspection. In order to facilitate cooperation as well as minimizing trade disputes in these areas, Wen made a six-point proposal: 1) further improvement in the trade structures and standardizing of trade orders; 2) greater mutual investment efforts in infrastructural construction, energy resources, manufacturing and processing, and high-tech industries (Wen promised \$12 billion in investment in such areas by 2020); 3) more efforts to boost energy cooperation; 4) more cooperation in high-tech, nuclear energy, space, new materials, information, and some other industries; 5) promoting trade between border areas; 6) cooperation in education, culture, health care, sports, and tourism. Last, if not least, the two heads of the government set up "a direct, secure telephone line" for quick solution of problems.

It's still the oil, stupid!

Much of the publicity surrounding Wen's Russia visit was about oil. His talks in Moscow, however, produced only broad and long-term promises without specific commitments from Russian officials for an oil pipeline to China. Or, in the words of official Chinese media, the sides only reached "certain consensus" regarding the key issue of cooperation in the areas of oil and gas.

The sub-optimal result of Wen's Moscow visit may be intended: certain "breakthroughs" in bilateral relations, if any, would have to be reserved for the upcoming state visit by President Putin to China in mid-October. That possibility, however, appeared remote when Wen was in Moscow. It may be pure coincidence that the day (Sept. 24) Wen was meeting with Russian officials in Moscow, Russian envoy to Japan Aleksandr Losyukov told reporters that the Russian government had decided to build an oil pipeline from its

eastern Siberian oilfields to the Pacific Ocean – as preferred by Japan – rather than through China, adding that the decision would be announced officially in the coming months.

For Beijing, Russia's never-ending "feasibility" studies and "environmental" assessment of the pipeline is unpleasant. Russia's inconsistency is perhaps worse. When Russian Minister of Industry and Energy Viktor Khristenko visited Beijing in late August, he insisted that Russia-China cooperation in oil and gas "is strictly strategic and therefore it is absolutely essential to create a relevant legal framework." He nevertheless also claimed that, "As for the routing of the pipeline on the Russian territory, this is Russia's internal affair." Thus, the Russian official simply rejected any "input" from the Chinese regarding the oil pipeline.

Russia's "slippery" position (words used by Moscow's *Nezavisimaya Gazeta*, Aug. 26, 2004) apparently prompted the Chinese to take counter actions. In early August, China's top gas company PetroChina suddenly denied rights to a consortium of Russia's natural gas giant Gazprom, Shell, and ExxonMobil to construct a key pipeline running through the country to Shanghai. Beijing also did not indicate if Russia would continue its participation in construction of Chinese nuclear power plants.

Yukos' second shoe

If there is such a thing as "Murphy's Law" (anything that can go wrong will go wrong), China's bad luck with the Yukos oil company may be the proof.

On the eve of Wen's visit to Russia in late September, China's Vice Premier Wu Yi was quoted as saying that China "is disturbed" by Russia's decision (for Japan), and indecision (for China), regarding the oil pipeline to the Far East. China therefore "is determined" to work with the Russians to increase the import of Russian oil by rail. Wu made her comment enroute to Moscow to prepare the Wen-Fradkov meeting. But what if rail deliveries themselves would not be safe and reliable?

Throughout the third quarter (as well as at the Wen-Fradkov meeting), there was much talk about a planned sharp increase in Russia's oil deliveries to China: 5.5 million tons in 2004, 10 million tons in 2005, and 15 million tons in 2006. Just four days before Wen's trip, however, a spokesman of the Russian oil giant Yukos announced that as of Sept. 28, 2004, it would temporarily suspend a portion of its direct exports to China – about 1 million tons until the end of 2004. Yukos' blamed the delivery cut on lack of access to its accounts, which were frozen by the Russian Justice Ministry. As a result, the Russian oil giant was unable to pay the transport expenses and customs payments totaling \$150-\$170 per ton. Yukos indicated that it had no intention of reducing oil production, but would redirect part of crude originally meant for China to other markets.

The sole Russian oil exporter to China, Yukos is key to the fulfillment of the intergovernmental Russian-Chinese agreements on the delivery of energy resources. In the first six months of 2004, Russian oil shipments to China constituted almost 30 percent of the whole of Russian exports (by value). Yet “all those who work with Yukos help us, but the state does not,” complained Yukos’ Financial Director Bruce Misamore. Yukos’ move was widely interpreted as part of the company’s calculated strategy on the eve of the Chinese premier’s visit to put pressure on the Russian government, which had been waging a war against Yukos’ former CEO Mikhail Khodorkovsky for his “excessive” involvement in Russian politics. Whatever the reason, China became the victim of Russian domestic politics.

The China National Petroleum Corporation (CNPC), the recipient of Yukos’ oil, was reportedly “angered” by Russia’s behavior. In late August, agreements on the volume of Russian oil supply and other matters were reached during the meeting of the Chinese-Russian sub-commission on energy cooperation in Beijing. CNPC naturally hoped the Russian government would prevent a reduction in oil supplies by to China. China’s Foreign Ministry, too, urged Moscow to pressure Yukos to honor its commitments to provide China with oil.

Russian officials, however, already made clear in mid-August when Yukos’ financing difficulties became obvious that the government would not step in. When Minister of Industry and Energy Viktor Khristenko visited Beijing to prepare for the Chinese-Russian subcommission on energy in Beijing, he was quoted as saying that “Russia is not bound by any obligations on delivery of oil to China, and these obligations are contained in corporate contracts.” Sensing that the Russian government may not be willing to step in to rescue its political enemy, a Chinese oil company decided to pay in advance for the transportation of oil from Yukos to China by rail.

Soft-landing, from high-latitude

On the eve of Wen’s visit to Russia, it was not clear that if overall Chinese-Russian bilateral ties are strong enough to survive in the absence of a pipeline to China. By the time he was in Moscow, however, Wen was determined to address the issue. In the Kremlin, Wen expressed concern regarding the changing Russian energy policy toward China, and hoped that Chinese-Russian cooperation in this area would be further developed.

Putin replied that Russia hopes to broaden bilateral cooperation in energy areas and there has been no change in Russia’s decision to cooperate with China to develop energy resources. Putin, however, was also concerned about Russia becoming a supplier of raw materials to China. He therefore insisted on improving the trade structure, meaning more manufacturing products should go from Russia to China.

The two prime ministers, however, were able to handle the thorny and difficult issue: Russia agreed and offered four broad “consensus” to China in the long term. First, Putin said Russia will “unswervingly” strengthen its cooperation with China in the area of oil

and natural gas. Second, the Russian side agreed that it will determine the direction of the far eastern pipeline after conducting feasibility studies. No matter what plan is adopted, the Russian side will actively consider building a pipeline to China. Third, both sides agreed to increase overland oil trade. Russia's oil exports to China will reach an annual total of 10 million tons by 2005 and strive to reach 15 million tons by 2006. Fourth, both sides have decided to formulate a plan for cooperative development of natural gas as soon as possible. For these general assurances, China reciprocated with a promise of a \$12 billion long-term investment in Russia. Though lacking specifics, a "considerable part" of this sum would be investments in Russia's oil and gas sectors.

Military cooperation: a greener pasture?

Contrary to the rather cloudy prospects in the economic arena, military-to-military ties are refreshing. Several military exchanges took place in early July, marking joint efforts to deepen existing ties in both strategic and technical areas. On July 1, the seventh round of Russian-Chinese consultations on "strategic stability" was held in Beijing. While Russian Deputy Foreign Minister Sergei Kislyak and Chinese counterpart Deputy Foreign Minister Zhang Yesui dealt with "routine" issues of counterterrorism, nonproliferation, and regional security, the first deputy chief of the Russian General Staff Yuriy Baluyevskiy also joined the consultations. The real purpose of Baluyevskiy's working visit to China, however, was to engage in parallel talks with the PLA's general staff as part of the preparation for the upcoming visit to Russia by Col.-Gen. Guo Boxiong, vice chairman of China's Central Military Commission (CMC).

Guo's official visit to Russia was accompanied by senior officers from all branches of the PLA: Beijing Military Region Commander Gen. Zhu Qi, Second Artillery Corps (China's strategic missile forces) Political Commissar Lt. Gen. Peng Xiaofeng, Navy Deputy Commander Vice Adm. Wang Yucheng, Air Force Deputy Commander Lt. Gen. Wang Chaoqun, and CMC General Office Deputy Director Maj. Gen. Wang Guanzhong.

Discussions during Guo's five-day stay in Russia covered a wide area of issues concerning bilateral military relations: opening talks with Russian Minister of Defense Sergei Ivanov, a working session with Russian Army Chief-of-Staff Anatoly Kvashnin for details of military cooperation, and talks with Prime Minister Fradkov on manufacturing and financing issues. Besides these official talks, Guo also visited the Military Academy of the General Staff, the Russian Space Force Headquarters, Russian Airborne Troops-Tula Division 106, and defense enterprises. In military-technical area, the two sides discussed the implementation of the earlier signed projects worth over \$2 billion, and "the possibility of launching new programs." Regional security and the Shanghai Cooperative Organization's future "update" were also on the agenda.

A memorandum was signed at the end of the Guo-Ivanov talks for "major" or "higher scale" joint exercises between the Russian and Chinese armed forces in 2005. The document did not disclose the exact location, date, or scale of the exercise. It is believed to be held at the eastern section of the border, which means areas covered by China's Shenyang Military Region and Russia's Far East Military District and Siberian Military

District. This will be the first military exercise conducted by the two countries since a joint naval exercise in 1999. According to Chinese sources, the Soviet Union, China, and the DPRK held a multilateral exercise in the Soviet coastal region in 1958, but China has not held a joint exercise since then.

Guo's visit to the Russian Space Force Headquarters was given special attention by both nations. Lt. Gen. Vladimir Popovkin, Russian Space Force Commander, offered his Chinese guests a quite elaborate "show and tell" regarding the force's missions: early warning on launches of ballistic missiles; operation of the Russia's defense satellites groups; distance control and monitoring of Russia's ground launching sites. Russian hospitality was reciprocated as the Chinese Defense Ministry notified the Russian Defense Ministry, when Guo was in Moscow, that the Chinese Second Artillery (China's strategic missile units) planned to test-fire three ballistic missiles in July 2004: a *Dongfeng-31 (DF-31)* inter-continental ballistic missile with an increased range and multiple warheads, a *Dongfeng-21 (DF-21)* medium-range missile and a *Julang-2* submarine-launched ballistic missile. Guo's visit was his first official foreign trip in his capacity as CMC vice chairman. It signals a somewhat more upbeat mood in military relations. Russian Defense Minister Sergei Ivanov said that military cooperation "have been vigorously developing lately," and his talks with the Chinese would possibly "lay a foundation for our relations for the next few years, and even decades." Prime Minister Fradkov described his talks with Guo as "the beginnings of active work on a number of arms trade programs."

There was plenty of evidence for the general optimism in bilateral military relations. Guo's visit was part of a more "active period" for high-level military exchanges. Among the senior officers visiting each other country were PRC CMC Vice Chairman and Minister of National Defense Cao Gangchuan (December 2003), CMC member and PLA Chief of Staff Liang Guanglie (May 2004), First Deputy Chief of Staff Col. Gen. Baluyevskiy (March and June/July 2004), and Defense Minister Sergei Ivanov (April 2004). The Russian armed forces chief of staff and air force commander will also visit China before the end of 2004.

Aside from the formalities of these exchanges, Russian military sources revealed that those generals were said to call each other "comrades," the most sacred word in the Russian military tradition and something reminiscent of the Chinese-Soviet honeymoon. The Chinese, in turn, referred to the military relations with Russia as the "seven most": *Longest* and *most frequent* mutual exchanges, with the *most notable* results in their strategic consultation, *richest* and *broadest* military technology cooperation, *largest* number of Chinese military students to Russia, and *deepest* mutual trust.

The upbeat mood was reinforced during the third quarter, particularly by the transfer of Russian arms to China. More Russian armaments were either shipped to China or were assembled with "satisfactory" progress. In early August, the Russia Almaz Raspletin Research and Production Center delivered to China the last shipment in a contract of four divisions of *S-300PMU1* anti-aircraft missile systems. In late July, Russia's Severnaya Verf Ship Plant launched the second of the two *956-EM* destroyers (a contract of \$1.4

billion was signed in January 2002) built for the Chinese Navy. The first destroyer for the Chinese Navy was floated in late April. Meanwhile, Russia's Komsomolsk-on-Amur aircraft production association (KnAAPO) began mass production of several dozen *BE-103* amphibious aircraft (for six people) for foreign customers, including China. In mid-August, the Russian state shipbuilding company Admiralteiskiye Verfi launched two of the five diesel-electric submarines it contracted to build for the Chinese Navy. This was part of a \$1.5-billion contract signed in 2002 for eight submarines for China within five years. Arms transfers aside, the Russians and Chinese are also planning collaborative work in space flight and moon exploration, as well as building a floating nuclear power station based on Russian technology. The issues of China's participation in the R&D of Russia's fifth generation of jet-fighters was also getting more serious over the quarter.

Beneath the warming appearance, Russian and Chinese defense officials seemed to have different ideas regarding the scope of their cooperation. Gen. Guo, for example, saw that developing a China-Russia strategic partnership "has important significance for international politics, world peace, global security, and stability." Commenting on the joint military exercises, the official *People's Daily* (July 9) did not hesitate to point out the U.S. "backdrop" for the China-Russia exercise. "Since the mid-1990's the United States has not only held annual joint exercises with its allies such as the Republic of Korea and Japan, but has even sent troops to Mongolia and Central Asia, on the periphery of both China and Russia, to hold joint exercises. In contrast, cooperation in training between the Chinese and Russian armed forces has never been able to get going. People of foresight realize that this state of affairs does not meet the demand of developing the bilateral strategic cooperative partnership." Russian officials, however, stressed that China-Russia military cooperation be "within the framework of the Shanghai Cooperation Organization..." and to safeguard "Central Asia's security and stability." The same stance was reiterated by Russian Armed Forces Chief of General Staff Anatoliy Kvashnin when he met Guo shortly after Guo-Ivanov meeting. Given the heightened tension across the Taiwan Strait during the summer, the Russians clearly had second thoughts about bilateral military cooperation.

Russian scholars were more blunt in expressing concerns about a perceived threat, or potential threat, from China. Anatoliy Tsyganok, director of the Center for Military Forecasting of the Political and Military Analysis Institute, candidate of military sciences, and professor of the Academy of Military Sciences—pointed to China's "creeping expansion," potential border claims, immigration to Russia's Far East, China's nuclear weapons, and even the possible "collapse" of China's political system. All were perceived as "threats" to Russia. "But despite such complicated relations with China," said Kvashnin, "our defense industrial complex is working for this country, supplying the latest models of arms and military equipment, which the Russian Army does not have (and it is not known when it will have)."

Putin goes to China: withered or weathered?

It is against this backdrop – an asymmetrical “strategic partnership” of frustrating economic irregularity and growing geostrategic collaboration – that President Putin will travel to China for his third official visit as Russian president (first in July 2001 and then December 2002). It will also be an anniversary: 55 years of Chinese-Russian (Soviet) diplomatic ties. Most of that period (1949-89) had been torn between honeymoon and hostility. Putin has a mission to prolong the current normal relationship.

His Chinese counterparts essentially want two things: oil and arms. Putin has both. As oil prices rise and the situation across the Taiwan Strait grows increasingly tense, Putin is in a stronger position to eat his cake (advancing Russian interests) and still have it (preserving the China-Russia strategic partnership). Putin’s Russia – or more precisely, the mood in Russia – however, has changed much in the third quarter. A series of terrorist attacks convulsed Russia: two Russian passenger planes hijacked and crashed on Aug. 24, killing all 90 people on board; a week later, a female suicide bomber blew herself up outside a subway station in Moscow, killing at least 9 others; within 24 hours, the Beslan school hostage-taking occurred, which left close to 400 dead in early September.

While Russia is grieving, terrorism is also taking a toll on Putin, whose capability and credibility are being questioned just six months after a huge wave of popularity swept him into a second term as president. As usual, Putin took drastic measures, including tightening security, ending the popular election of regional governors and voting in parliamentary districts in favor of slates selected by national party leaders, creating, or recreating, the state security agency, etc. These measures, among others, have been widely viewed as a retreat from democracy and have been criticized in the West. But even in early July, Putin warned a “planned campaign of discreditation is being conducted against Russia.” Speaking at a conference of Russian ambassadors at the Russian Foreign Ministry, Putin called on Russian embassies to “resist” such campaigns focusing on Putin’s handling of the Yukos affair, Chechnya, and the media, including the murder of the journalist Paul Klebnikov. Now Putin has to fight for both his presidency and Russia’s position in the world.

Putin will not hear these criticisms during his third official trip to China. Instead, the Russian president will be overwhelmed by sympathy, support, and encouragement from Chinese counterparts as well as ordinary Chinese. Unlike his last official visit to China two years ago when he was seen as a charismatic Russian president as well as a perfect man, Putin this time will be greeted as a hero, a weathered but not withered statesman, albeit a tragic one. But in Russian history, the strong leader has always emerged from tragedy, war, and crisis. And the Chinese believe that.

Chronology of China-Russia Relations July-September 2004

June 30-July 3, 2004: First deputy chief of the General Staff of the Russian Armed Forces, Col. Gen. Yuriy Baluyevskiy, working visit to Beijing, preparing for visit by Vice Chairman of the Central Military Commission (CMC), Col. Gen. Guo Boxiong in early July.

July 1, 2004: Seventh Round of Russian-Chinese consultations on strategic stability held in Beijing, addressing issues of counter-terrorism and nonproliferation. Russian Deputy Foreign Minister Sergei Kislyak and Chinese counterpart Deputy Foreign Minister Zhang Yesui chair the meeting. Baluyevskiy also joins.

July 1, 2004: Russian FM Sergei Lavrov meets Chinese counterpart Li Zhaoxing at the ASEAN Regional Forum in Jakarta.

July 5-9, 2004: Chinese military delegation, led by CMC Vice Chairman Col. Gen. Guo Boxiong, visits Russia. He meets with Russian Defense Minister Sergei Ivanov, chief-of-staff Anatoly Kvashnin, and Prime Minister Mikhail Fradkov.

July 7, 2004: China notifies Russia of plans to test fire three ballistic missiles: a *Dongfeng-31* inter-continental ballistic missile with an increased range and multiple warhead, a *Dongfeng-21* medium-range missile, and a *Julang-2* submarine-launched ballistic missile.

July 13-14, 2004: Delegation of the United Russia Party (the pro-Kremlin party), visits China at the invitation of the Central Committee of the CCP.

July 15, 2004: Russia and China sign contract to construct a communication cable from China through Russia to Europe with a planned capacity of 2.5 gigabits per second with the possibility of expansion to 300 gbps.

July 22-31, 2004: Shanghai Cooperation Organization (SCO) holds first Defense Security Seminar in Beijing; 16 military officers from China, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, and Uzbekistan attend.

Aug. 4, 2004: Chinese Commerce Minister Bo Xilai visits Moscow for meetings with Russian Deputy PM Alexander Zhukov and Economic Trade and Development Minister German Gref.

Aug. 12, 2004: Eighth meeting of the Russian-Chinese subcommission for nuclear issues held in Beijing. It focuses on Russia-assisted Tianwan nuclear power plant in its final stage, construction of a fast neutron reactor, a floating nuclear power plant, and cooperation in using nuclear power in space research.

Aug. 25, 2004: The Chinese-Russian subcommission on energy held in Beijing. The two sides agreed to fulfill the earlier contracts on oil deliveries from Russia to China, including 6.5 million tons of oil by rail to China in 2004, 10 million tons by 2005, and to 15 million tons by 2006.

Aug. 26, 2004: Chinese President Hu Jintao sends a message of condolence over the crashes of two Russian passenger planes as a result of terrorist hijacking.

Aug. 27-Sept. 1, 2004: Russian presidential envoy in Siberia Leonid Vadimovich Drachevskiy visits China. He joined a meeting of the Russian-Chinese Friendship, Peace and Development Committee, meets Chinese Vice-Premier Wu Yi; Li Gui-xian, co-chairmen of the China-Russia Friendship Committee for Peace and Development and vice chairman of the National Committee of the Chinese People's Political Consultative Conference (CPPCC), and Ma Kai, Chairman of the State Committee for Affairs of Development and Reforms.

Sept. 2, 2004: Chinese President Hu Jintao sends a message of condolence to Putin over the deaths of civilians in the subway explosion and hostage crisis in the country. FMs Li Zhaoxing and Sergei Lavrov also talk over the phone about the terrorist attacks in Russia, Middle East issues, and upcoming meetings between the two prime ministers and two heads of state.

Sept. 5-13, 2004: A 42-member Taiwan business mission, led by Wu Rong-i, president of the Taiwan Institute of Economic Research and vice chairman of the Taiwan-Russia Association, visit Russia to bolster Taiwan-Russian economic ties. The Taiwan group signs an agreement with the Russian Ministry of Health and Social Development on Taiwan's donation of \$200,000 for the purchase of convertible X-ray inspection equipment.

Sept. 8, 2004: China provides \$1.3 million worth of medical equipment and drugs for victims of the school siege in a secondary school in Beslan, northern Russia.

Sept. 14, 2004: SCO conference of foreign trade at the deputy ministerial level in Moscow.

Sept. 18-25, 2004: A 100-member delegation of Chinese youth visits Russia. A similarly sized Russian youth group will visit China in mid-October.

Sept. 22, 2004: Russian Ambassador to China Igor Rogachev suggests that SCO form a rapid reaction force in the near future.

Sept. 23, 2004: SCO's Premiers' Council meet in Bishkek, Kyrgyzstan. Among the signed papers were a joint communiqué and documents regarding economic cooperation, SCO's budget for 2005, Regulations for SCO Budgetary Classification and Financial Rules, a Development Fund and a Business Council. SCO also launches website: www.sco-ec.gov.cn.

Sept. 20-25, 2004: Chinese Vice Premier Wu Yi visits Russia to co-chair the eighth meeting of the committee for the regular meeting of the prime ministers of China and Russia.

Sept. 23-25, 2004: Wen Jiabao pays first official visit to Russia as China's premier. He met with President Putin and PM Fradko.

Sept. 29, 2004: Chinese Ambassador to Russia Liu Guchang gives reception for 800 guests to celebrate the 55th anniversary of establishment of the PRC and the 55th anniversary of establishment of diplomatic relations with Russia. He emphasizes that China-Russia relations at present are in the best period in history.

About The Contributors

David G. Brown is Associate Director of the Asian Studies Department at The Johns Hopkins School of Advanced International Studies. His thirty-year diplomatic career focused on Asia and included assignments in Tokyo, Beijing, Taipei, Hong Kong, and Saigon as well as tours in Vienna and Oslo. After leaving government, Mr. Brown served as Senior Associate at the Asia Pacific Policy Center, a non-profit institution in Washington, where he was a writer, speaker and consultant on a wide variety of Asian issues. Mr. Brown serves concurrently as the Chair of the East Asian Area Studies course at the State Department's Foreign Service Institute. He has a degree in East Asian Studies from Princeton University.

Victor D. Cha is Associate Professor in the Dept. of Government and School of Foreign Service, Georgetown University, Washington, D.C. and Director of a new project at Georgetown on the Future of America's Alliances in Asia. He is the author of the book, *Alignment Despite Antagonism: The United States-Korea-Japan Triangle*, winner of 2000 Masayoshi Ohira prize for best book on East Asia. Dr. Cha is a two-time recipient of the Fulbright (Korea) and MacArthur Foundation Fellowships. He is formerly a John M. Olin National Security Fellow at Harvard University's Center for International Affairs and postdoctoral fellow at the Center for International Security and Arms Control, Stanford University. In 1999, he was the Edward Teller National Fellow for Security, Hoover Institution on War, Revolution and Peace at Stanford University and a recipient of the Fulbright Senior Scholar Award for Korea. Dr. Cha is an independent consultant to various branches of the U.S. government. His current book (co-authored) is *Nuclear North Korea* (Columbia University Press, September 2003).

Ralph A. Cossa is President of Pacific Forum CSIS in Honolulu. He manages Pacific Forum's programs on security, political, economic, and environmental issues. He sits on the steering committee of the Multinational Council for Security Cooperation in the Asia Pacific and serves as executive director of the U.S. Committee of CSCAP. He is also a board member of the Council on U.S.-Korean Security Studies. Cossa is a political-military affairs and national security strategy specialist with over 25 years of experience in formulating, articulating, and implementing U.S. security policy in the Asia-Pacific and Near East-South Asia regions. He is a retired USAF Colonel and a former National Security Affairs Fellow at the Hoover Institution. He holds a B.A. in international relations from Syracuse University, an M.B.A. in management from Pepperdine University, and an M.S. in strategic studies from the Defense Intelligence College.

Joseph Ferguson is currently a Visiting Fellow at Princeton University. He was most recently Director of Northeast Asia Studies at the National Bureau of Asian Research. Previously, he was a fellow at the Johns Hopkins University Nitze School of Advanced International Studies in Washington, D.C. and a visiting Fulbright Fellow at the Russian Academy of Sciences' Institute of World Economy and International Relations. He has also received a *Monbusho* Fellowship from the Japanese government to research Japanese-Russian relations in Tokyo. From 1995-99, Mr. Ferguson worked as an analyst with the Strategic Assessment Center of Science Applications International Corporation (SAIC) in McLean, VA. He holds an M.A. in Asian Studies and International Economics from SAIS, and a B.A. in European Studies from Pomona College.

Aidan Foster-Carter is an honorary Senior Research Fellow in sociology and modern Korea at Leeds. He is also a freelance analyst and consultant: covering the politics and economics of both South and North Korea for, amongst others, the Economist Intelligence Unit, Oxford Analytica, and BBC World Service. Between 1971 and 1997 he lectured in sociology at the universities of Hull, Dar es Salaam (Tanzania), and Leeds. A prolific writer on and frequent visitor to the Peninsula, he has lectured on Korean and kindred topics to varied audiences in twenty countries on every continent. He studied classics at Eton, Philosophy, politics, and economics at Balliol College Oxford, and sociology at Hull.

Vivian Brailey Fritschi is Research Associate and Director of the Young Leaders Program at Pacific Forum CSIS. She holds an M.A. in Foreign Affairs from the University of Virginia and received her bachelor degrees in International Relations and in French Literature from Tufts University in Medford, Massachusetts. She was also a research fellow at the Graduate Institute of International Studies in Geneva, Switzerland and studied at the University of Paris (IV)-La Sorbonne in Paris, France.

Bonnie S. Glaser has served as a consultant on Asian affairs since 1982 for the Department of Defense, the Department of State, Sandia National Laboratories, as well as other agencies of the U.S. government. She is also a senior associate at CSIS in Washington, D.C., and a senior associate with Pacific Forum CSIS in Honolulu, Hawaii. Ms. Glaser has written extensively on Chinese threat perceptions and views of the strategic environment, China's foreign and security policy, Sino-American relations, U.S.-Chinese military ties, cross-strait relations, Chinese assessments of the Korean peninsula, Sino-Russian relations, and Chinese perspectives on missile defense and multilateral security in Asia. Her writings have been published in *China Quarterly*, *Asian Survey*, *International Security*, *Far Eastern Economic Review*, the *Korean Journal of Defense Analysis*, *The New York Times*, the *International Herald Tribune*, among others, as well as various edited volumes on Asian security. Ms. Glaser is currently a board member of the U.S. Committee of the Council for Security Cooperation in the Asia Pacific and a member of the Council on Foreign Relations, and she served as a member of the Defense Department's Defense Policy Board China Panel in 1997. Ms. Glaser received her B.A. in political science from Boston University and her M.A. with concentrations in international economics and Chinese studies from the Johns Hopkins School of Advanced International Studies.

Brad Glosserman is Director of Research at Pacific Forum CSIS. He is author of several monographs on topics related to U.S. foreign policy and Asian security relations. His opinion articles and commentary have appeared in newspapers and journals throughout the Asia Pacific. Prior to joining Pacific Forum, he was, for 10 years, a member of The Japan Times editorial board, and continues to serve as a contributing editor for the newspaper. Mr. Glosserman has a J.D. from George Washington University, an MA from Johns Hopkins University's School of Advanced International Studies (SAIS) and a B.A. from Reed College.

Donald G. Gross is an international lawyer with the firm of Akin, Gump, Strauss, Hauer & Feld in Washington D.C. He previously served as Adjunct Professor in the Graduate School of International Studies at Yonsei University and practiced law in Seoul. From 1997 until June 2000, Mr. Gross was Senior Adviser in the Office of the Under Secretary for Arms Control and International Security Affairs in the Department of State. Mr. Gross previously served as Counselor of the U.S. Arms Control and Disarmament Agency (ACDA). Mr. Gross was Director of Legislative Affairs at the National Security Council in the White House. He served as Counsel to a congressional subcommittee and was an Adjunct Professor of Law at American University in Washington, D.C. Mr. Gross is a 1997 graduate of the Program for Senior Executives in National and International Security at Harvard University's Kennedy School of Government. Mr. Gross graduated magna cum laude from Cornell University and holds a law degree from the University of Chicago, where he also did graduate studies in Political Science.

Ronald Montaperto is a consultant on Asian Affairs. He was dean of Academics at the Asia-Pacific Center for Security Studies. Previously, he was the Senior Research Professor at the National Defense University. In his distinguished career, he has served as a faculty member in the Political Science Department at Indiana University-Bloomington, Director of East Asian Studies at Indiana University, the Henry L. Stimson Chair of Political Science at the U.S. Army War College, and the Chief of Estimates for China at the Defense Intelligence Agency. He frequently appeared as a guest analyst of Chinese and Asian affairs, and was a Professional Lecturer in Political Science at the George Washington University. He has published four books as well as numerous articles on Asia security issues, Chinese foreign and national security politics and Chinese domestic politics. He co-authored with Gordon Bennett, *The Political Biography of Dai Hsiao-ai*, which was nominated for a National Book Award. Dr. Montaperto earned his PhD in Political Science from the University of Michigan.

James J. Przystup is a Senior Fellow and Research Professor in the Institute of National Strategic Studies at the National Defense University. Previously, he was Director of the Asian Studies Center at The Heritage Foundation, a staff member on the U.S. House of Representatives' Subcommittee on Asian and Pacific Affairs, and Director for Regional Security Strategies on the policy Planning Staff in the Office of the Secretary of Defense. He also worked in the private sector at Itochu and IBM World Trade Americas/Far East Corporation. Dr. Przystup graduated from the University of Detroit and holds an M.A. in International Relations and a Ph.D. in Diplomatic History from the University of Chicago.

Sheldon W. Simon is professor of political science and faculty associate of the Center for Asian Studies and Program in Southeast Asian Studies at Arizona State University. He also serves as Chairman of Southeast Asian projects at The National Bureau of Asian Research in Seattle, Washington. Dr. Simon has served as a consultant for the Departments of State and Defense. His most recent book was published in 2001, an edited volume, titled *The Many Faces of Asian Security*.

Scott Snyder is a Senior Associate with the Pacific Forum CSIS and a Senior Associate at the Asia Foundation, who has just completed four years of service as the Asia Foundation's representative in Korea. Previously he served as an Asia specialist in the Research and Studies Program of the U.S. Institute of Peace and an Abe Fellow, a program administered by the Social Sciences Research Council. While at USIP he completed a study as part of the Institute's project on cross-cultural negotiation entitled *Negotiating on the Edge: North Korean Negotiating Behavior*. Snyder has written extensively on Korean affairs and has also conducted research on the political/security implications of the Asian financial crisis and on the conflicting maritime claims in the South China Sea. Snyder received his B.A. from Rice University and an M.A. from the Regional Studies-East Asia Program at Harvard University. He was the recipient of a Thomas G. Watson Fellowship in 1987-88 and attended Yonsei University in South Korea.

Yu Bin is Assistant Professor of Political Science at Wittenberg University and concurrently a faculty associate of the Mershon Center of the Ohio State University. Previously, he was a fellow at the East-West Center in Honolulu and president of Chinese Scholars of Political Science and International Studies. He was a MacArthur fellow at the Center of International Security and Arms Control at Stanford University and a research fellow at the Center of International Studies of the State Council in Beijing. Dr. Yu earned a B.A. degree from the Beijing Institute of Foreign Studies, M.A. at the Chinese Academy of Social Sciences, and Ph.D. at Stanford University.

1001 Bishop Street, Pauahi Tower, Suite 1150, Honolulu, Hawaii 96813
Phone: (808) 521-6745 Facsimile: (808) 599-8690
Email: pacforum@hawaii.rr.com Web: <http://www.csis.org/pacfor/>