



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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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

In the first quarter of 2005, the United States and Japan signed a historic declaration that laid a foundation for the future of their security alliance. The Feb. 19 Security Consultative Committee meeting both locked in the impressive progress that has been made in the security dimension of the alliance over the past four years and committed Washington and Tokyo to continuing efforts to modernize their alliance. At the same time, an increasingly contentious trade spat over beef reminded both countries that bad old habits were ever ready to spoil celebrations over “the best relations ever.” To help reassure Japanese that a new foreign policy team in Washington does not augur a shift in U.S. priorities, Secretary of State Condoleezza Rice made Japan her first stop in East Asia during a six-country Asian tour, where she wowed the crowd despite sending a tough message on beef and walking a careful line on North Korea policy.

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by Scott Snyder, Pacific Forum CSIS/The Asia Foundation

North Korea’s Feb. 10 announcement that it would indefinitely suspend its participation in the Six-Party Talks triggered a series of intensive bilateral and multilateral consultations regarding the North Korean nuclear weapons program. China’s diplomacy with both Koreas intensified accordingly. PRC-DPRK diplomacy reached the highest levels, with an exchange of messages between President Hu Jintao and Central Defense Commission Chairman Kim Jong-il and a March visit by DPRK Prime Minister Pak Pong-ju to Beijing. There was also an intensification of diplomatic contact between Beijing and Seoul, with South Korea and other parties looking to Beijing to find a way to reverse the DPRK position on the Six-Party Talks. At the same time, a series of diplomatic setbacks occurred in the PRC-South Korean relationship, including the shutdown of a press conference that ROK assemblymen tried to hold at a Beijing hotel.

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The New Year opened with promise; Prime Minister Koizumi did not visit the Yasukuni Shrine. While old issues – history and nationalism, sovereignty in the Senkaku (Diaoyu) Islands and the East China Sea, the extent and scope of the Japan-U.S. alliance (Taiwan) – lingered, if not intensified, political leaders and diplomats worked to repair strained political relations, hopefully setting the stage for high-level reciprocal visits. The spirit of the Santiago and Vientiane Summits, in particular dealing “appropriately” with the Yasukuni issue, appeared to suffuse political and diplomatic engagement. Meanwhile, economic relations continued to expand – China replaced the United States as Japan’s top trading partner in 2004. Despite the best efforts of diplomats in both Tokyo and Beijing, the next three months promise a continuation of “cold politics and hot economics” with the very real prospect that politics may get much colder before there is any real thaw.

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The Year of the Rooster ushered in a different type of Chinese-Russian interaction. In sharp contrast to the “oil-politicking” of much of the previous year, strategic gaming topped the bilateral agenda for the first quarter of 2005. Several high-profile visits occurred, including the first China-Russia intergovernmental consultation on security issues and three rounds of talks between top military officers to prepare for the first ever joint military exercise in the fall. All this occurred in the midst of a sudden burst of “orange revolutions” in Russia and China’s western peripheries (Ukraine and Kyrgyzstan). The warming trend in Chinese-Russian bilateral relations across political, security, and economic areas has had its own momentum, caused at least partially by a colder external environment. And for both, instability, corruption, and even violence around their periphery seems to continue and directly affects the operation of their regional mechanisms.

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Regional Overview:

More of the Same . . . and Then Some!

Ralph A. Cossa
Pacific Forum CSIS

More of the same! That appears to be the Asia policy theme for the Bush administration as it begins its second term. During her maiden voyage through Asia, incoming Secretary of State Condoleezza Rice reinforced the central themes of her predecessor: the centrality of the U.S.-Japan alliance relationship and Washington's support for a more "normal" Japan; a commitment both to the defense of South Korea and to a peaceful settlement, via the six-party process, of the nuclear standoff with Pyongyang; and a continuation of Washington's "cooperative, constructive, but candid" relationship with the PRC, including a "one China" policy that objects to unilateral changes in the status quo by either Beijing or Taipei. Underlying all this was Washington's continued commitment to the promotion and expansion of democracy in Asia and around the globe, a central theme in President George W. Bush's second inauguration address.

Unfortunately, it was more of the same from Pyongyang as well, as it continued to boycott the Six-Party Talks, insisting that Washington, among other preconditions, abandon its "hostile attitude" toward the DPRK and apologize for branding North Korea as an "outpost of tyranny" during Secretary Rice's confirmation testimony. China and Taiwan also continued their familiar dance: one step forward (direct flights between Taiwan and the mainland during the Chinese New Year period), two steps back (the PRC's anti-secession law and the massive protests it drew in Taiwan). Further complicating this issue and adding to already rising tensions between Japan and China were reports – largely erroneous – that Japan was now prepared to actively assist the U.S. in maintaining stability in the Taiwan Strait.

Surprisingly, Secretary Rice made no mention of regional multilateral organizations during her Asia policy address. Nor did Assistant Secretary of State-designate Christopher Hill during his March 15 confirmation hearings, although he did express a desire to "thicken up" multilateral diplomacy in East Asia during his end of quarter "listening and learning" trip to Southeast Asia.

Finally, in the "more of the same" category, the quarter ended the way it began, with Indonesia responding to its second devastating massive earthquake in three months, thankfully this time without the tsunami and staggering death tolls experienced in the aftermath of the Dec. 26 event. The U.S. and global response to this earlier crisis raised international cooperation (and generosity) in humanitarian/disaster relief to new levels and helped to improve the Bush administration's battered image in this part of the world.

U.S. Asia Policy: Openness and Choice

Secretary Rice, in what was billed as a major foreign policy address at Sophia University in Tokyo on March 19, stated that “the future of Asia and the Pacific community will be defined around two great themes: openness and choice. She applauded the emergence of democracy in predominantly Buddhist Thailand, in predominantly Muslim Indonesia, in predominantly Catholic Philippines, in constitutional monarchies like Japan, in former communist states like Mongolia, in ethnically homogenous societies like South Korea, and in ethnically diverse countries such as Malaysia. “So,” she pointedly noted, “there is no reason why it cannot continue to spread in this region, particularly to Burma.” This comment seemed to put Rangoon – and its ASEAN colleagues – on notice that Washington expected some progress with its promised but demonstratively ignored “roadmap to democracy.”

Secretary Rice heaped particular praise on “transformational” Japan, which “has set the example for political and economic progress in all of East Asia.” Demonstrating Washington’s trust and confidence in its long-term ally and support for Japan’s higher international profile, she cited Tokyo as a “key partner” in the global war on terror and the search for peace in the Middle East. “Japan has stepped up to wider global responsibilities,” Dr. Rice proclaimed, and “we welcome this.” She proposed a Strategic Development Alliance under which Washington and Tokyo could “systematically” focus on advancing the common strategic objectives laid out during the so-called “2+2” talks in mid-February (more on this later). She also declared that Washington “unambiguously supports” a permanent seat for Japan on the United Nations Security Council (UNSC).

Dr. Rice also identified the Republic of Korea as “an essential partner for peace and security in the region” and as a “global partner” as well, citing the “significant number” of ROK troops in Iraq – the third largest foreign contingent behind the U.S. and UK – and its command responsibility for a Provincial Reconstruction Team in Afghanistan. She also praised Washington’s alliances with Australia, the Philippines, and Thailand, and its growing cooperation with Singapore, while offering “a vision for a decisively broader strategic relationship [with New Delhi], to help India achieve its goals as one of the world’s great multiethnic democracies.” Of note, Dr. Rice made no mention in her prepared text of regional multilateral initiatives like the ASEAN Regional Forum (ARF), the Asia Pacific Economic Cooperation (APEC) “gathering of economies,” or the ASEAN Plus Three/East Asia Community (APT/EAC) initiatives – Washington is an active participant in the first two, but has thus far been excluded from the latter.

Secretary Rice praised China’s “important role” in the Six-Party Talks in pursuit of our “diplomatic common cause” of eliminating nuclear weapons on the Korean Peninsula. “America has reason to welcome the rise of a confident, peaceful, and prosperous China,” Dr. Rice proclaimed, “We want China as a global partner, able and willing to match its growing capabilities to its international responsibilities.” She reaffirmed Washington’s “one China” policy: “We oppose unilateral changes in the status quo, whether by word or deed, by either party. Both sides must recognize that neither can solve this problem alone.” But she also underscored her “openness is the vanguard of success” theme: “Even

China must eventually embrace some form of open, genuinely representative government if it is to reap the benefits and meet the challenges of a globalizing world.” During her subsequent visit to Beijing she reinforced the Bush administration’s commitment to human rights and religious freedom by attending Palm Sunday religious services at a (government-authorized) Christian Church in the Chinese capital.

North Korea Nuclear Crisis: the Standoff Continues

During her Sophia University speech, Secretary Rice clearly and specifically laid out Washington’s promises and warnings to Pyongyang. Her speech contained several olive branches: “No one denies that North Korea is a sovereign state,” she stated, adding “we have no intention of attacking or invading North Korea.” She reaffirmed that Washington was “prepared to offer multilateral security assurances to North Korea in the context of ending its nuclear program.” But, she also warned that the U.S. would “not be silent about the plight of the North Korean people, about the nature of the North Korean regime, about the regime’s abduction of innocent civilians of peaceful neighboring countries, and about the threat that a nuclear-armed North Korea poses to the entire region.”

In her subsequent visit to Seoul, she reaffirmed the Bush administration’s strong support for the Six-Party Talks and, together with her ROK counterpart, called on Pyongyang to return to the negotiating table without delay and without preconditions. Both sides reaffirmed their commitment to “a peaceful and diplomatic resolution.” The Six-Party Talks, Secretary Rice asserted, was “the best way for North Korea to receive the respect that it desires and the assistance that it needs.” The extent of Washington’s willingness to engage North Korea in direct dialogue within the context of the Six-Party Talks remains unclear, however. While both Secretary Rice and her ROK counterpart, Foreign Minister Ban Ki-Moon, claimed a “common understanding” on this issue, Minister Ban seemed more specific when he stated that, “direct dialogue between these two countries within the framework of the Six-Party Talks would be helpful.” The best that Secretary Rice would offer was “when we are at the table, there are sometimes direct dialogues between the United States and North Korea, in the context of the Six-Party Talks.” Then she added, “what we will not do is separate out the United States from the other parties in the Six-Party Talks.”

In his own more upbeat rendition of the U.S. position, Ambassador to South Korea Christopher Hill, senior U.S. representative to the Six-Party Talks and incoming assistant secretary of state for East Asian and Pacific Affairs – who has been confirmed in his new position but was not yet sworn in at quarter’s end – is quoted in the Korean press as saying “we have a full intention to meet North Korean representatives separately and discuss, if it is within the framework of the Six-Party Talks.”

Pyongyang remained unimpressed and unmoved. At quarter’s end it was still refusing to return to the negotiating table unless a growing list of preconditions were met, in order to create “mature conditions” for the talks. Washington must end its “extreme hostile policy” and show “trustworthy sincerity” by pledging “coexistence and noninterference”

and agreeing to “directly engage in dialogue” with the self-declared nuclear weapon state “on an equal basis,” various North Korean spokesmen insisted throughout the quarter. Pyongyang at first demanded that Secretary Rice “explain” why North Korea had been listed as an “outpost of tyranny.” Later it insisted on an apology. (In response, Secretary Rice stated, “I don’t know any person who has apologized for speaking the truth.”) Pyongyang also demanded a security guarantee directly from Washington, a statement of “no hostile intent,” and a “sincere attitude that could be trusted.” Adding icing to the cake, it also demanded that Tokyo be ejected from the stalled talks because “its presence does more harm than good.” In response, Washington continues to insist that Pyongyang return to the talks “without preconditions.” The other dialogue partners agree . . . although Seoul and Beijing keep calling for the U.S. to “be more flexible,” a response (in this author’s opinion) that encourages Pyongyang to continue its stonewalling.

Proving that “nothing makes things worse than efforts by members of the U.S. Congress to make them better,” two Congressional delegations to Pyongyang left the North Korean leadership with the impression that either President Bush (during his Inauguration or State of the Union speeches) or Secretary Rice (at her confirmation hearing) would publicly wave an olive branch in Pyongyang’s direction. Publicly announcing that Pyongyang expected conciliatory statements helped ensure that this would not happen. Leading Pyongyang to believe that it might created unhelpful illusions and, more importantly, provided a vehicle for subsequently blaming Washington rather than Pyongyang for the continued stalemate.

North Korea’s Feb. 10 Declaration: More of the Same?

If Pyongyang’s stonewalling seemed like more of the same, its Feb. 10 pronouncement that it felt “compelled to suspend our participation in the [six-party] talks” and that it had “manufactured nukes” seemed to break new ground . . . to everyone except the other members of the six-party process, that is. Washington and Seoul in particular argued that the statement was nothing new, mere rhetoric, and/or a bluff. But, while Pyongyang had frequently alluded to its “powerful nuclear deterrent” and reportedly whispered about its arsenal into the ears of various American interlocutors, its Feb. 10 official public pronouncements were the most explicit to date: “We had already taken the resolute action of pulling out of the NPT and have manufactured nukes for self-defense.”

This nuclear “coming out” was followed in early March by an even more explicit, lengthy DPRK Foreign Ministry memorandum on Six-Party Talks which asserted that “it is very natural that we made nuclear weapons and is [sic] making them,” pointing out that it withdrew from the Nuclear Non-Proliferation Treaty in 2003 and “legitimately made nuclear weapons outside the scope of the international treaty.” Given Washington’s “hostile policy,” the March 2 Memorandum continued, “to think that we would just give up the nuclear weapons we have manufactured with so much effort is in and of itself a miscalculation.” By the end of the quarter, Pyongyang seemed to be further raising the stakes: “Now that we have become a nuclear power, the Six-Party Talks should be disarmament talks where participants can solve the issue on an equal basis.” Pyongyang now appears to be insisting that Washington’s nuclear arsenal also be put on the table:

“To realize a nuclear-free Korean Peninsula . . . U.S. nuclear threats on the Korean Peninsula and its neighboring region should be removed.” (In reality, this is a non-issue since it has been declared U.S. policy since 1991 not to base nuclear weapons overseas.) It’s anyone’s guess if Pyongyang is telling the truth about its nuclear capabilities. But one thing is clear: North Korea has unambiguously declared to the world that it is a nuclear weapons state and that it henceforth demands to be treated as such.

So, Who’s Bluffing?

As this overview has frequently pointed out, ROK President Roh Moo-hyun has consistently argued, since his inauguration, that the ROK “would not tolerate” nuclear weapons in the North. Pyongyang could either go down the path of political and economic cooperation with the South and reap the considerable rewards inherent in this choice or it could choose to pursue nuclear weapons and face political and economic isolation from Seoul and the rest of the international community; it was supposed to be an “either-or” choice. However else you choose to interpret the North’s nuclear claims, it clearly called Seoul’s hand on this issue. Seoul’s response – that it is still too early to conclude that North Korea has nuclear weapons – tells Pyongyang that it can indeed have it both ways. [For the author’s recommendations on a more appropriate ROK response, see “Pyongyang Raises the Stakes,” *PacNet* No. 6, Feb. 10, 2005.]

At quarter’s end, Washington was sending strong signals that “further measures” might have to be taken if the North continued to boycott the talks. Assistant Secretary-designate Hill, at his March 15 confirmation hearing said, “we need to see some progress here. If we don’t, we need to look at other ways to deal with this.” This was reinforced by Secretary Rice during her visit to China: “It goes without saying that, to the degree that a nuclear-free Korean Peninsula gets more difficult to achieve, if the North does not recognize that it needs to do that, then of course we’ll have to look at other options.” She declined to discuss what those options might be. But Washington has made no secret of its desire to take Pyongyang before the UNSC if the Six-Party Talks prove ineffective, a move China (among others) has resisted.

Of note, Ambassador Hill also told the Congress that North Korea, if it was to enjoy the benefits of enhanced trade and aid, “must dismantle its nuclear programs, plutonium, and uranium, in a manner that is complete, verifiable, and irreversible,” revealing that CVID remains in the Bush administration’s lexicon as it enters its second term. Hill also seemed to be encouraging a further tightening of the economic screws when he told Congress that we needed to “look very carefully at what [countries doing business with North Korea] are doing . . . with a view to determining, are they somehow encouraging bad behavior from the North Koreans or are they encouraging North Korea to come back to the table.” While Washington dismissed rumors that it had set an end of June deadline for the talks to resume, it was clear that its patience was running out and that it expected its dialogue partners to put more pressure on Pyongyang to return to the negotiations sooner rather than later.

Anti-Secession Law: Closing (or Opening) the Door?

In Taiwan, the anticipated defeat of the ruling “pan-green” coalition during the December 2004 Legislative Yuan (LY) elections seemed to open the door for at least some measured cross-Strait interaction now that President Chen Shui-bian’s “splittist” tendencies had seemingly been contained. The first sign of a possible spring thaw was the agreement to allow unprecedented direct flights between Taiwan and the mainland, by both Taiwan and PRC carriers, over the Chinese New Year period. As a further goodwill gesture, Beijing sent two senior representatives from its Association for Relations Across the Taiwan Straits (ARATS) to attend funeral services honoring Koo Chen-fu, who previously headed the counterpart Straits Exchange Foundation (SEF) responsible for conducting cross-Strait dialogue with ARATS during the early 1990s. This was accompanied by a lowering of voices on both sides of the Strait, amid discussions on how to build upon the direct flight initiative.

This one step forward was quickly neutralized by a giant step back in early March when the National People’s Congress passed (by a vote of 2,896 to 0) an anti-secession law (ASL) authorizing the use of “non-peaceful means and other necessary measures” in the event “that possibilities for a peaceful reunification [with Taiwan] should be completely exhausted.” During a visit to Beijing in late January, I asked senior Chinese officials why Beijing felt compelled to proceed with the ASL, given the recent positive upturn in cross-Strait relations. Sorting through a variety of reasons and excuses, it appears that the real answer is that the law was originally aimed at stopping the “creeping independence” that seemed to be speeding up in Taiwan as a result of Chen’s narrow reelection as president in March 2004 and his anticipated LY victory. By December, the political momentum in Beijing (read: high-level leadership support) for the ASL was too great to turn it off. In short, not unlike last year’s decision by President Chen to pursue his “defensive referendum” despite strong objections from Beijing (and Washington), domestic political imperatives, this time in Beijing, seemed to be driving leadership actions, despite their geopolitical drawbacks. As many had warned, Beijing’s heavy-handed action revitalized Chen’s coalition and put the opposition once again on the defensive.

The big question is, “what happens next?” Does the ASL make further progress in cross-Strait relations unlikely (if not impossible), as its critics argue, or does it, as Beijing contends, open the door for further progress as long as Taiwan does not take irreversible steps toward independence? To answer this question, one needs to read beyond Article Eight (the “non-peaceful means” clause). On a more constructive note, Article Six lays out a series of “measures to maintain peace and stability in the Taiwan Straits and promote cross-Strait relations.” More significantly, Article Seven affirms that, “the state stands for the achievement of peaceful reunification through consultations and negotiations **on an equal footing** between the two sides of the Taiwan Straits.” [Emphasis added.]

More intriguing is the acknowledgment, also in Article Seven, that “these consultations and negotiations may be conducted in steps and phases and with flexible and varied modalities.” It remains unclear what “flexible and varied modalities” are acceptable to

Beijing. In my January discussions, Chinese officials implied that an acknowledgment by Taipei that “an agreement to agree to disagree” over the interpretation of “one China” had previously existed – the so-called “1992 consensus” that allowed earlier direct cross-Strait dialogue to occur – might suffice. President Chen himself hinted that such an agreement might be possible when, in his National Day speech last October, he proposed that “both sides use the basis of the 1992 meeting in Hong Kong, to seek possible schemes that are ‘not necessarily perfect but acceptable,’ as preparation of a step forward in the resumption of dialogue and consultation.”

If the leadership in Taiwan is prepared to move beyond the emotion of the new law and creatively test its possibilities, and the leadership in Beijing is serious when it asserts that the ASL opens rather than closes the door for meaningful dialogue, then the anti-secession law might yet prove helpful to both Taipei and Beijing.

Japan Steps Forward on Taiwan . . . or Does It?

Japan found itself in the middle of the cross-Strait issue in early February when *The Washington Post* reported, in advance of the annual Security Consultative Committee meeting’s final communiqué, that the joint statement “could help lay the groundwork for the Japanese to extend as much cooperation as they legally can, including logistic support such as transportation and medical rescue operations behind the lines of combat” in the event of a U.S. confrontation with China over Taiwan. *The New York Times*, citing the *Post* story, noted that “common strategic objectives” contained in the communiqué “will include ensuring security in Taiwan as well as on the Korean Peninsula.” A subsequent *Times* story, which (accurately) described a steady deterioration of China-Japan relations, noted that this was caused in part by “Japan’s pledge to aid the United States in defending Taiwan.” The Chinese were predictably outraged while Taiwan, equally predictably, applauded the “fact” that “Japan has become more assertive.”

The New York Times, in its initial reporting, did note that Secretary Rice “declined today to directly confirm reports that Japan will align itself with the United States’s policy of protecting Taiwan.” It then joined *The Washington Post* and others in assuming this was the case. Those who took the time to wait for, *and then actually read*, the so-called “2+2” declaration – signed by the U.S. secretaries of State and Defense plus the Japanese minister of foreign affairs and the Japan Defense Agency director general – would have had difficulty reaching the conclusion that Japan was now prepared to assert itself in the Taiwan Strait or anywhere else. It noted that one common strategic objective shared by Tokyo and Washington was to “encourage the peaceful resolution of issues concerning the Taiwan Strait through dialogue.” Another was to “encourage China to improve transparency of its military affairs.” Both were preceded by the objective to “develop a cooperative relationship with China.” This hardly constitutes “a demonstration of Japan’s willingness to confront the rapidly growing might of China,” as the pre-release *Washington Post* analysis breathlessly proclaimed.

What’s significant is that Japan, for the first time, was willing publicly to define the “common strategic objectives” that would help define and explain the rationale for the

alliance in the 21st century. The identification of global as well as regional common objectives underscored the changing nature of the alliance that Secretary Rice cheered in her Sophia University speech.

Whither Multilateralism?

As noted in the opening summary, Secretary Rice made no mention of regional multilateral organizations during her major Asia policy address and made only passing reference to multilateralism in general in her Jan. 19 confirmation testimony. Neither did Assistant Secretary of State-designate Christopher Hill during his March 15 confirmation hearings, although he did applaud “expanding regional cooperation that is addressing transnational issues, such as human trafficking, international crime, environmental degradation, and the spread of infectious diseases, including HIV/AIDS.” While he did not mention it, much of this regional cooperation has occurred through the ARF and APEC and through cooperation, both collectively and individually, with the 10 ASEAN states. Hill also made reference to the many East Asian democracy “success stories,” highlighting in particular “the example that Indonesia, the world’s most populous Muslim majority nation, sends to other countries in terms of its vibrant new democracy, free press, and religious diversity.”

Ambassador Hill also spoke of bolstering relations with long standing treaty allies and pointed out that America’s solid military-to-military relationships in the region contributed to the speedy, effective response to the Dec. 26 earthquake and tsunami. Among the challenges to be faced, he said, were areas of disagreement with China (which he intended to confront “forthrightly and creatively”), terrorist threats (especially in the Philippines and Indonesia), the need for greater political freedom in Laos and Cambodia, and the “destructive policies” of the Burmese junta, whose continued detention of Aung San Suu Kyi and “sham” National Convention “portend a pessimistic future.”

While he is not expected to be sworn in as assistant secretary until mid-April, Ambassador Hill has already conducted a low-key visit to Manila, Bangkok, and Hong Kong. During a press conference in Hong Kong March 31, he skillfully avoided being drawn into a debate on the controversy surrounding the leadership change in Hong Kong following the resignation of Chief Executive Tung Chee-hwa, stating that he was on a “listening and learning” trip. In his opening remarks, he did however say that he would “be interested in seeing what we can do to thicken up the multilateral diplomacy in the region,” making specific reference to this year’s APEC meeting in Korea and “a number of ASEAN events coming up in the next month or two.” When questioned about his “thickening up” comment, he noted that “as a general proposition, we’d like to see APEC be all it can be, to make sure it’s really doing well in terms of its agenda,” further opining that he thought “working through multilateral institutions as well as working bilaterally is very important.”

There is a growing concern among many U.S. allies and friends in Southeast Asia that the new Bush Asia team will be even less interested in the region and its multilateral institutions than its predecessor, given their lack of familiarity with Asia and

Washington's traditional (and growing) preoccupation with Northeast Asia in general and the Korean Peninsula in particular. ASEAN members will be closely watching Assistant Secretary Hill when he participates in the upcoming ARF Senior Officials Meeting in Vientiane, Laos May 18-20, in hopes of hearing more definitive statements about Washington's views regarding multilateralism in general and the ARF and APEC in particular. Should he fail to go or, worse yet, should Secretary Rice be unable to attend her first ASEAN Regional Forum ministerial meeting in Vientiane in late July, this would send the wrong signals and potentially negate some of the confidence and good will gained by the Bush administration during its greatly appreciated tsunami relief operations.

U.S. Military Humanitarian Relief Operations: Making a Difference

“The military role is to provide its unique capabilities and significant capacity to provide immediate relief and save lives.” This simple sentence, by Adm. Thomas Fargo, then-commander of the U.S. Pacific Command, sums up the very complicated mission undertaken by forces under his command in response to the horrific Dec. 26, 2004 earthquake and tsunami that left some 200,000 or more people dead or missing, with upward of a million more displaced, in 11 South and Southeast Asian nations. As devastating as the damage was, it could have been much worse, if it had not been for the rapid response by the international community. While many countries participated and the U.S. Defense Department deliberately played down its central role in the humanitarian relief efforts, pointing first and foremost to the various host nations and their military and civilian relief efforts, the U.S. military's “unique capabilities and significant capacity” provided lifesaving relief, and hope, to countless tens of thousands.

At the height of the relief effort, some 16,000 U.S. military personnel were deployed throughout the areas most affected by the tragedy; more than two dozen U.S. ships (including an aircraft carrier battle group, a Marine amphibious group, and the hospital ship *USS Mercy*) and over 100 aircraft were dedicated to the disaster relief effort, at an estimated cost of over \$5 million/day (above and beyond the pledged U.S. government aid – recently increased to \$950 million – and the substantial – roughly \$700 million and still growing – corporate, institutional, and personal American contributions spearheaded by former Presidents George H.W. Bush and Bill Clinton). By the time the major relief effort ended, U.S. military aircraft had flown over 3,500 sorties; over 24 million pounds of relief supplies and equipment were delivered. Six Maritime Preposition Ships from Guam and Diego Garcia also were dispatched to provide critical drinking water, helping to prevent widely predicted but largely avoided outbreaks of malaria and other diseases.

The U.S. response was fast, effective, and well-coordinated. U.S. ambassadors in the stricken countries immediately offered financial and technical assistance and called upon U.S. military and Agency for International Development (USAID) experts to begin assessing the damage. U.S. ships were given orders to begin deploying to the region within hours of the tragedy – well before the extent of devastation was clear or any government had officially requested their assistance – in order to be there if and when called upon. Within 24 hours, U.S. Navy *P-3 Orion* aircraft began flying missions over

the affected areas to help assist in the search and rescue effort and to assess the extent of the damage. This, despite the fact that U.S. military forces continue to be severely over extended and many had seen recent duty in Iraq.

Within 48 hours of the tragedy, with news reports still estimating that “20,000 people are feared dead,” the U.S. Pacific Command was already establishing a joint task force to coordinate and conduct humanitarian assistance and disaster relief operations. Access approval was requested and quickly obtained from the Thai government to allow its massive Utapao Air Base to serve as the regional hub for the relief effort. Meanwhile, U.S. defense attaches were arranging overflight and landing rights and making initial contacts to allow U.S. forces, if and when authorized to assist, to more effectively interact with their regional counterparts.

Three days after the tsunami struck, Combined Support Force 536, under the command of USMC Lt. Gen. Robert Blackman (who also commands the Third Marine Expeditionary Force in Okinawa), was already playing a key role in coordinating the U.S. and initial international effort. Most notably, CSF 536 worked closely with U.S. embassies and with USAID field elements, including deployed USAID Disaster Assistance Response Teams (DARTs) to ensure a seamless U.S. response. While Washington bureaucracies are not famous for their ability to work effectively with one another, USAID Administrator Andrew Natsios praised the “effective coordination mechanisms, from the tactical field level all the way up to the strategic headquarters level.”

The CSF 536’s Combined Coordination Center (CCC) at Utapao quickly became the heart of the coordinated international relief effort, with liaison officers from Australia, the UK, Japan, Thailand, and Singapore, along with a Civil-Military Coordination Cell, USAID DART representatives, and a local official from the United Nations Office for the Co-ordination of Humanitarian Affairs (UNOCHA). They met several times a day to coordinate their respective national and institutional efforts. This provided an essential element of on-scene coordination that helped to avoid duplication of effort and facilitated accurate assessments of the extent of the damage and identification of the areas most in need of assistance. The CSF’s CCC also helped facilitate the efforts of the international “Core Group” (involving the U.S., Australia, Japan, India, Canada, and others) that was established to coordinate the first stages of the international relief effort, identify and fill gaps, and avoid or break logistical bottlenecks, until the United Nations was able to mobilize and play a more central role in the relief response.

U.S. military personnel, in every instance, worked closely with their local military counterparts, in some cases overcoming years of suspicion, and once again demonstrating the value of routinizing military-to-military contacts to allow for more effective cooperation during periods of crisis. As Adm. Fargo noted, “one of the reasons [we] have been able to respond effectively is because we have established these habits of cooperation together over many years. . . . we have built strong partnerships and standard operating procedures and when this disaster occurred we were able to reach back and put those into effect.”

Some of the lessons learned during the first tragedy came into play when the region was struck by a new series of massive quakes March 28 (one of 8.7 magnitude, followed by a 6.7 magnitude quake two hours later). Thankfully, no significant tsunami was generated but had there been, people living in the previously affected coastal regions were at least warned to be prepared. Unlike the December tragedy, the Pacific Tsunami Warning Center this time had a long list of people to call and those on the other end knew with to do with the information once they received it. Aid was also able to flow into the newly stricken areas much more quickly and effectively.

Changing Muslim Views of U.S. and Bin Laden

The massive U.S. humanitarian relief effort, and the generosity demonstrated by the U.S. government and the American people alike, seems to have helped Washington's image in the Muslim world. A nationwide poll in Indonesia conducted Feb. 1-6, 2005 revealed that more people in the world's largest Muslim country now favor U.S. efforts against terrorism than oppose them. In a stunning turnaround of public opinion, support for Osama bin Laden and terrorism in the world's most populous Muslim nation dropped significantly, while favorable views of the U.S. increased. The poll demonstrated that the reason for this positive change was the American response to the tsunami. The poll was conducted for Terror Free Tomorrow poll by the leading Indonesian pollster, Lembaga Survei Indonesia, and surveyed 1,200 adults nationwide with a margin of error of ± 2.9 percentage points.

Key findings included:

- For the first time ever in a major Muslim nation, more people favor U.S.-led efforts to fight terrorism than oppose them (40 to 36 percent). Importantly, those who oppose U.S. efforts against terrorism have declined by half, from 72 percent in 2003 to just 36 percent today.
- For the first time ever in a Muslim nation since Sept. 11, support for Osama bin Laden has dropped significantly (58 percent favorable to just 23 percent).
- 65 percent of Indonesians now are more favorable to the U.S. because of the U.S. response to the tsunami, with the highest percentage among people under 30.
- 71 percent of the people who express confidence in bin Laden are now more favorable to the U.S. because of U.S. aid to tsunami victims.

Among the "critical findings" cited by Terror Free Tomorrow are the following:

- The support base that empowers global terrorists has significantly declined in the world's largest Muslim country. This is a major blow to al-Qaeda and other global terrorists.

- U.S. actions can make a significant and immediate difference in eroding the support base for global terrorists.
- The U.S. must sustain its relief and reconstruction efforts in Indonesia in order to prevent the support base from rebounding.
- The size and strength of the support base can dramatically change in a short period of time. This is a front in the war on terrorism where the U.S. can continue to achieve additional success.

As noted last quarter, the outpouring of U.S. assistance was not motivated by a desire to win friends and influence people but was a natural, time-honored, consistent American response to tragedies, whether at home or abroad, regardless of the race, religion, or nationality of those most affected. Nonetheless, it was gratifying to see that some goodwill was (at least temporarily) generated. Whether it will be sustained will depend, in large part, on the new Asia team's ability to convince Southeast Asians that Washington believes the region to be important in its own right and not just as a "second front" in the war on terrorism.

Regional Chronology January-March 2005

Jan. 1, 2005: 6.5 magnitude aftershock strikes Sumatra, Indonesia.

Jan. 4, 2005: South Korea increases its tsunami relief contribution to \$50 million.

Jan. 6, 2005: Special ASEAN Leaders' Meeting on Aftermath of Earthquake and Tsunami in Jakarta.

Jan. 8, 2005: DPRK says it will not return to Six-Party Talks until U.S. drops its "hostile policy."

Jan. 8, 2005: Congressman Lantos visits DPRK.

Jan. 11, 2005: Assistant FM Shen highlights China's aid of \$133 million to tsunami-stricken countries.

Jan. 12, 2005: Chinese security agents abruptly end news conference by four ROK legislators, forcibly removing journalists; ROK demands an explanation. (Beijing says domestic law bans news conferences not approved in advance.)

Jan. 13, 2005: Indonesia asks all foreign troops to complete humanitarian missions by March 31.

Jan. 13, 2005: Congressman Weldon visits the DPRK.

Jan. 13, 2005: ROK President Roh says he would welcome a visit by the Japanese emperor and expects six-party talks to resume after the inauguration of President Bush.

Jan. 16, 2005: Taiwan and China agree to allow nonstop charter flights over the Chinese New Year holidays.

Jan. 19, 2005: At her confirmation hearing, Secretary of State-designate Condoleezza Rice terms North Korea an “outpost of tyranny.”

Jan. 21, 2005: Grenada reestablishes diplomatic ties with China, ending its recognition of Taiwan.

Jan. 24-Feb. 4, 2005: *Cope Tiger 2005* exercises in Singapore; forces from the U.S., Singapore, and Thailand participate.

Jan. 26, 2005: Japan’s Finance Ministry announces China has overtaken the U.S. as Japan’s largest trading partner. China accounted for 20.1 percent of Japanese trade in 2004, compared with 18.6 percent for the U.S.

Jan 28, 2005: ROK Defense Ministry announces it will stop calling the DPRK its “main enemy.”

Jan. 28-29, 2005: Indonesian officials and exiled leaders of the Free Aceh Movement (GAM) meet in Helsinki for the first time in nearly two years to discuss Jakarta’s offer of limited autonomy.

Jan 29, 2005: Holiday direct flights commence between Chinese mainland and Taiwan, including first ever flights by mainland carriers since 1949. A total of 48 flights are approved.

Jan 31, 2005: Indonesia rejects GAM rebels’ surprisingly flexible offer to put demands for independence claims on hold in exchange for a referendum on Aceh’s future.

Jan. 31-Feb. 1, 2005: First U.S.-China defense policy dialogue takes place in Beijing.

Feb. 1, 2005: Former President Clinton is chosen by UN Secretary General Kofi Annan to be his special envoy to countries affected by the tsunami.

Feb. 1-2, 2005: High-level officials from China (ARATS officers Sun Yafu and Li Yafei) visit Taiwan to attend the funeral of Koo Chen-fu, Taiwan’s longtime top negotiator with China.

Feb. 2, 2005: *Reuters* reports the U.S. has new evidence that the DPRK is the source of nuclear material exported to Libya.

Feb. 2, 2005: Australian PM John Howard tours tsunami ravaged Aceh province. Australia pledges \$815 million for tsunami relief.

Feb. 2, 2005: Russia and China establish a new consultative body on security issues.

Feb. 3, 2005: Chinese Ambassador Wang calls for Japan-China FTA.

Feb. 3, 2005: President Bush telephones PM Koizumi; they discuss the war in Iraq, North Korea, and the appointment of Ambassador Schieffer.

Feb. 4, 2005: Seoul releases Defense White Paper that refers to the DPRK as a “military threat.” The report indicates that the U.S. would dispatch 690,000 troops and 2,000 warplanes if war breaks out on the peninsula.

Feb. 5, 2005: DPRK accuses President Bush of trying to turn the world into a “global battleground.”

Feb. 6, 2005: PM Thaksin Shinawatra’s Thai Rak Thai party wins large enough majority to form a one-party government.

Feb. 6, 2005: China’s central bank says “China’s yuan is not substantially undervalued” but China will set up mechanisms to achieve renminbi convertibility” at an early date.”

Feb. 7, 2005: Japan accepts Chinese proposal for China-Japan Strategic Dialogue.

Feb. 9, 2005: Chinese New Year (Year of the Rooster).

Feb. 9, 2005: U.S. almost triples tsunami relief pledge to \$950 million.

Feb. 10, 2005: DPRK announces that it has nuclear weapons and will indefinitely suspend participation in the Six-Party Talks.

Feb. 12, 2005: U.S. rejects demand from DPRK for one-on-one talks as a pre-condition for restarting the Six-Party Talks.

Feb. 14, 2005: Secretary Rice meets ROK FM Ban Ki Moon, both pledge to continue using diplomatic means to pressure North Korea to end its nuclear program; Unification Ministry says “too early” to call the North a nuclear weapons state.

Feb. 15, 2005: U.S. Navy to deploy two *Aegis* destroyers to Yokosuka to strengthen missile defense system.

Feb. 15, 2005: Thai Cabinet adds 12,000 troops to more than 25,000 already stationed in the three southern provinces.

Feb. 16, 2005: CIA annual assessment of worldwide threats warns that China's military modernization is tilting the balance of power in the Taiwan Strait.

Feb. 17-18, 2005: ASEAN Plus Three holds expert meeting on emerging diseases in Bangkok.

Feb. 18, 2005: Secretary Rice proposes to reinstate U.S. military training programs for Indonesian military officers.

Feb. 19, 2005: U.S.-Japan Security Consultative Committee joint statement outlines "common strategic objectives."

Feb. 19-20, 2005: Former Presidents George H.W. Bush and Bill Clinton visit Thailand and Bandar Aceh.

Feb 19-22, 2005: Chinese envoy Wang Jiarui visits Pyongyang.

Feb. 20, 2005: China protests U.S.-Japanese Feb. 19 statement, claiming reference to Taiwan violates China's national sovereignty and its criticism of China's military buildup is "untenable."

Feb. 20, 2005: Japan and the U.S. agree to start providing tsunami warning to countries around the Indian Ocean until the region establishes its own alert system.

Feb. 21, 2005: Japanese Foreign Ministry officially informs Chinese Embassy of concerns over exploration activities in East China Sea.

Feb. 22, 2005: Kim Jong-il tells visiting Chinese diplomat Wang Jiarui that talks could resume if the United States "would show trustworthy sincerity."

Feb. 22, 2005: President Bush voices "deep concern" about Europe's plans to lift its arms embargo on China.

Feb. 22-24, 2005: Former President Clinton visits China.

Feb. 22-March 8, 2005: Over 300 U.S. soldiers and 650 Filipino troops participate in *Balikatan 2005* exercise in Quezon Province.

Feb 23, 2005: UN health officers meet in Ho Chi Minh City to discuss emergency plans to control bird flu.

Feb. 23, 2005: Finance officials from China, Japan, and South Korea meet counterparts from ASEAN to discuss ways to counteract the weak dollar.

Feb. 24, 2005: Presidents Bush and Putin hold summit meeting in Bratislava, Slovakia.

Feb. 24, 2005: The pro-independence Taiwan Solidarity Union proposes anti-annexation law that would require the president to hold a referendum if China passes an anti-secession law.

Feb. 24, 2005: Twenty U.S. senators threaten sanctions over Japan's import ban on U.S. beef due to mad cow disease.

Feb. 24, 2005: President Roh reaffirms U.S.-South Korea alliance, saying that South Korea will deal with the U.S. on an "equal footing."

Feb. 25, 2005: Shanghai Cooperation Organization (SCO) holds annual foreign minister meeting in Kazakhstan.

Feb. 26, 2005: TCOG meets in Seoul.

Feb. 26, 2005: Adm. Thomas Fargo, commander, U.S. Pacific Command relinquishes command to Adm. William Fallon in Hawaii.

Feb. 27-29, 2005: Former President Clinton visits Taipei; Beijing says he should "know how to act."

Feb. 28, 2005: U.S. State Department releases 2004 report on global human rights practices; calls China's human rights record a top concern of the Bush administration.

March 1, 2005: A Japanese ship insurance law comes into force; it is expected to prohibit un- and underinsured (most DPRK) vessels from its ports.

March 1, 2005: Taiwanese airlines resume regular flights to South Korea, ending 13 years of suspended service.

March 2, 2005: DPRK memorandum further asserts nuclear weapons possession; Pyongyang also says it has a right to test-fire missiles, despite a 6-year moratorium.

March 2-3, 2005: Vice FM Wu Dawei meets South Korean FM Ban in Seoul, as part of intensive efforts to coax Pyongyang back to the Six-Party Talks. Wu urges U.S. flexibility.

March 2-4, 2005: ASEAN Regional Forum on Confidence Building Measures (ARF CBMs) and Regional Cooperation in Maritime Security meeting in Singapore.

March 3, 2005: China issues its sixth human rights report on the United States; it criticizes the Pentagon for "wanton slaughters" abroad, accuses U.S. courts of deep-seated racial bias, and urges U.S. to "reflect on its erroneous behavior."

March 3, 2005: Indonesian court convicts Abu Bakar Ba'asyir of conspiracy in the 2002 Bali bombings, but clears him of charges in the 2003 Jakarta Marriott bombing.

March 4-14, 2005: NPC convenes annual 10-day meeting in Beijing.

March 5, 2005: PM Koizumi says he seeks Washington's understanding on Tokyo's efforts to ensure the safety of U.S. beef before lifting Japan's import ban on the meat.

March 8, 2005: The White House calls on China to reconsider passage of its anti-secession law.

March 8, 2005: During Senate testimony, Adm. Fallon says "China's military modernization programs warrant our continued attention"; expresses concern with the "widening gap between China's military capabilities and Taiwan's ability to defend itself."

March 9, 2005: President Bush telephones PM Koizumi to discuss North Korea, the resumption of U.S. beef exports to Japan, and the Middle East peace process.

March 10, 2005: Tung Chee-hwa resigns as Hong Kong chief executive; Donald Tsang is named interim HK chief executive.

March 14, 2005: Chinese NPC passes anti-secession law.

March 14, 2005: China, Philippines, and Vietnam sign landmark joint exploration agreement for oil and gas in South China Sea.

March 14-17, 2005: Secretary Rice visits India, Pakistan, and Afghanistan.

March 15, 2005: Confirmation hearing for Assistant Secretary-designate Christopher Hill.

March 17, 2005: U.S. Senate confirms Thomas Schieffer as ambassador to Japan.

March 17, 2005: George Kennan, the "father of containment," dies at age 101.

March 17-19, 2005: Secretary Rice visits Tokyo, makes major foreign policy address.

March 17-31, 2005: Adm. Fallon visits Asia, meets counterparts in South Korea, Japan, and the Philippines.

March 19-20, 2005: Secretary Rice visits Seoul, emphasizes North Korea is a "sovereign state" but that the U.S. will not wait "forever" for North Korea to rejoin the Six-Party Talks.

March 20, 2005: *Washington Post* reports U.S. officials distorted intelligence reports that allegedly linked North Korea to sales of processed uranium to Libya.

March 20-21, 2005: Secretary Rice visits Beijing, attends church service to highlight U.S. concern for religious freedom.

March 21, 2005: After fraudulent parliamentary elections, a revolt in Kyrgyzstan unseats the government and President Askar Akayev flees to Moscow.

March 22, 2005: President Roh declares that South Korea will play a “balancing role” to help ensure peace and prosperity in Northeast Asia and on the Korean Peninsula.”

March 22-28, 2005: DPRK PM Pak Bong-Ju embarks on week-long visit to China.

March 23, 2005: President Bush denies the U.S. has set a firm deadline for North Korea to return to the Six-Party Talks.

March 23, 2005: In speech to the Thai Parliament, PM Thaksin pledges to make a greater effort in his second term to bring peace to the country’s restive Muslim south.

March 24, 2005: FM Ban says the U.S. will treat North Korea as an “equal partner” in the Six-Party Talks.

March 26, 2005: Half a million Taiwanese protest China’s anti-secession law.

March 27, 2005: PM Koizumi meets French President Chirac in Tokyo; Chirac affirms EU intent to end China arms embargo.

March 28, 2005: Magnitude 8.7 earthquake strikes Sumatra.

March 28, 2005: Japan releases *East Asian Strategic Survey 2005*, calling attention to China’s military modernization, cross-Strait military balance, and increasing nationalism.

March 28-31, 2005: Taiwan KMT delegation visits China.

March 29-April 2, 2005: *USS Gary* visits Ho Chih Minh City, the third to make a port call since the end of the Vietnam War.

March 29, 2005: Boao Forum CEO Roundtable.

March 30-April 2, 2005: ROK DM Yoon visits China.

March 31, 2005: Burmese junta closes National Convention to create a new constitution due to weather (high temperatures/ monsoon), says forum will not restart until November.

March 31, 2005: Amb. Hill discusses desire to “thicken up” multilateral dialogue.

March 31, 2005: The Office of the U.S. Trade Representative annual report says that the U.S. will continue to “pressure Japan to lift its total ban until U.S. beef exports resume.”

U.S.-Japan Relations: 'History Starts Here'

Brad Glosserman
Pacific Forum CSIS

In the first quarter of 2005, the United States and Japan signed a historic declaration that laid a foundation for the future of their bilateral security alliance. The Feb. 19 Security Consultative Committee (SCC) meeting both locked in the impressive progress that has been made in the security dimension of the alliance over the past four years and committed Washington and Tokyo to continuing efforts to modernize their alliance. Yet, as the two governments looked toward a rejuvenated alliance, an increasingly contentious trade spat over beef reminded both countries that bad old habits were ever ready to spoil celebrations over “the best relations ever.”

Both governments will have their hands full. To help reassure Japanese that a new foreign policy team in Washington – or at least the departure of the most prominent Japan hands – does not augur a shift in U.S. priorities, Secretary of State Condoleezza Rice made Japan her first stop in East Asia during a six-country Asian tour. In Tokyo, she wowed the crowd despite sending a tough message on beef and walking a careful line on North Korea policy.

Focused on the Future

On Feb. 19, the U.S. secretaries of State and Defense met their Japanese counterparts from the Foreign Ministry (Machimura Nobutaka) and the Defense Agency (Ohno Yoshinori) at the Security Consultative Committee, known more colloquially as the “2+2” meeting. The SCC convenes every couple of years; it last met in December 2002.

The Feb. 19 statement applauded “the excellent state of cooperative relations between the United States and Japan on a broad array of security, political, and economic issues,” and called for continuing efforts to promote security in both countries, in the region and around the world. It highlighted their efforts on issues ranging from tsunami relief, stemming the proliferation of weapons of mass destruction (WMD), and missile defense (MD). While that may sound like boilerplate, the latter topic did break some ground with a reference to Tokyo’s decision to loosen the Three Principles on Arms Exports, essentially a ban on such exports, to facilitate MD cooperation and development with the U.S.

The next section, on “Common Strategic Objectives,” represents a break with the past. In it, the two governments agree that interdependence and the proliferation of WMD erases old distinctions between national and regional and global security. They then articulate a

list of regional and global strategic concerns. It includes military modernization efforts within the region; although no country is specifically identified there, China is later encouraged to embrace more transparency in its military affairs.

North Korea is encouraged to return to the Six-Party Talks and “to commit itself to complete dismantlement of all its nuclear programs in a transparent manner subject to verification.” The language is interesting: it’s more proof of U.S. flexibility and readiness to move away from the CVID (“complete, verifiable, irreversible dismantlement”) formula that North Korea has found so objectionable. The two countries also “support peaceful unification of the Korean Peninsula” (so much for Washington and Tokyo preferring continuing division) and “peaceful resolution of issues related to North Korea, including its nuclear programs, ballistic missile activities, illicit activities, and humanitarian issues such as the abduction of Japanese nationals by North Korea.” After the SCC meeting, Dr. Rice and Mr. Machimura released a separate statement that focused on North Korea, calling on Pyongyang to return to negotiations quickly and seriously.

The list of objectives in the Joint Declaration includes (among others) encouraging Russia’s constructive engagement in the region and the normalization of Japan’s relations with Russia through resolution of the Northern Territories issue; promoting “a peaceful, stable and vibrant Southeast Asia”; and the development of regional cooperation, as long as it’s “open, inclusive and transparent.”

China is also explicitly identified on the list. That is a departure from the past and has generated most of the media attention. Previously, Japan had gone to great lengths to avoid naming China as a direct national security concern. The readiness to do so in the SCC statement signals a shift in Japanese thinking about China (taken up in Jim Przystup’s chapter on Japan-China relations) – and reports that the U.S. forced that language down Japanese throats are incorrect.

Still, it is important to understand what the SCC declaration actually says. The two countries seek to “develop a cooperative relationship with China, welcoming the country to play a responsible and constructive role regionally as well as globally.” That part has been largely overlooked: instead, most commentary focused on the two countries’ desire to “encourage the peaceful resolution of issues concerning the Taiwan Strait through dialogue.” While it is hard to imagine a more innocuous – or obvious – phrase, that mention still managed to set off alarms in Beijing, which ignored the first part and accused the two countries of meddling in China’s “internal affairs.”

When the two governments enumerate global common strategic values, the list looks familiar: advancing fundamental values such as basic human rights, democracy, and the rule of law; encouraging international peace cooperation activities and development assistance to promote peace, stability, and prosperity worldwide; promoting the reduction and nonproliferation of WMD and their means of delivery; fighting terrorism; improving the effectiveness of the United Nations Security Council and pushing for Japan’s permanent membership; and stabilizing global energy supplies.

‘History Starts Here’

The SCC statement is a big deal. At the annual U.S.-Japan Security Seminar that Pacific Forum hosts for officials and analysts from the two countries, one Japanese participant exulted that after the Feb. 19 meeting, “history starts here,” an assessment that was shared by others around the table. The readiness to speak bluntly about regional national security threats was one important departure. Even more significant was the identification of Japan’s national security interests with regional and global developments. Hitherto, Japan construed national security narrowly, essentially limiting it to homeland defense. The willingness to identify common interests implies (at least) that Japan will work with the U.S. to protect those interests; that is historic, for both the country and the alliance. The joint declaration underlines this new approach by highlighting “Japan’s active engagement to improve the international security environment.”

The declaration of new strategic interests means that Japan has to be prepared to defend them. This requirement elevates considerably the importance of the following section of the SCC statement: it may look like more boilerplate about cooperation, but it’s much more than that.

The statement notes “the need to continue examining the roles, missions, and capabilities of Japan’s Self Defense Forces and the U.S. Armed Forces required to respond effectively to diverse challenges in a well-coordinated manner. This examination will take into account recent achievements and developments such as Japan’s National Defense Program Guidelines and new legislation to deal with contingencies, as well as the expanded agreement on mutual logistical support and progress in ballistic missile defense cooperation. The Ministers also emphasized the importance of enhancing interoperability between U.S. and Japanese forces.” Quite simply, the statement envisages far greater cooperation between and integration of U.S. and Japanese forces than ever before. National security officials in both countries must now work out effective responses to contingencies that take into account Japan’s more activist security posture and the redeployment of U.S. forces. Forces will be moved, bases combined, and commands shifted. Both militaries (and both countries) must prepare for potentially wrenching adjustments. As the final paragraphs of the statement point out, issues such as the U.S. footprint on Okinawa, the Status of Forces Agreement, and the size of Host Nation Support are on the table.

Secretary Rice’s Visit

Secretary Rice made Tokyo her first East Asia stop during her recent Asian tour. Beijing might have made more sense from a geographic perspective (she was coming from South Asia), but starting in Japan sent the clear message that Tokyo remains atop the list of U.S. partners and allies in the region. While meeting top officials in the Japanese government, including Prime Minister Koizumi Junichiro, she repeated the mantra that “relations are the best ever” and emphasized the new “global context” of the alliance. In a well-received speech at Sophia University, Dr. Rice called it “an alliance of compassion,” a curious formulation, but one well suited for Japanese audiences. She also proposed a

“Strategic Development Alliance” in which the two countries would regularly assess and focus efforts to advance their common objectives; this dialogue would be open to others who can contribute.

In a 90-minute meeting with Foreign Minister Machimura, the two repeated key themes of the SCC statement: U.S. support for Japan’s efforts to get a permanent seat on the UN Security Council, calling on North Korea to return to the Six-Party Talks, encouraging China to take a constructive and cooperative role in regional affairs, as well as developments in the Middle East. Again, the issue of new roles, missions, and capabilities for Japanese forces was highlighted. Afterward, Dr. Rice met for 40 minutes with Prime Minister Koizumi, working through the same list of talking points.

Overall, Dr. Rice got high marks. She wowed the crowds and the media, assuaging some concerns about the conduct of U.S. diplomacy and the priority Japan would receive in a second Bush term. She sent the right signals on North Korea, underlining the U.S. readiness to negotiate with Pyongyang, but also sticking to a firm line that called on the North to deal with all outstanding security issues, including Japanese abductees.

Where’s the Beef?

While the security communities applauded the forward-looking approach taken by the two governments, another issue shared the spotlight this quarter and it recalled a bitter past rather than the bright future. Tensions between the two governments are rising over Japan’s failure to reopen its market to U.S. beef.

Japan banned imports of U.S. beef and beef products after a case of Bovine Spongiform Encephalopathy (BSE), or mad cow disease, was detected in an 8-year-old cow in the U.S. in December 2003. The cow had been imported from Canada. The ban hurt: Japan is the biggest customer for U.S. beef, buying more than \$1.7 billion worth of U.S. beef and beef products in 2003, and other countries look to Japan when setting standards for their own markets. It is anticipated that South Korea, for example, will resume U.S. beef imports when Japan does. In total, it is estimated that more than \$3.8 billion in annual exports could be at stake.

Last October, the U.S. and Japan reportedly reached agreement on a plan that would allow the resumption of imports from the U.S. But imports have not resumed and U.S. frustrations over Japanese inaction have been rising. President Bush brought the matter up in a phone call with Mr. Koizumi. (Don’t forget the president and the vice president are from beef producing states.) The topic figured in Dr. Rice’s talks with Prime Minister Koizumi and Minister Machimura; according to Japanese officials the secretary “pressed” the foreign minister and said that the dispute is starting to hurt the bilateral relationship. In her speech at Sophia, Dr. Rice devoted time to the issue saying, “The time has come to solve this problem. I want to assure you: American beef is safe, and we care deeply about the safety of food for the people of the world, for the American people, for the Japanese people. There is a global standard on the science that is involved here, and we must not let exceptionalism put at risk our ability to invest and trade our way to even greater

shared prosperity.” At his Senate nomination hearing, Ambassador-designate (since confirmed) Thomas Schieffer also pledged to press for a resolution, saying science should be guiding such decisions, not politics. To date, there has been no resumption of imports; worse, there is not even a timetable.

Both sides are starting to get testy. Both U.S. representatives and senators have passed resolutions calling for retaliation against Japanese exports to the U.S. In Japan, politicians and consumer groups complain about U.S. pressure and there are concerns that Mr. Koizumi will lean on the Food Safety Commission (FSC) responsible for devising a testing program to be more lenient toward the U.S.

Consumer groups in Japan are powerful, and with good reason. Despite reassurances that Japanese beef was safe, BSE has been detected in a number of cows in Japan (more than in the U.S.). The outrage resulted in one of the world’s most stringent programs in which all cattle slaughtered are tested for BSE. The U.S. has said blanket testing is unreasonable, and the agreement reached last year reportedly approved imports of U.S. cattle 20 months and younger. The idea that U.S. beef would be subject to less rigorous inspections is a nonstarter. So as a first step toward lifting the ban, Japan’s Food Safety Commission convened a Prion Experts Panel to study easing inspection standards for all domestic beef. On March 28, it concluded that Japan can afford to exempt cattle 20 months and younger from blanket testing. The decision was officially reported to the FSC on March 31 and the FSC will seek public opinion about new regulations for a month. A new standard is likely to be ready by late summer.

The U.S. response was less than overwhelming. Mr. J.B. Penn, under secretary of agriculture, called the FSC report “a step in the right direction,” but he added, “We still think the Japanese process is going far too slow, and it’s unnecessarily cumbersome. We would like to see it accelerated.” The pressure will continue. In its annual report on national trade barriers, the Office of the Trade Representative warned in late March that “Reopening the Japanese market to U.S. beef is a top priority of the administration on the bilateral trade front.”

Once the new standard is approved, several issues remain. First, there are doubts whether the age of U.S. beef can be verified. U.S. assurances are not proving reassuring enough; there are questions about the reliability of data the U.S. is providing. Second, it is estimated that only 20-30 percent of U.S. beef would fit the new standard. That might not be enough to appease U.S. exporters.

In Japan, there are other questions. Since the FSC operates under the Cabinet Office, there are suspicions that the prime minister has pressed for the appropriate conclusion on behalf of better U.S.-Japan relations. On March 10, Ishiharu Mamoru, vice minister of agriculture, forestry and fisheries, said Japan has no intention of speeding up the process of resuming beef imports. Still the *Asahi Shimbun* opined Feb.13 that “without doubt, Japanese Government officials took into consideration heavy pressure from the United States to lift the ban.”

The episode has echoes of the 1969 wrangle over textiles between the U.S. and Japan. Then, President Nixon thought Japanese Prime Minister Sato had agreed to help him out by restraining textile exports to the U.S. When asked, Sato responded with “I will do my best,” which the president took for agreement, but which any Japan hand knows is a polite “no.” Apparently, a similar misreading occurred last October when the supposed agreement was reached. The question now is will Mr. Koizumi use precious political capital to push for lifting the import ban when he badly needs it for other domestic political priorities, such as postal reform. The timing is bad for another reason: In February, Japan recorded the first death of a Japanese from a variant of Creutzfeldt-Jacob disease, which has been linked to BSE. The man spent about a month in the UK in 1989, and there is no reason to think the death is linked to this issue. Still....

Testing Times

Alliance managers have their work cut out for them. The bold designs of the SCC declaration need to be put into practice. Making decisions on some elements of the new alliance relationship, such as roles and missions, should be relatively easy. Implementing them – acquiring capabilities, overcoming political and bureaucratic resistance – will be tough. Redeployments, which raise questions in local communities, will test the patience of all concerned. Nonetheless, the agreement by both governments that such changes are needed should help break the inevitable logjams. Given the sensitivity of the issues, leaks to the media and trial by public opinion should be rampant. Patience and thick skins will be required.

For the first time in several years, economic issues will return to the forefront of bilateral discussions. It is unclear how they will influence public opinion about security issues. For the last four years, there has been an undercurrent of suspicion that Japan has made some decisions to appease Washington (despite assurances by Mr. Koizumi that Japan is truly acting in its own best interests). As the “costs” of alliance hit closer to home, public opinion about the relationship may shift. This should be an interesting summer.

Chronology of U.S.-Japan Relations^{*} January-March 2005

Jan. 3, 2005: Japan pledges \$500 million for tsunami relief effort.

Jan. 6, 2005: At tsunami summit in Jakarta, FM Machimura and Secretary of State Powell agree that Six-Party Talks on North Korea should be resumed as soon as possible, and they discuss realignment of U.S. forces in Japan and Japan’s import ban on U.S. beef.

Jan. 10, 2005: Defense Agency Director General Ohno Yoshinori calls for upgrading Defense Agency into a ministry.

^{*} Compiled by Lena Kay, Vasey Fellow, Pacific Forum CSIS

Jan. 18, 2005: U.S. dollar hits five-year low against yen (US\$1= ¥101.7).

Jan. 21, 2005: Defense Agency head Ohno says government will amend the Self-Defense Forces Law to stipulate procedures for intercepting ballistic missiles targeting Japan under an envisaged missile defense system.

Jan. 21, 2005: PM Koizumi reiterates that Japan-U.S. alliance is key to the security of Japan and the peace and stability of the world at the Diet. Japan will press for early implementation of the Special Action Committee on Okinawa Final Report, including the relocation and return of Futenma Air Station.

Jan. 22, 2005: *Kyodo News* reports that 55 percent of poll respondents say that SDF should withdraw from Iraq by March 2005.

Jan. 24, 2005: President Bush names Thomas Schieffer next ambassador to Japan.

Jan. 26-Feb.1, 2005: Some 4,300 Ground SDF personnel and 1,500 U.S. Army personnel take part in Japan-U.S. military drill in Hokkaido.

Jan. 28, 2005: FM Machimura telephones Secretary of State Rice to congratulate her on her appointment. They discuss the Middle East, UN reform, transformation of U.S. forces, and North Korea, and agree to closely cooperate.

Jan. 30, 2005: Chief Cabinet Secretary Hosoda Hiroyuki meets National Security Council Senior Asia Director Michael Green.

Feb. 1, 2005: Liberal Democratic Party Acting Secretary General Abe Shinto meets with NSC Senior Asia Director Green. Vice FM Yachi discusses North Korea with Green, who expresses understanding of Japan's possible sanctions against North Korea.

Feb. 3, 2005: President Bush telephones PM Koizumi, they discuss the war in Iraq, North Korea, and the appointment of Ambassador Schieffer.

Feb. 9, 2005: Japan's Ministry of Agriculture, Forestry and Fisheries and the Ministry of Health, Labor and Welfare accept U.S.-proposed method of identifying cattle age based on the quality of meat in order to resume U.S. beef imports. The date when imports can be resumed remains unclear.

Feb. 9, 2005: LDP approves SDF Law amendments that allow the SDF to intercept intruding missiles and shoot down missiles targeted at the U.S. while missiles are in Japanese airspace.

Feb. 11, 2005: Under Secretary of State Bolton says that the U.S. will work closely with Tokyo to try to rein in arms trade with China.

Feb. 15, 2005: U.S. Navy to deploy two Aegis destroyers, the *USS Stethem* and *USS Lassen*, to Yokosuka to strengthen missile defense system.

Feb. 15, 2005: *Yomiuri Shimbun* reports that Japanese Cabinet has finalized SDF bill and the Defense Agency is able to “respond to an attack at any time” in the event of a missile attack on Japan without a mobilization order issued by the prime minister.

Feb. 15, 2005: Former Defense Agency head Ishiba Shigeru urges Japan and the U.S. to study returning all U.S. bases in Japan back to Japan and place them under SDF control.

Feb. 15, 2005: FM Machimura urges U.S. to rejoin the Kyoto Protocol aimed at curbing global warming, which goes into effect Feb. 16, and calls on China and India to join.

Feb. 16, 2005: Outgoing Ambassador to Japan Baker says Japan should refrain from single-handedly imposing economic sanctions on North Korea, and should urge countries, including China and Russia, to take joint action.

Feb. 19, 2005: FM Machimura and Defense Agency head Ohno meet with Secretary Rice and Defense Secretary Rumsfeld at the Security Consultative Committee. They produce a joint declaration on common strategic objectives, Washington’s global military realignment and new roles and missions for the U.S. and Japanese forces.

Feb. 19, 2005: Secretary Rice and FM Machimura reconfirm policy toward North Korea and reiterate commitment to a diplomatic resolution of the crisis through Six-Party Talks.

Feb. 20, 2005: Japan and the U.S. agree to start providing tsunami warning to countries around the Indian Ocean in March 2005 until the region establishes its own alert system.

Feb. 24, 2005: Some 20 U.S. senators threaten sanctions over Japan’s import ban on U.S. beef due to mad cow disease. The senators hinted seeking sanctions equal to the amount of beef exported to Japan before the ban was imposed in December 2003.

Feb. 26, 2005: Japan confirms 15th case of mad cow disease.

March 3, 2005: More than 55 U.S. House of Representatives lawmakers submit a resolution to seek sanctions over Japan’s beef import ban, urging U.S. trade negotiators to “immediately” impose economic measures on Japan.

March 5, 2005: PM Koizumi says he seeks Washington’s understanding on Tokyo’s efforts to ensure the safety of U.S. beef before lifting Japan’s import ban on the meat.

March 6, 2005: Some 130 U.S. Marines return to Okinawa from Iraq.

March 6, 2005: China’s FM Li Zhaoxing warns Japan, U.S. not to include Taiwan within the scope of their military alliance saying, “Beijing would not permit interference in what it considers an internal matter.”

March 8, 2005: Food safety head Yasufumi Tanahashi denies political pressure on food panel over U.S. beef.

March 9, 2005: President Bush telephones PM Koizumi to discuss North Korea, the resumption of U.S. beef exports to Japan, and the Middle East peace process.

March 11, 2005: U.S. ROK Ambassador Hill meets FM Machimura to discuss restarting Six-Party Talks. The two agreed that it was necessary for China to persuade North Korea to rejoin the Six-Party Talks.

March 15, 2005: Ambassador-Designate Schieffer testifies before Senate Foreign Relations Committee that U.S. and Japan must resolve beef issue.

March 17, 2005: U.S. Senate confirms Thomas Schieffer as ambassador to Japan.

March 17, 2005: Ten bipartisan senators submit resolution urging the U.S. Trade Representative to “immediately impose retaliatory economic measures” against Japan over its failure to lift its import ban on U.S. beef. A bipartisan group of House members proposed a similar measure March 3.

March 18-20, 2005: Secretary Rice meets in Tokyo with PM Koizumi and FM Machimura. They discuss the Six-Party Talks, Middle East, U.S.-Japan relations, and the resumption of U.S. beef imports.

March 18, 2005: *Japan Times* reports that Chief Cabinet Secretary Hosoda said Japan is fed up with pressure from the U.S. to lift the 15-month-old ban on beef imports.

March 23, 2005: After Iceland grants him citizenship, Japan releases chess champion Bobby Fischer and allows him to go to Iceland despite U.S. request for extradition.

March 28, 2005: *Kyodo News* reports that the U.S. demands Japan ease barriers on 12 farm products that include wheat, pork, beef, oranges, apples, and dairy products.

March 28, 2005: Japan’s Food Safety Commission approves excluding cattle 20 months or younger from the current system of testing all cattle for mad cow disease.

March 29, 2005: U.S. Agriculture Secretary Mike Johanns urges Japan to accelerate “enormously slow” domestic process to lift its import ban on U.S. beef.

March 30, 2005: FM Machimura and DM Ohno meet with prefectural governors to discuss the review of U.S. forces in Japan, realignment of U.S. forces, and problems related to USFJ facilities.

March 31, 2005: The Office of the U.S. Trade Representative annual report says that the U.S. will continue to “pressure Japan to lift its total ban until U.S. beef exports resume.”

U.S.-China Relations:

Rice Seeks to Caution, Cajole, and Cooperate with Beijing

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President Bush's second term opened with an active agenda of bilateral U.S.-China interactions. Secretary of State Condoleezza Rice traveled to Beijing on a six-nation tour of South and East Asia during which she sought to enlist China's help in exerting pressure on North Korea to give up its nuclear weapons. China's National People's Congress passed an anti-secession law that the Chinese government viewed as reasonable and necessary, but U.S. officials characterized as "unhelpful" and likely to increase cross-strait tensions. Urging China to enhance its protection of intellectual property rights (IPR) was the central task of outgoing U.S. Secretary of Commerce Donald Evans' visit to Beijing. Deputy Under Secretary of Defense Richard Lawless conducted the first ever "special policy dialogue" between the two militaries. Senior U.S. officials voiced concern about China's military buildup and its proliferation activities, and strongly opposed the lifting of the EU's 15-year old arms embargo on China.

Rice Airs Views on China and Then Travels to Beijing

Signaling that administration policy toward China in Bush's second term would be characterized by continuity, Condoleezza Rice asserted at her confirmation hearings in mid-January that the U.S. is "building a candid, cooperative, and constructive relationship with China that embraces our common interests but recognizes our considerable differences about values." Emphasizing the importance of economics and trade in the relationship, she called for ensuring that China lives up to its obligations in the World Trade Organization and particularly respecting IPR.

During a six-nation Asian tour in March that ended in Beijing, Rice delivered a mix of positive and cautionary statements on China. Arriving in New Delhi, she warned that the U.S. would respond to China's growing military power by reinforcing its own military strength and bolstering alliances with South Korea and Japan. Rice added, however, that the U.S. does not seek to pit its alliances or its posture against China and held out the possibility that "China can emerge as a constructive force in Asia." Echoing words used by her predecessor Secretary Powell, Rice termed U.S. relations with China – as well as with India, Pakistan, Afghanistan, South Korea, and Japan – as the best they have ever been.

En route to Tokyo, Rice told the press that China is both an opportunity and a challenge for the region. As China's economy becomes more open, she averred, its political system should naturally become more open as well. "The United States would welcome a confident China at peace with its neighbors and transforming its internal system at home," Rice stated.

In an address at Sophia University in Tokyo, Rice insisted that America welcomes the rise of a "confident, peaceful and prosperous China." "We want China as a global partner, able and willing to match its growing capabilities to its international responsibilities," she maintained. The secretary noted, however, that issues exist that "complicate" U.S. cooperation with China, especially Taiwan. In answers to questions, Rice described China as an uncertain "new factor" in international politics that could "take a turn for the better" or "for the worse." Moreover, she emphasized the importance of U.S. relations with Japan, South Korea, and India in creating an environment that encourages China to play a positive role, rather than developing "untethered, simply operating without that strategic context." Managing China's military buildup, Rice said, requires the maintenance of strong alliances and ensuring that "America's military forces are second to none."

Rice discussed a broad range of issues with Chinese President Hu Jintao, Premier Wen Jiabao, State Councilor Tang Jiaxuan, Foreign Minister Li Zhaoxing, and Vice Premier Wu Yi. Both sides underscored the importance of their bilateral relationship and endorsed the further expansion of China-U.S. cooperation. Persuading China to use its leverage over North Korea to re-engage earnestly in the Six-Party Talks was Rice's top priority. She made the case that stability on the Korean Peninsula and possession of nuclear weapons by North Korea are incompatible, but there were no signs that she convinced Chinese officials that achieving the intertwined goals of security stability and eliminating Pyongyang's nuclear weapons require Chinese pressure. Taiwan and cross-Strait relations, economic and trade ties, and U.S. concerns about human rights and religious freedom in China were also discussed. Arriving in Beijing on Palm Sunday, Rice attended a church service, which she characterized as a very "moving experience." China muted its objections, in part due to the Bush administration's decision the week prior to Rice's arrival to not propose a resolution condemning China's human rights at the annual session of the 53-nation UN Human Rights Commission.

North Korea: Shared Goals, Divergent Approaches

In early February, President Bush dispatched an emissary to see China's President Hu, urging him to intensify diplomatic pressure on North Korea to give up its nuclear weapons programs. The emissary delivered a letter from Bush that underscored the heightened urgency of the problem in the wake of new evidence that Pyongyang had reprocessed 8,000 spent fuel rods and transferred to Libya uranium hexafluoride, a gas used to make weapons-grade uranium.

Following North Korea's Feb. 10 announcement that it had produced nuclear weapons and would boycott the Six-Party Talks aimed at resolving the nuclear standoff, U.S. ambassador to South Korea and soon to be confirmed Assistant Secretary for East Asian Affairs Christopher Hill visited China to consult with Chinese officials. Hill met with International Liaison Department head Wang Jiarui just prior to Wang's departure for Pyongyang where he delivered an oral message from Hu Jintao to North Korean President Kim Jong-il that denuclearization of the Korean Peninsula through the Six-Party Talks serves both Chinese and North Korean interests. Ning Fukui, China's special envoy for the Korean Peninsula nuclear question, subsequently traveled to Washington in early March to brief U.S. officials on Wang's discussions in Pyongyang.

In five phone calls in January, February, and early March, Secretary Rice also urged Chinese Foreign Minister Li Zhaoxing to apply strong pressure to get North Korea back to the negotiating table. Li, in turn, attempted to convince Rice to open bilateral talks with Pyongyang and take concrete steps to address legitimate North Korean security concerns. Both agreed on the goal of eliminating nuclear weapons from the Korean Peninsula.

At every stop on her six-nation Asian tour, Rice exhorted China to be more forceful with North Korea. At Sophia University in Tokyo, she noted that, "China has a particularly important opportunity and responsibility" to convince North Korea "that the time has come for a strategic decision." And in Beijing, she declared that "China, in particular, has an important role to play in convincing North Korea that the best way for it to seek improved relations with the rest of the world is to return to the negotiating table and end its nuclear ambitions." To Rice's disappointment, Chinese leaders insisted that reducing economic assistance to North Korea would be counterproductive and maintained that the key to reviving the flagging Six-Party Talks resides in Washington, not in Beijing. Nevertheless, Rice's statements while traveling acknowledging North Korea's existence as a sovereign state, reiterating that the U.S. does not plan to attack or invade North Korea, and expressing U.S. willingness to talk bilaterally within the framework of the Six-Party Talks earned Beijing's appreciation and the Chinese pledged to talk to the North Koreans again, without suggesting that they would apply any additional pressure.

But no headway was made toward resumption of the Six-Party Talks when North Korean Premier Pak Pong-ju visited China just days after Rice departed Beijing. There were rumors at the end of the quarter that China would send a second special envoy to North Korea in April or May or possibly President Hu would accept an invitation from Kim Jong-il and seek to break the impasse by himself, although such an effort could be risky. Suggesting continued adherence to Beijing's even-handed approach, China's Foreign Ministry spokesman blamed the lack of trust and communication between Washington and Pyongyang for hindering progress and called for more concrete action from both capitals.

Disagreements over China's Anti-Secession Law

After Taiwan's Dec. 2004 Legislative Yuan elections in which the pan-blue opposition retained a majority of seats, China's National People's Congress (NPC) announced that a draft anti-secession law would be submitted for deliberation later that month and enacted in March. The decision took Washington by surprise. To explain the reasoning behind the law and its contents to U.S. officials and Congress, Beijing dispatched Taiwan Affairs Office Director Chen Yunlin to Washington D.C. in early January. Chen refused to provide a copy of the draft legislation to the U.S., claiming that Chinese law forbids doing so, but he provided a detailed briefing, which he indicated was aimed at helping to alleviate U.S. doubts and misunderstanding and to convince the U.S. to support the legislation in the interests of maintaining peace and stability in the Taiwan Strait and the Asia-Pacific region as a whole.

After Chen's meetings with Deputy Secretary of State Richard Armitage and then Deputy National Security Adviser Stephen Hadley, a State Department spokesman indicated the U.S. would refrain from commenting on the law until the text was released. U.S. officials likely concluded that Beijing's decision to pass the law could not be reversed and calculated that conveying U.S. concerns about the legislation privately, rather than publicly, held out the greatest hope that China might revise clauses that were most objectionable and could reignite cross-Strait tensions. Quiet consultations continued the following month when NSC Senior Director for Asia Michael Green and Deputy Assistant Secretary of State Randall Schriver met with Chen in Beijing.

On March 8, Wang Zhaoguo, vice chairman of the Standing Committee of the National People's Congress, issued a lengthy explanation of the draft anti-secession law to the NPC deputies. Although Wang did not release the text, the law's main provisions were included in his remarks. The White House seized the opportunity to describe the law as "unhelpful" and running "counter to recent trends toward a warming in cross-Strait trends relations." The spokesman called on China to reconsider passing the law, noting that the Bush administration "oppose[s] any attempts to determine the future of Taiwan by anything other than peaceful means" and opposes "any attempts to unilaterally change the status quo."

Despite some last-minute changes in wording to make the text more palatable to Taipei and Washington, China failed to head off criticism from the U.S. when the NPC passed the anti-secession law March 14, although U.S. officials expressed only mild disapproval. The State Department spokesman described the law's adoption as "unfortunate," noting that it "really does not serve the cause of peace and stability in the Taiwan Strait." Congress reacted far more harshly, however. The House overwhelmingly passed a resolution (424-4) expressing the "grave concern" of Congress and calling upon the U.S. government to reaffirm its policy that the future of Taiwan should be resolved by peaceful means and with the consent of the people of Taiwan.

During Secretary Rice's meetings in Beijing, Chinese leaders once again attempted to explain that the anti-secession law was intended to secure peace, not promote war. Rice was not convinced, however, and told the press that the law was "not a welcome development" because it was unilateral and increased cross-Strait tensions. In addition, the secretary revealed that she had encouraged Chinese leaders to take measures in the wake of the law's passage aimed at easing cross-Strait strains.

Intellectual Property Rights, Textiles, and China's Currency

Outgoing U.S. Secretary of Commerce Donald Evans made his fourth visit to China this quarter to attend a China-U.S. roundtable conference on intellectual property rights and met with senior Chinese officials. Prior to his departure from Washington D.C., Evans told reporters "China must forcefully do more to lift barriers to free trade and confront widespread intellectual property theft that is undercutting American workers."

At the conference in Beijing, Chinese Vice Premier Wu Yi provided an update of China's progress in cracking down on infringement of IPR nationwide following the creation of an inter-ministry IPR protection working group last September. In the first two months, according to Wu, Chinese police investigated more than 1,000 cases related to IPR infringement, involving 550 million yuan (about \$66.5 million), meted out punishment in over 9,800 cases of infringement of trademark rights, and confiscated more than 10 million trademarks found to be fake. Wu admitted that it would take time to fundamentally improve IPR protection in China, but pledged that her country would continue to work with other nations and international organizations toward that end.

Evans also had an in-depth exchange of views with Chinese Minister Bo Xilai, on a range of issues in the China-U.S. bilateral economic relationship, including textile exports, protection of intellectual property rights, recognition of China's market economic status, legislation of direct marketing, express mail service, retail sales, an adverse balance of China-U.S. trade, and antidumping. Bo gave Evans a score of 70 percent on his accomplishments in U.S.-China economic relations during his tenure in office.

Pressure on the Bush administration from Congress to take a tougher stance against Chinese economic policies mounted in the early months of 2005. In early February, two U.S. senators submitted a bill that would require the administration to force China to revalue the renminbi upward within six months, and if China did not comply, to levy a special tariff of 27.5 percent on Chinese goods exported to the United States. Congress' U.S.-China Economic and Security Review Commission also held a hearing to garner views of U.S. officials and businessmen on the renminbi exchange rate, the U.S.-China trade deficit, and IPR protection. In January, the Commission released a study on U.S.-China Trade from 1989 to 2003, which concluded that the U.S. trade deficit with China during those years caused displacement of production that supported 1.5 million U.S. jobs, with a doubling of job loss since China entered the World Trade Organization (WTO) in 2001.

The expiration on Dec. 31, 2004 of the decades-old global quota system governing textile and apparel trade led to a surge in imports of Chinese clothing, according to preliminary trade figures from January that were released in mid-March. Textile industry representatives called on the Bush administration to take prompt action to curtail Chinese shipments, which reached \$1.89 billion in January, up 141 percent from the previous month. U.S. importers and retailers argued, however, that imports from other countries, such as Jordan and El Salvador, also soared in January, and that increased imports came at the expense of countries such as South Korea and Taiwan, whose shipments to the U.S. declined by 19 and 27 percent respectively.

Under a special accord reached when China joined the WTO, Beijing agreed to accept the possible imposition of temporary trade barriers against a surge of textile imports from China, but only until 2008. Petitions filed by the U.S. industry with the government last year seeking safeguards in a number of clothing categories were blocked by a court injunction on the grounds that they cite the threat of a surge in imports rather than an actual surge. If data covering a period of several months proves irrefutably that a surge in imports from China has inflicted damage on the U.S. textile and apparel industry, safeguards could be imposed later this year. [On April 4, the interagency Committee for the Implementation of Textile Agreements initiated the safeguards process in the three categories of shirts, blouses, and pants.]

Progress in Military Ties

A small step forward in ties between the U.S. and Chinese militaries was made this quarter with the visit to Beijing of Deputy Under Secretary of Defense Richard Lawless for the first “special policy dialogue.” Among the topics discussed was China’s new Defense White Paper that was issued last December. The U.S. side sought clarification of the explicit identification in the paper of the U.S. and Japan as “complicating factors” in China’s East Asian security environment and the description of the Taiwan situation as “grim.” Lawless also expressed concern about China’s continuing military buildup across the Taiwan Strait.

The two sides exchanged views on ways to clarify “rules of the road” when aircraft and ships encounter each other and deal with emergency situations, issues that the U.S. and China have failed to make progress on in the Military Maritime Consultative Agreement, a bilateral dialogue mechanism created in 1998. The talks remain at an impasse due to Chinese insistence on first settling differences over what constitutes international waters and airspace before addressing procedural and operational matters. The Chinese claim 200 miles off their coastlines, while international norms limit territorial claims to 12 miles. No breakthrough on this issue was made during Lawless’ visit in late January.

Progress was made toward the establishment of a hotline between the two countries’ defense departments that would allow direct communication between the respective tops and bottoms of the two chains of command and, U.S. officials hope, enable rapid diffusion of future clashes such as the mid-air collision that occurred between a Chinese fighter jet and a U.S. reconnaissance plane in April 2001. The U.S. proposed setting up a

hotline a year ago, but was rebuffed by the Chinese. During Lawless' visit, the Chinese indicated a willingness to positively consider the initiative, but said it required further study. Privately, PLA officers say that barriers to moving forward are only "technical" not "political," and they expect China to proceed with establishing the hotline later this year. Washington has similar military-to-military hotlines with at least 40 countries, including every other permanent member of the United Nations Security Council.

This year's program of military-to-military exchanges was also discussed between Lawless and his counterpart Zhang Bangdong, director of the Foreign Affairs Office of the Ministry of National Defense. Visits by top military officials, professional staffs and military educational institutions are on the agenda. A visit by Defense Secretary Donald Rumsfeld, long sought by Beijing, is also under discussion. Although no final commitment has been made and no dates have been set for a visit, Secretary Rumsfeld has expressed interest in traveling to China before the end of the year. No explicit preconditions have been set for his visit, but U.S. defense officials say they hope to arrange a tour of the PLA's Western Hills Command Center, a secret underground facility that has not been visited previously by foreigners, to advance the Pentagon's objectives of transparency and reciprocity in the bilateral military relationship.

In his meeting with Lawless, Deputy Chief of the PLA General Staff Xiong Guangkai noted the Chinese side's willingness to promote relations between the two countries' armed forces, which he described as "by and large improving and developing with positive momentum." Xiong also urged the U.S. to faithfully fulfill its commitments to uphold the "one China" policy, adhere to the three China-U.S. communiqués, and oppose independence."

U.S. and Japan Spotlight China's Military Buildup

U.S. concern about China's military buildup and its proliferation activities figured prominently this quarter in Bush administration policy statements, prompting applause from U.S. conservatives who remain mistrustful of China and generating renewed worries in Beijing about the prospects for preserving stable relations with the United States in Bush's second term. Speaking in Tokyo in early February, Under Secretary of State John Bolton announced that the U.S. would join forces with Japan to restrain sales of arms to China, citing Israel and Russia as targets of concern. He warned against China's growing military capability, which, he asserted, is having an impact on strategic stability in East Asia that "is too important to ignore." Bolton also criticized continuing exports of missile technology and related parts by Chinese state-owned companies to Iran, Pakistan, North Korea, and Libya and revealed that the Bush administration had imposed sanctions against Chinese entities 62 times in its first four years in office.

At congressional hearings in mid-February, senior U.S. defense and intelligence officials testified on China's military modernization. CIA Director Porter Goss told the Senate Select Committee on Intelligence that "Improved Chinese capabilities . . . threaten U.S. forces in the region" and are "tilting the balance of power in the Taiwan Strait." DIA Director Vice Adm. Lowell E. Jacoby reported on developments in China's ballistic and

cruise missile capabilities and continuing sales of WMD and missile technologies by Chinese companies, and suggested that Beijing is seeking to counterbalance U.S. influence globally, noting that “Beijing may also think it has an opportunity to improve diplomatic and economic relations, to include access to energy resources, with other countries distrustful or resentful of U.S. policy.”

Secretary of Defense Rumsfeld provided an update to the Senate Armed Services Committee on China’s military modernization, with a focus on its increasing naval capabilities. He acknowledged that China’s growing capabilities are an issue that the Department of Defense “thinks about and is concerned about and is attentive to.” While the U.S. hopes that China becomes a constructive force in Asia and a constructive player globally, Rumsfeld cautioned that China faces competing pressures between its desires to grow and preserve a “dictatorial system.” “There’s a tension there . . . we need to be attentive to it,” he stated. The newly appointed commander of U.S. forces in the Pacific, Adm. William J. Fallon, echoed Rumsfeld’s apprehension about China’s military expansion and intentions, asking rhetorically what the motivations are behind “this pretty obvious building of military power?”

To Beijing’s dismay, the U.S. and Japan agreed on a new joint security statement, which for the first time identified the promotion of a “peaceful resolution of issues concerning the Taiwan Strait” among the two countries’ “common strategic objectives.” The Joint Statement of the U.S.-Japan Security Consultative Committee, issued Feb. 19, also called on China to increase transparency in its military affairs and recognized the importance of developing “a cooperative relationship with China, welcoming the country to play a responsible and constructive role regionally as well as globally.”

China’s Foreign Ministry spokesman expressed “grave concern” about the joint statement and termed the inclusion of Taiwan in the joint statement as “inappropriate.” He warned further that the U.S.-Japan security alliance should not exceed the scope of a bilateral arrangement. China’s *Xinhua News Agency* accused Japan and the U.S. of “interfering with China’s internal affairs and setting an impediment to its great cause of reunification.” The inclusion of Taiwan, as well as the Korean Peninsula, in the U.S.-Japanese security cooperation mechanism “has breached a bilateral framework,” *Xinhua* charged, and signaled that the alliance is “set for substantial changes.”

To Lift or Not to Lift?

The U.S. and China continued to spar over whether the arms embargo imposed on China by the European Union in 1989 after the Tiananmen atrocities should be lifted or remain in place. Both the Bush administration and Congress warned that lifting the embargo would send the wrong signal to China, especially given its recent passage of the anti-secession law and increase in military spending. The House of Representatives passed a resolution Feb. 2 urging the EU to maintain the embargo by an overwhelming vote of 411-3. Bolstered by the House vote, President Bush declared in Brussels that there is “deep concern in the U.S. that the transfer of weapons would ... change the balance of relations between China and Taiwan” and put the Europeans on notice that “Congress

will be making the decision on how to react.” While traveling in Asia, Secretary Rice advised the EU to “do nothing to contribute” to the possibility that Chinese forces might turn European technology on Americans, who have acted as the “security guarantor” in the Pacific.

China lobbied intensively for lifting the ban, dispatching Foreign Minister Li to Europe in mid-March to meet with EU officials. Li called the embargo “political discrimination” that is “obsolete, useless and harmful,” and out of step with China’s positive relationship with the EU. Chinese scholars privately voiced skepticism that U.S. opposition to removing the embargo was driven by concern about an imbalance in the Taiwan Strait. Rather, they suggested that Washington seeks to block China’s emergence as a great power and forestall a potential alignment of Europe and China against the United States.

Strong U.S. pressure and China’s anti-secession law sparked renewed opposition in European parliaments and produced new fissures among European states, which led to speculation toward the end of the quarter that the decision to remove the embargo would be postponed. It remains to be seen, however, if this temporary victory for the Bush administration will last, since France and Germany remain committed to lifting the ban.

Looking Forward

As George W. Bush’s first term in office ended and transitioned relatively seamlessly to his second term, U.S.-Chinese relations remained an intricate web of cooperation and long-term mutual distrust. Beijing is unnerved by Washington’s efforts to bolster its regional alliances and relationships to more effectively shape the strategic environment in which China rises. The fall of governments in Georgia, Ukraine, and Kyrgyzstan have revived concerns among many Chinese of U.S. encirclement. Pressure on China’s new leadership to assume greater responsibility for securing the denuclearization of the Korean Peninsula is also not welcomed by Beijing. The U.S. continues to view China as an uncertain factor in regional and international politics, and remains on guard against the danger of Chinese miscalculation on Taiwan. China’s military buildup is increasingly worrisome to Washington, especially amid the possibility of renewed cross-Strait tensions.

Yet the two countries also have important shared interests and see benefits in expanding their cooperation where their interests overlap. The list of interests is long and growing. It includes promoting trade and investment; reducing tensions in regions in crisis and grappling with failed states; fighting poverty and disease, and environmental degradation; and countering proliferation and terrorism. In the next few months, the U.S. and China will begin a global dialogue on strategic issues. An initiative proposed by Hu Jintao to President Bush in Santiago, Chile last September, this bilateral mechanism will be headed by Deputy Secretary of State Robert Zoellick and his Chinese vice-ministerial counterpart. The talks are expected to include both regional issues of mutual concern, such as the Middle East, Sudan, Haiti, South Asia, North Korea, and Taiwan, as well as transnational and global questions like energy and UN reform. These high-level discussions will provide greater opportunities not only to exchange views on regional and

global security, but also to develop an action-oriented agenda to conduct more meaningful and effective cooperation.

Chronology of U.S.-China Relations^{*} **January-March 2005**

Jan. 3, 2005: *Federal Register* reports that penalties were imposed on eight Chinese entities under the Iran Nonproliferation Act for the transfer to Iran of equipment and technology that have the potential to make a material contribution to the development of weapons of mass destruction or cruise or ballistic missiles.

Jan. 4, 2005: Taiwan Affairs Office Director Chen Yunlin arrives in Washington for talks with U.S. officials and members of Congress about the proposed anti-secession law.

Jan. 6, 2005: Under Secretary of Commerce Grant Aldonas says in Hong Kong that economic and trade relations between the U.S. and China have never been better and that China is now a very open market.

Jan. 6-16, 2005: Rep. J. Randy Forbes leads a House delegation to China and South Korea to assess military and economic trends in those countries and their effect on American relations.

Jan. 11-13, 2005: Rep. Tom Lantos of the House International Relations Committee visits China and meets with State Councilor Tang Jiaxuan, Vice Foreign Minister Zhou Wenzhong, and Chinese Ambassador in Charge of the Korean Peninsula issue Ning Fukui.

Jan. 11, 2005: Outgoing Secretary of Commerce Donald L. Evans arrives in Beijing for a China-U.S. roundtable conference on intellectual property rights. He meets Chinese leaders including Wen Jiabao, Wu Yi, and Bo Xilai and discusses China-U.S. trade, economic relations, and other related issues.

Jan. 11, 2005: U.S.-China Economic and Security Review Commission releases “U.S.-China Trade, 1989-2003: Impact on Jobs and Industries, Nationally and State-by-State.”

Jan. 12, 2005: Chinese Defense Minister and Central Military Commission Vice Chairman Cao Gangchuan meets delegation from House Armed Services Committee and expresses hopes for stable progress in U.S.-Chinese military relations.

Jan. 15, 2005: U.S. congressional delegation, headed by Curt Weldon, meets Vice Chairman of the Standing Committee of National People’s Congress (NPC) Cheng Siwei and others to discuss China-U.S. relations, cooperation between the legislative bodies of the two countries, and the North Korea nuclear issue after a visit to Pyongyang.

^{*} Compiled by Cheng Sijin, CSIS intern and Ph.D candidate, Boston University.

Jan. 17, 2005: Wu Bangguo, chairman of the Standing Committee of the NPC, meets a delegation of the U.S. Committee of 100 and expresses his appreciation of the latter's efforts to promote exchange and friendship between the Chinese and American people.

Jan. 18, 2005: Foreign Ministry Spokesman Kong Quan reiterates Chinese government's opposition to any form of proliferation of weapons of mass destruction and adherence to its commitments at a press conference. Kong objects to arbitrary sanctions by the U.S. on Chinese companies based on its domestic laws.

Jan. 19, 2005: National Security Adviser Condoleezza Rice says at her confirmation hearing for secretary of state that the U.S. is building "candid, cooperative and constructive" ties with China that embrace common interests but still recognize the considerable differences about values.

Jan. 31, 2005: First special policy dialogue between the Chinese Ministry of Defense and its U.S. counterpart begins in Beijing. Topics include U.S. global military deployment, China's military modernization, Taiwan, and maritime military security.

Jan. 31, 2005: Chinese FM Li talks with Secretary Rice over the phone, and Rice reaffirms U.S. stance on resuming the Six-Party Talks on the Korean Peninsula.

Jan. 31-Feb. 1, 2005: Deputy Assistant of Defense Lawless visits Beijing for the first U.S.-China policy dialogue between the U.S. and Chinese militaries. He meets with Deputy Chief of the General Staff Xiong Guangkai.

Feb. 1, 2005: NSC senior officials Michael Green and William Tobey begin talks in Beijing that focus on North Korean nuclear weapons programs amid reported new evidence that North Korea exported nuclear material to Libya.

Feb. 2, 2005: House passes resolution urging the EU to maintain its arms embargo on China by a vote of 411-3.

Feb. 3, 2005: Sen. Charles Schumer and others introduce a bill to authorize appropriate action if negotiations with China regarding China's undervalued currency are not successful, which is read twice and referred to the Committee on Finance.

Feb. 9, 2005: Rep. Bernard Sanders and others introduce a bill to withdraw normal trade relations treatment from Chinese products; it is referred to the Committee on Ways and Means.

Feb. 12, 2005: Chinese FM Li talks with Secretary Rice over the phone, exchanging views on the North Korean nuclear issue.

Feb. 15, 2005: Robert Zoellick, during his confirmation hearing as deputy secretary of state, slams China's planned anti-secession law before saying that it moves in the "other direction" of U.S. goals for a peaceful settlement of cross-Strait issues.

Feb. 16, 2005: Rep. Thomas Tancredo and others submit a resolution expressing the sense of Congress that the U.S. should resume normal diplomatic relations with the Republic of China on Taiwan; it is referred to the Committee on International Relations.

Feb. 16-17, 2005: U.S. intelligence officials provide testimony on current and projected national security threats to the United States, held by the Senate Select Committee on Intelligence. Secretary of Defense Donald Rumsfeld addresses questions on China in testimony to both the House and the Senate Armed Services Committees.

Feb. 19, 2005: U.S.-Japan Security Consultative Committee issues a joint statement in Washington vowing to strengthen security and defense cooperation. The two sides list encouraging the “peaceful resolution of issues concerning the Taiwan Strait” as one of their common strategic objectives.

Feb. 22, 2005: Chinese FM Li and Secretary Rice exchange views on the Korean Peninsula nuclear issue during a phone conversation. Both agree that the Six-Party Talks should be resumed as early as possible.

Feb. 23-24, 2005: The fourth meeting of the U.S.-China Joint Liaison Group on Law Enforcement is held in Beijing to further cooperation in such fields as anti-narcotics, illegal emigration and antiterrorism.

Feb. 23, 2005: Former President Bill Clinton travels to China on a goodwill mission visiting AIDS patients at a Beijing hospital and signs an agreement with the Chinese Health Ministry to provide more than \$70,000 worth of drugs.

Feb. 24, 2005: China chides former President Clinton for his upcoming visit to Taiwan, saying he should know how to act to honor a series of promises that the past U.S. governments, including his, made to the Chinese government on Taiwan.

Feb. 28, 2005: State Department releases report on global human rights practices in 2004 and calls China’s human rights record a top concern of the Bush administration.

March 3, 2005: China issues its annual report on human rights in the U.S., accusing Washington of committing widespread rights violations.

March 4, 2005: FM Li and Secretary Rice discuss China-U.S. relations over the phone and exchange views on furthering constructive and cooperative bilateral relations.

March 4, 2005: A poll of 1,175 families in five major Chinese cities finds that 71 percent of the respondents have a positive view of Americans, but 57 percent also believe that America is trying to limit China’s advancement.

March 6, 2005: Chinese FM Li, at an NPC press conference, warns the U.S. and Japan not to go beyond the bilateral scope of their alliance and include Taiwan directly or indirectly into their security framework.

March 8, 2005: China's special envoy handling the North Korean nuclear crisis Ning Fukui heads to the U.S. to try to break the deadlock in six-nation talks.

March 8, 2005: Washington calls on Beijing to reconsider passage of its anti-secession law, calling it unhelpful.

March 8, 2005: Chinese FM Li holds a phone conversation with Secretary Rice at the latter's request. The two sides exchange views on the Six-Party Talks, Taiwan, and consultation and coordination between the two countries in international organizations.

March 8, 2005: Adm. William Fallon, commander of the U.S. Pacific Command, calls China's proposed anti-secession legislation disconcerting and expresses concern about China's increase in military capabilities at a Senate Armed Services Committee hearing.

March 9, 2005: China's Lenovo Group wins U.S. government clearance for its \$1.25 billion purchase of IBM's PC unit, overcoming national security concerns.

March 9, 2005: Commander of U.S. forces in Latin America Gen. Bantz Craddock tells House Armed Services Committee that the U.S. must carefully watch China's increasing economic and military presence in the region, although it is not a threat to the U.S.

March 10, 2005: Stephen Rademaker, assistant secretary of state for arms control, tells U.S.-China Economic and Security Review Commission that Beijing has taken important steps to strengthen nonproliferation laws and policies, but it needs to be more effective and consistent about enforcing them because "unacceptable proliferant activity continues."

March 14, 2005: China's National People's Congress passes anti-secession law, which the U.S. says is contrary to current positive trends in cross-Strait relations.

March 16, 2005: Chinese VP Zeng Qinghong talks with counterpart VP Dick Cheney over the phone to exchange views on issues relating to the World Bank.

March 16, 2005: U.S. House of Representatives passes a resolution by a vote of 424-4 condemning China's anti-secession law.

March 17, 2005: U.S. says it would not seek China's censure at the current session of the U.N. Human Rights Commission in Geneva. The decision comes as China announces the freeing of a prominent Uighur political prisoner, Rebiya Kadeer, days before Secretary Rice arrives in Beijing.

March 19, 2005: Secretary Rice delivers an address at Sophia University in Tokyo, Japan, in which she discusses China.

March 20, 2005: Rice says at a news conference in Seoul that European weapons technology should not be used by China to expand its military and warns against lifting the EU arms embargo to China.

March 20-21, 2005: Rice visits Beijing and meets with Chinese President Hu Jintao, Premier Wen Jiabao, FM Li, Vice Premier Wu Yi, and State Councilor Tang Jiaxuan.

March 20, 2005: Rice attends a church service in Beijing to highlight U.S. concern for religious freedom, following denunciations of Beijing's human rights record and particularly its restrictions on worship.

March 28, 2005: *USS Blue Ridge*, an amphibious command and control ship of the U.S. Seventh Fleet, arrives at Zhanjiang port in South China's Guangdong Province, kicking off a three-day goodwill visit.

March 28, 2005: Department of State releases "Supporting Human Rights and Democracy: The U.S. Record 2004-2005" which notes that China's human rights record remains poor and the government continues to commit numerous and serious abuses.

March 29, 2005: U.S. Pacific Commander Adm. William J. Fallon expresses concerns about China's military buildup in an *Associated Press* interview in Manila, Philippines.

March 30, 2005: Office of the U.S. Trade Representative releases the "National Trade Estimate Report on Foreign Trade Barriers" and criticizes "epidemic levels" of counterfeiting and piracy in China that seriously harm U.S. businesses. The report notes that the U.S. government is conducting a review of China's protection of IPR, which may result in action at the WTO.

U.S.-Korea Relations:
Tensions Rise Over Sticks and Carrots

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Shortly after a U.S. official briefed South Korea, Japan, and China on North Korea's clandestine sales of processed uranium to Libya, North Korea declared in early February that it possessed nuclear weapons and would indefinitely suspend its participation in the Six-Party Talks. Seeking to keep alive the nuclear negotiations, both the U.S. and South Korea downplayed Pyongyang's announcement. But in the following days, media leaks indicated that Vice President Richard Cheney pressed Seoul to turn down North Korea's request for a large quantity of fertilizer and sought to suspend Seoul's participation in a joint industrial project at Kaesong, just north of the demilitarized zone.

When South Korea resisted the U.S. request, the Bush administration called for "coordinated approaches" to North Korea, diplomatic code words for Seoul to support the U.S. position. South Korean President Roh Moo-hyun indirectly responded by emphasizing the equality of South Korea with the U.S. in their alliance relationship.

In late February, North Korea's leader Kim Jong-il told a high-level Chinese delegation that North Korea would return to the Six-Party Talks when conditions are "mature" and "suitable." Kim emphasized once again that the U.S. would have to show "no hostile intent" before it could expect Pyongyang to rejoin the negotiations.

Visiting the region in the latter part of March, U.S. Secretary of State Condoleezza Rice urged North Korea to return to the Six-Party Talks. In her bilateral meetings, she said the U.S. would pursue unspecified "other options in the international system" if Pyongyang continues to refuse to negotiate.

U.S. and South Korean defense negotiators could not reach agreement this quarter on the amount of Seoul's contribution to the cost of keeping U.S. troops in Korea. The two countries remained wide apart in their demands, with South Korea asking for a 50 percent cut in its share and the U.S. requesting a 10 percent increase.

This quarter South Korea became ranked as the 10th largest economy in the world, based on 2004 gross domestic product. Despite an ongoing dispute over South Korea's refusal to import U.S. beef, American and South Korean trade officials conducted two working-level meetings in their early efforts to conclude a bilateral free trade agreement.

North Korea Suspends Participation in the Six-Party Talks

As 2005 opened, North Korea laid down a clear diplomatic marker that it would not rejoin the Six-Party Talks without at least a rhetorical shift in U.S. policy. Fearing the dominance of Bush administration hardliners bent on “regime change” in North Korea, Pyongyang called on the U.S. to formally drop its “hostile policy.”

In part, this effort seemed to be a further delaying tactic since the U.S. had on previous occasions made clear it had no intent to attack North Korea and would provide security assurances to Pyongyang in the context of an agreement on the nuclear issue. Nevertheless, the demand betrayed North Korea’s fundamental insecurity about Washington’s intentions as well as its need for reassurance that giving up its nuclear weapons would not open it to attack.

A congressional delegation led by Rep. Curt Weldon visited North Korea for several days in mid-January. After meeting with senior officials, including Prime Minister Kim Yong-nam, Rep. Weldon announced optimistically that North Korea would rejoin the Six-Party Talks “in a matter of weeks.” The congressional delegation reportedly went to great lengths to reassure North Korean officials of U.S. intentions to resolve the nuclear dispute in a peaceful, diplomatic manner. While the discussions were said to be friendly, Rep. Weldon later revealed that North Korean officials had claimed to the visiting congressmen that North Korea possessed nuclear weapons, its most forthright acknowledgement of this capability to date.

At a confirmation hearing on Jan. 19, Secretary-designate Rice generally avoided verbal attacks on the North Korean regime in her testimony. But in discussing the Bush administration’s desire to spread freedom and democracy through its foreign policy, Rice called North Korea an “outpost of tyranny,” language that Pyongyang cited throughout the quarter as continuing evidence of Washington’s “hostile intent.”

Possibly out of impatience with North Korea’s delaying tactics or simply to strengthen the resolve of its negotiating partners, the Bush administration, in early February, dispatched National Security Council senior Asia director Michael Green to brief Japanese, South Korean, and Chinese officials on new and disturbing intelligence findings. As revealed by *The New York Times*, Green informed these officials of evidence that North Korea had previously exported processed (though not highly enriched) uranium to Libya. Green apparently sought to show that Pyongyang had crossed a critical red line in U.S. policy by supplying materials for building nuclear weapons to a third country. The Bush administration reportedly decided in the fall of 2004 that such actions could justify either United Nations sanctions or even a punitive U.S. military response.

The leaked intelligence report on North Korean sales of processed uranium to Libya instigated two reactions that shaped overall diplomacy on the nuclear issue through the end of the quarter. Following the report, North Korea declared officially that it possessed nuclear weapons and would indefinitely suspend its participation in the Six-Party Talks.

For its part, the U.S. pressed South Korea to suspend aid and a joint industrial project with North Korea in Kaesong as a form of sanction. When South Korea resisted U.S. pressure, it created new and significant tension in alliance relations.

Immediately following North Korea's startling announcement, both the U.S. and South Korea tried to downplay its significance. White House spokesman Scott McClellan said "we've heard this kind of rhetoric from North Korea before; it's not the first time." Secretary Rice emphasized the need to consult with allies and restated that North Korea would receive multilateral security assurances if it gave up its nuclear weapon program.

South Korea's foreign minister, Ban Ki-moon, stressed his government still did not have a "clear picture" of Pyongyang's nuclear capabilities and Unification Minister Chung Dong-young said it was "too early" to call North Korea a nuclear weapons state.

Although Washington and Seoul offered similar public commentaries on North Korea's announcement, they apparently differed significantly on whether to bring new pressures to bear on Pyongyang. From media leaks, it appears that the Bush administration, and Vice President Cheney in particular, wanted South Korea to refuse Pyongyang's recent request for 500,000 tons of fertilizer and suspend construction at the Kaesong industrial zone inside North Korea. (At the Kaesong site, not far north of the demilitarized zone, approximately 15 South Korean companies are currently establishing operations, the first phase in a development that will ultimately involve hundreds of firms).

South Korea took the position, however, that it should proceed with the fertilizer shipment on a "humanitarian" basis and that the Kaesong project should continue normal operations. Foreign Minister Ban made clear Seoul's calculations when he said "the pilot program for the Kaesong project will go on unless the situation deteriorates further. We have a settled policy of seeking solutions to the nuclear issue and developing inter-Korean relations at the same time." Ban allowed that Seoul might consider unspecified followup measures if the situation became worse.

Tensions in the Alliance

Seoul's decision to rebuff the U.S. request to put pressure on North Korea gave rise to tensions between the allies that continued through the quarter. U.S. policymakers questioned the seriousness of Seoul's commitment to eliminating North Korea's nuclear capability. They believed Seoul was now prepared to undercut the common alliance interest in countering this nuclear threat if this was necessary to keep inter-Korean reconciliation on track. They resented the notion that South Korea had apparently put its good relationship with Pyongyang on par with its alliance obligations to the United States.

For its part, South Korea reached its decision to avoid putting pressure on Pyongyang by using a policy framework of "balancing" the nuclear issue with inter-Korean reconciliation. Foreign Minister Ban and President Roh explicitly referred to this balancing process in their public statements. After the U.S. called for "coordinated

approaches” with South Korea on dealing with Pyongyang (in effect, seeking South Korea’s support for the U.S. position), President Roh stressed that South Korea and the U.S. should be on “equal footing” in the alliance, implying that South Korea would continue to maintain a view at odds with the U.S. position.

Some South Korean officials, such as Speaker of the National Assembly Kim Won-ki, tried to cover the differences with the U.S. by saying the allies agreed on the same policy end – a nonnuclear North Korea – but had different views on how to achieve that goal. Speaker Kim and others asserted that putting pressure on North Korea was the equivalent of a hardline policy at odds with the efforts to achieve a “peaceful, diplomatic solution” to the nuclear crisis.

U.S. diplomats seeking just such a peaceful outcome reacted by questioning South Korea’s willingness to achieve a diplomatic resolution of the nuclear issue. They pointed out that any diplomatic negotiation requires both incentives and disincentives – carrots and sticks – for success, and Seoul’s reluctance to suffer a short-term setback in inter-Korean relations made a diplomatic approach extremely difficult. They noted the irony that Seoul was hobbling the very diplomatic process it claimed was necessary for a peaceful solution, opening the way for U.S. hardliners to insist on imposing tougher measures on Pyongyang. In the end, they argued, Seoul’s “misguided” balancing efforts could result in complete policy failure – acquiescing to a nuclear North Korea, significantly ramping up the tensions on the Korean Peninsula through the imposition of international sanctions, and weakening the U.S.-South Korea alliance.

When South Korea’s conservative opposition leader Park Geun-hye later visited the U.S., she called for Seoul to put additional pressure on Pyongyang to return to the Six-Party Talks (in line with the prevailing U.S. position), but coupled her view with a request that the U.S. also offer “bold incentives” to Pyongyang. Park highlighted what many observers, both in the U.S. and South Korea, saw as the biggest shortcoming in Bush administration policy – an unwillingness to offer significant incentives to Pyongyang for fear of seeming to “appease” the North Korean regime. This administration reluctance (largely driven by domestic U.S. politics) clashed with the widely accepted view among professional diplomats in the U.S., Japan, South Korea, China, and Russia that significant incentives were necessary to strike a deal with Pyongyang on eliminating its nuclear program.

Despite the tension between Seoul and Washington over the best way to bring North Korea back to the talks, both agreed on the importance of China’s role. As early as mid-February, Seoul pressed Beijing to offer “additional incentives” to Pyongyang, and the U.S. reportedly asked China to assert its significant leverage against the recalcitrant regime. When a high-level Chinese delegation visited North Korea in late February, Kim Jong-il reportedly said his country would return to the Six-Party Talks when conditions are “mature” and “suitable.” It was later reported that North Korea’s leader laid down several requirements before this could occur, most notably that the U.S. declare it has “no hostile intent” toward Pyongyang.

During their late February trilateral meeting on the nuclear issue, delegates from the U.S., South Korea, and Japan discussed but did not resolve their differences on the right mix of pressures and incentives to use with North Korea. At the meeting, South Korea achieved a minor victory of sorts by persuading the U.S. to agree to upgrade its bilateral contacts with North Korea in the Six-Party Talks to more substantial bilateral discussions. North Korea has long preferred to negotiate a bilateral resolution of the nuclear issue with the United States, but the Bush administration has rejected this approach in favor of a multilateral negotiation. Later in March, Foreign Minister Ban underscored the significance of this procedural change by stressing the U.S. would treat Pyongyang as an “equal partner” at the next round of talks. North Korea did not indicate during the quarter whether it found this subtle shift in diplomatic posture meaningful.

Trilateral relations were potentially complicated in mid-March when a dispute over the ownership of two tiny islands arose between Japan and South Korea. After a Japanese provincial council declared the islands (known as Tokdo to Korea and Takeshima to Japan) were Japanese territory, Korean nationalists led emotional public demonstrations protesting this claim. President Roh’s popularity rose as he pledged South Korea would defend the islands, a position that effectively strengthened his standing in advance of important National Assembly elections in April. Although the governments of Japan and South Korea said they would insulate their discussions on North Korea from the Tokdo/Takeshima controversy, it was by no means clear they could do so because of inflamed public opinion in both countries.

Secretary Rice’s Visit to Northeast Asia

Toward the end of March, Secretary of State Rice visited Japan, South Korea, and China to discuss a variety of bilateral and regional issues, including how to bring North Korea back to the Six-Party Talks and make progress on the nuclear issue. Rice never publicly mentioned her earlier confirmation hearing testimony when she called North Korea an “outpost of tyranny” and instead went to some pains to call North Korea a “sovereign state,” presumably to show a greater measure of respect and improve the diplomatic atmosphere with Pyongyang. She said once again that the U.S. would give North Korea security assurances in exchange for committing to a process of dismantling its nuclear facilities.

Rice reportedly stressed to South Korean, Japanese, and Chinese officials that the U.S. would seek to put additional pressure on North Korea by using “other options in the international system,” if it does not return to the Six-Party Talks. Her reference to “other options” underscored Washington’s intention to seek UN sanctions against North Korea or to strengthen the Proliferation Security Initiative (PSI) for monitoring North Korean trade if the six-party negotiations remain stalemated.

Rice offered no public comment on a *Washington Post* report in late March that the U.S. had passed misleading intelligence to its negotiating partners, earlier in the quarter, on North Korea’s alleged sales of processed uranium to Pakistan. According to the *Post* article, the intelligence revealed only that North Korea sold the material to Pakistan, a

close U.S. ally in the war on terrorism, and that Pakistan then transferred it to Libya. After this story appeared, South Korean newspapers sharply criticized the U.S. for providing false information designed to show Pyongyang had crossed a diplomatic “red line” by transferring nuclear material to a Libya, a one-time rogue state.

Defense Burden-Sharing

Although U.S. and South Korean negotiators met several times during the quarter to discuss Seoul’s contribution to the cost of keeping U.S. troops in Korea, they were unable to reach agreement. Last year, South Korea paid \$623 million to support U.S. troops, but Seoul has currently proposed a smaller amount due to the redeployment and phased reduction of U.S. forces in Korea. For its part, the Pentagon is seeking a 10 percent increase in South Korea’s contribution, based on the cost of modernizing the joint command, control, communications, and computer systems.

One of the few issues on which both the ruling and opposition parties in South Korea wholeheartedly agree is that there should be a “50 percent cut” in South Korea’s burden-sharing obligations for U.S. troops. They argue that Seoul is providing more substantial support for U.S. forces than Japan and Germany. American negotiators cite the case of Japan as justifying their call for South Korea to finance 75 percent of the cost of keeping U.S. troops in the country. As of mid-March, U.S. and South Korean negotiators were reportedly far from an agreement on this issue but hoped to resolve it in the near future.

Economy and Trade

Despite a weak domestic economy now just beginning to recover from a two-year downturn, in this quarter South Korea for the first time became ranked as the world’s 10th largest economy based on its 2004 gross domestic product. With a GDP of \$667.4 billion in 2004, South Korea surpassed Mexico which had an estimated \$663.1 billion GDP. A report from South Korea’s Ministry of Commerce, Industry and Energy showed that the country’s economic growth in 2004 was led by a number of key industries – semiconductors, shipbuilding, steel, information technology, automobiles, and petrochemicals – which successfully raised their global competitiveness.

South Korean and U.S. trade negotiators held two working-level meetings this quarter – the first in February and the second at the end of March – to discuss provisions of a free trade agreement (FTA). The initial obstacle they face is the ongoing inability of the two countries to reach agreement on a Bilateral Investment Treaty (BIT), which the U.S. considers a precondition to a FTA. Conclusion of a BIT has been held up for several years by South Korea’s unwillingness to modify a “screen quota” that protects the Korean movie industry from the competition of Hollywood films.

The only contentious trade issue that drew attention this quarter concerned South Korea’s refusal to resume importing beef from the United States until the meat is proven free of mad cow disease. After Japan announced it was considering reopening its market to U.S. beef before the summer, pressure grew on Korean trade negotiators to follow suit.

President George W. Bush and Canadian Prime Minister Paul Martin have reportedly agreed to work together to push South Korea and Japan to resume beef imports as soon as possible.

Prospects

As the quarter ended, the U.S. upped the ante for Pyongyang by implicitly threatening sanctions against the North Korean regime if it failed to return to the Six-Party Talks. China and South Korea took the opposite tack by focusing on new and more generous incentives Pyongyang would receive in exchange for dismantling its nuclear program. The effect of the combined measures on North Korea's thinking is not yet known but "realists" in Pyongyang may well prevail in arguing that North Korea has nothing to lose by merely continuing negotiations, while remaining away from the talks would only intensify the country's isolation.

The Bush administration bears some responsibility for Pyongyang's withdrawal from the Six-Party Talks by publicizing the claim that North Korea sold processed uranium to Libya. It appears likely that North Korea asserted its status as a nuclear weapon state and suspended participation in the talks on Feb. 10 in response to the U.S. allegation. Even if the U.S. claim is true – which is by no means clear – the news leak forced North Korea's withdrawal to save face politically.

If North Korea continues to resist returning to the Six-Party Talks, it will be incumbent on the U.S. and South Korea to reach agreement on the kinds of incentives and pressures that are necessary for achieving diplomatic progress. If South Korea refuses to discuss possible pressures (for fear of disrupting inter-Korean cooperation) and the U.S. insists on severely limiting incentives to North Korea, this difference in views could create even more serious tension in the alliance.

To resolve this dispute, some experts recommend that South Korea and the United States try to reach an agreement on sequencing diplomatic incentives and pressures in a manner that is conceptually similar to the agreement Washington recently concluded with European Union negotiators who are attempting to eliminate Iran's nuclear program. Under the U.S.-EU understanding, Washington will support the significant incentives that the EU has offered to Iran in exchange for an EU promise to back tough measures proposed by the U.S. if the EU and Iran fail to reach agreement.

Other observers stress that the Six-Party Talks are a test of whether the parties can collectively deal with regional security concerns in Northeast Asia. Since a real promise of the talks is laying the foundation for a broader regional security forum, they believe North Korea should not be allowed to thwart this prospect by suspending its participation. These experts argue that, even in the absence of North Korea, Washington should move swiftly to convert the Six-Party Talks into a broader regional security arrangement focused on stabilizing relations among the other participants – the U.S., China, Japan, Russia, and South Korea. If North Korea chooses to end its isolation then it too would participate.

By adopting this policy, the United States would prevent dangerous balance-of-power politics from taking hold in Northeast Asia and ensure a role for itself in the region's expanding multilateral diplomacy. It would also create a lasting framework for resolving critical political and security issues on the Korean Peninsula.

Chronology of U.S.-Korea Relations January-March 2005

Jan. 1, 2005: North Korea calls for the U.S. to drop its "hostile policy."

Jan. 11, 2005: U.S. congressional delegation begins visit to North Korea.

Jan. 14, 2005: Rep. Curt Weldon says North Korea will join Six-Party Talks "in a matter of weeks," after his delegation meets with officials in Pyongyang.

Jan. 18, 2005: U.S. and South Korean negotiators conduct third round of defense burden-sharing talks in Seoul.

Jan. 19, 2005: At her confirmation hearing, Secretary of State-designate Condoleezza Rice terms North Korea an "outpost of tyranny."

Feb. 1, 2005: U.S. Embassy in Seoul institutes simplified visa procedures for South Koreans seeking to travel to the U.S.

Feb. 2, 2005: National Security Council official Michael Green meets in Seoul with Korean officials on the Six-Party Talks; *The New York Times* reveals classified U.S. intelligence report saying North Korea exported processed uranium to Libya; South Korean and U.S. trade officials conduct first negotiations on a free trade agreement.

Feb. 10, 2005: North Korea announces it has nuclear weapons and will indefinitely suspend participation in the Six-Party Talks.

Feb. 11, 2005: U.S. spokesman downplays North Korean statement on nuclear weapons and says U.S. continues to seek ways to reconvene the Six-Party Talks.

Feb. 12, 2005: South Korean FM Ban says Seoul will continue the Kaesong pilot project and its shipment of fertilizer to North Korea; denies VP Cheney made request to cut aid to Pyongyang.

Feb. 14, 2005: South Korean Unification Minister Chung says it is "too early" to call North Korea a nuclear weapons state.

Feb. 16, 2005: South Korea says China will take "additional initiatives" to persuade North Korea to return to Six-Party Talks.

Feb. 18, 2005: U.S. Ambassador Hill calls for “coordinated approaches” between the U.S. and South Korea on economic and humanitarian aid to North Korea.

Feb. 21, 2005: Kim Jong-il tells visiting Chinese envoy North Korea will return to Six-Party Talks if certain conditions are met.

Feb. 24, 2005: President Roh reaffirms U.S.-South Korea alliance, saying that South Korea will deal with the U.S. on an “equal footing.”

Feb. 26, 2005: At a regular trilateral meeting, the U.S., South Korea, and Japan reportedly agree to offer North Korea substantive bilateral discussions with the U.S., within the Six-Party Talks; KEDO says it is willing to resume energy assistance to North Korea if Pyongyang makes progress in the Six-Party Talks.

March 1, 2005: Japanese newspaper reports four conditions North Korean leader Kim Jong-il presented to Chinese diplomat Feb. 21 for North Korea to rejoin the Six-Party Talks.

March 2, 2005: Chinese Vice FM Wu Dawei urges U.S. flexibility in responding to North Korean demands that the U.S. drop its “hostile policy.”

March 6, 2005: North Korea denounces U.S. Advance Democracy Act as an immoral interference in its domestic affairs.

March 7, 2005: White House spokesman rejects separate bilateral negotiations with North Korea.

March 9 & 12, 2005: President Roh addresses Korea Military Academy’s and Naval Academy’s graduating classes with his vision of long-term South Korean security; touches upon ROK-U.S. alliance, self-defense capabilities, and DPRK nuclearization.

March 10, 2005: In congressional testimony, former U.S. Ambassador to Korea James Lilly calls for the human rights issue to be kept separate from the nuclear issue.

March 13, 2005: Unification Minister Chung rejects Rep. Henry Hyde’s request to reinstate North Korea as South Korea’s “main enemy.”

March 15, 2005: GNP leader Park Geun-hye, visiting Washington, calls on U.S. to offer “bold incentives” to North Korea to resolve nuclear issue; during her Asia trip, Secretary Rice reaffirms six-party framework and rejects “separate deal” with North Korea.

March 19, 2005: In Seoul, Secretary Rice emphasizes North Korea is a “sovereign state” and that the U.S. will not wait “forever” for North Korea to rejoin the Six-Party Talks.

March 20, 2005: *Washington Post* reports U.S. officials distorted intelligence reports that allegedly linked North Korea to sales of processed uranium to Libya.

March 21, 2005: Secretary Rice says she discussed with South Korea, Japan, and China putting pressure on North Korea by using “other options in the international system” if it does not return to the Six-Party Talks.

March 23, 2005: President Bush denies the U.S. has set a firm deadline for North Korea to return to the Six-Party Talks.

March 24, 2005: South Korean FM Ban says the U.S. will treat North Korea as an “equal partner” in the Six-Party Talks.

U.S.-Russia Relations:

A Reassessment or Business As Usual?

Joseph Ferguson
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U.S.-Russia relations continued down a rocky path this quarter. The summit meeting between George Bush and Vladimir Putin in Bratislava in February seemed inconclusive at best. While pundits in the West called on President Bush to be tougher on Putin, critics in Russia urged Putin to not “bow down” to the U.S. Both presidents seem unsure as to which way they are leaning. Both recognize the strategic necessities that dictate a sound and cordial relationship. But they must also keep a wary eye on their domestic critics. Meanwhile, it is clear that the two nations’ agendas in Central Asia and the Middle East are starting to diverge. In East Asia, the two remain committed to the Six-Party Talks, but both Moscow and Washington have a number of unresolved issues in the region that need to be addressed; these issues could affect bilateral relations.

Bush II: the Second Term

After the reelection and inauguration of George Bush to his second term, there was an immediate chorus of calls from the media and from the community of Russia scholars in the West to address Vladimir Putin about the progress of democracy in Russia. Bush has been hesitant to bring up things such as civil society and freedom of the press in Russia, especially when the strategic benefits of cooperation with Moscow are so clear in the war on terrorism. During his first term, Bush relied on National Security Advisor Condoleezza Rice, who counseled a pragmatic approach to Russia, with an emphasis on engagement and cooperation. In January, Rice was nominated and confirmed as secretary of state, but neither she nor the president could any longer ignore calls within the U.S. to get tough with Russia on Chechnya, human rights, and the state of democracy in Russia. It has been speculated that both Vice President Dick Cheney and Defense Secretary Donald Rumsfeld have a much harsher view of Russia than the president or Secretary Rice. Critics in Congress are also numerous, and they probably outnumber those who call for a pragmatic relationship with Moscow.

In partial response to this criticism, but also as a common procedure, the White House in December called for a review of Russia policy. Thomas Graham, senior director for Russia on the National Security Council and a respected Russia expert, led the review, which was concluded in January. According to the *Wall Street Journal*, the review recommended that the United States maintain its policy of engagement and cooperation with Russia, mixed with a light dose of constructive criticism. But in the leadup to the February summit in Bratislava, one editorial after another chided the Bush administration

for turning a blind eye toward Russian actions in Chechnya, for failing to point out Russia's shortcomings as a democracy, and for refusing to use tools such as G-8 and World Trade Organization (WTO) membership as a lever against Moscow. Members of Congress echoed these calls. People who have voiced these concerns include both Democrats and neo-cons. Indeed, the focus of Bush's inauguration and State of the Union speeches was on fostering democracies across the globe. Russia, it is being argued, should be the first test case.

Russian media and the Kremlin took note of this chorus of dissatisfaction in the West and launched their own broadsides against the U.S. and its policy of issuing "double standards" when it comes to Russia. In a column in the daily *Izvestia*, Russian Foreign Minister Sergei Lavrov went so far as to call for an end to the "anti-Russian" bias in the Western media, which he fears is creating the conditions for a new Cold War. Many ordinary Russians scoff at the idea of Putin cracking down on "independent" media. They say that media was never independent to begin with, and has been dominated by business interests and political players since the first years of the Yeltsin presidency. An article in the daily *Nezavisimaya Gazeta* cynically suggested that Moscow look to China as a model on how to conduct relations with the U.S. "Peking's formula for success: when business is good, there is no room for discussion of democracy."

The Bush-Putin summit meeting at Bratislava (in Slovakia) took place in late February, and in spite of the anticipation and the buildup, the two-and-a-half hour meeting was devoid of fireworks. Bush mentioned his concern about democratic development in Russia, although his remarks were, in the words of one journalist, "largely oblique." This is in contrast to his speech in Brussels just prior to the summit in which he lambasted the Russian government for backsliding on democracy. Putin, meanwhile, maintained a stiff upper lip – or bit his lip, depending on whose account one reads. He tersely stated that Russia would never go back on democracy, but that it would follow its own schedule consistent with its historical development.

The two sides could agree on a substantial checklist of cooperative programs that are in the national interest of both nations. These include nuclear material safeguarding and security, Russian WTO membership, energy cooperation in Siberia and the Russian Far East, counterterrorism efforts (including an agreement on the control of MANPADS, portable, shoulder-launched missile systems), space cooperation, and cooperation on the Korean Peninsula. Many analysts (in both countries) concluded that the two sides have plenty to keep them busy in areas of cooperation and that the debates over democracy should best be left to the armchair pundits.

Eurasian Developments

It is clear, however, that strategic issues also divide the thinking among the leadership of both nations. This mainly has to do with the depth of U.S. power and influence in the post-Soviet space. There is an enormous U.S. presence in not only the former Soviet republics, but also in former Soviet satellite states, such as in Eastern Europe and the Middle East.

The issue that has the potential to do the most damage to the U.S.-Russian relationship is not democratic regression, or even the U.S. presence in Central Asia, but the incipient nuclear program of Iran. Moscow appears to have no intention of giving up the cooperative nuclear energy program it has going with Teheran. In February, the Russian government signed an \$800 million contract with the Iranian government for further work at Bushehr. In spite of U.S. and European protests, Moscow seems determined to maintain its working relationship with Tehran. Russia also seems interested in maintaining a cordial relationship with Syria. Syrian President Bashar Assad visited Moscow in January as the United States and the rest of the world were condemning Syria's heavy-handed presence in Lebanon.

Last fall Moscow and Washington had a serious falling out over presidential elections in the Ukraine. The State Department severely condemned the Kremlin's clumsy intervention in the election. But the Kremlin was equally upset with what it considered U.S. "meddling" during the elections. Moscow backed down, and Washington's candidate won. This was a bitter pill for most Russians, and it still is a sensitive topic, as is America's role in all the former Soviet republics, including Georgia, the Baltics, and Central Asia. In all of these regions, a NATO or U.S. military presence has already been established. Perhaps taking a lesson from the Ukraine experience, the government in Moscow was one of the first to welcome the new government in Kyrgyzstan after President Askar Akayev had been deposed in a coup (and fled to Moscow). The outcome of the situation in Kyrgyzstan is still unsure, but both the U.S. and Russia maintain air bases there. As such, Moscow and Washington are more than anything interested in seeing that a peaceful settlement comes about soon.

Elsewhere in Central Asia, the past few months have seen a slight change in the regional orientation. Over the past decade (and especially since Sept. 11), the young nations there have looked to the U.S., albeit in varying degrees, to act as an outside balancer against overwhelming Russian influence. But over the past few months, several of the nations have begun looking back to Russia for a variety of reasons. Kazakhstan has always maintained a cordial relationship with Moscow, and Uzbekistan has begun mending relations with Moscow as well. Most recently, the Kyrgyz government (pre-coup) allowed the Russians to reoccupy an old Soviet air base. Apparently many of the governments in Central Asia are wary about the new U.S. policy aimed at fostering democracy across the globe. The "soft" revolutions in the Ukraine and Georgia have the leaders of the Central Asian nations as nervous as the leaders of Russia. Central Asian nations have begun looking to China for alternative sources of capital to finance the modernization of the energy infrastructure. China has obliged and has started in on a pipeline linking western China with Kazakh oil and gas fields along the Caspian. China has also evinced interest in linking this same pipeline with gas fields in Turkmenistan.

The State of East Asian Diplomacy

China has also been the focus of a recent controversy surrounding U.S.-Russia relations. China and Russia had long before planned on carrying out joint military exercises in the autumn of 2005. It was assumed that the exercises would take place in Xinjiang (far western China), where they would have a counterterrorism focus, and where the Russians could utilize their air base in Kant, Kyrgyzstan. In March, in the wake of the anti-secession law, the Chinese leadership announced that the exercises would take place opposite Taiwan, and would involve amphibious ships and anti-submarine exercises. Russian Chief of General Staff Yuri Baluyevsky traveled to Beijing to let the Chinese leadership know that the Russian Armed Forces was in no way about to become a “pawn” or “wildcard” in the tricky Taiwan issue. The Russian daily *Kommersant* suggested that China was using the Russian army to further put pressure on Taiwan, and that Russia should refrain from taking part in the exercises, as they would not only antagonize Taiwan (with whom Russia has a decent, if unofficial, relationship), but also Japan and the United States. Instead, Baluyevsky insisted on moving the exercises to the Shandong Peninsula, much further north of Taiwan.

Russia and the United States see eye-to-eye on the issue of the EU arms embargo against China, although for different reasons. When it appeared that the lifting of the embargo was imminent, the United States was concerned that the balance of forces along the Taiwan Strait would be permanently tilted toward China. Russia, on the other hand, was simply concerned that it would have high-tech competitors in the China market. China is one of Russia’s best clients for armaments. Last-minute politicking by the U.S. (and the clumsy diplomacy by China around the anti-secession law) appears to have persuaded the Europeans to not end the embargo, and a sigh of relief could be heard from Taipei to Tokyo to Moscow.

The first quarter of 2005 was a bad time for Japanese-Russian relations. At the end of 2004 it appeared that Russian leaders were sending signals that Moscow was ready to make a compromise based on the return of two of the four disputed islands that have divided the two nations for the better part of six decades. A January meeting between Foreign Ministers Sergei Lavrov and Machimura Nobutaka, however, resulted in only more acrimony. The Russians had announced in December that the Siberian oil pipeline would be built to Nakhodka on the Pacific, a route favored by the Japanese. Machimura and other Japanese diplomats scarcely recognized this Russian concession in public statements. During his January visit to Moscow, Machimura continued to lobby for the return of the four islands. Vladimir Putin had been planning on visiting Japan in the spring, but the inconclusiveness of the January ministerial meeting caused the Russian government to announce that Putin’s visit would only come about in the fall, at the earliest. In what could be viewed as a tit-for-tat, Japanese Prime Minister Koizumi Junichiro announced that he might not visit Moscow for the 60th anniversary celebrations of the end of World War II in Europe. Japanese-Russian diplomatic relations have again devolved to a stalemate, even though economic relations have rebounded somewhat.

The U.S.-Russia partnership seems to have stalled as the two governments try to evaluate the state of the relationship. What the leadership of each country is trying to decide is whether the state of the strategic partnership is sound enough to merit using precious political capital at home. Both presidents have begun their second terms, and so it appears that they are willing to forgo popularity contests at home in order to see that the partnership in the war on terror is unchanged. The leadership in both countries wants to see that the two nations continue the type of cooperation that makes sense strategically for each side.

Chronology of U.S.-Russia Relations January-March 2005

Jan. 4, 2005: Secretary of Energy Spencer Abraham meets in London with the Director of the Russian Federal Atomic Energy Agency Alexander Rumyantsev.

Jan. 11, 2005: Russian Defense Minister Sergei Ivanov arrives in Washington for four days of meetings with U.S. officials including Secretary of Defense Donald Rumsfeld and President George Bush. Ivanov discusses with his U.S. colleagues defense technical cooperation and the war against terrorism and in Iraq.

Jan. 13, 2005: Japanese FM Machimura Nobutaka travels to Moscow for meetings with Russian counterpart Sergei Lavrov. The two discuss plans for a visit by President Vladimir Putin to Japan.

Jan. 19, 2005: In confirmation hearings before the Senate, Secretary of State-designate Condoleezza Rice voices concern about the growing concentration of power in the Kremlin and democracy in Russia.

Jan. 23, 2005: Viktor Yushchenko inaugurated as president of the Ukraine.

Jan. 25, 2005: Syrian President Bashar Assad meets President Putin in Moscow.

Jan. 31, 2005: Standard & Poor's raises its long-term foreign currency rating for sovereign debt to "BBB-" from "BB+," giving Russia investment grade status.

Jan. 31, 2005: U.S. Trade Representative Robert Zoellick and Russian Economy Minister German Gref meet in Zurich to discuss bilateral trade and investment issues.

Feb. 1, 2005: In a telephone call, Presidents Bush and Putin discuss post-election Iraq.

Feb. 5, 2005: In a dinner meeting in Ankara with Russian FM Lavrov, Secretary Rice expresses U.S. discontent with the progress of democracy in Russia.

Feb. 13, 2005: Henry Kissinger meets in Moscow with Putin to talk about Russia's future and U.S.-Russian relations.

Feb. 17, 2005: Senate Committee on Foreign Relations holds hearing on “Democracy in Retreat in Russia.” Two of the star witnesses are executives from Yukos, the embattled Russian oil giant that is at odds with the Russian government.

Feb. 24, 2005: Presidents Bush and Putin hold a summit meeting in Bratislava, Slovakia. The atmosphere is decidedly less cordial than earlier meetings.

Feb. 24, 2005: Houston, Texas court throws out case by Yukos, which claims that the proposed sale by the Russian government of a Yukos subsidiary is unlawful. The Houston court claims that it has no jurisdiction.

Feb. 27, 2005: Alexander Rumyantsev, director of the Russian Federal Atomic Energy Agency, meets in Iran with Iranian counterpart Gholamreza Aghazadeh, and they sign an \$800 million contract on nuclear energy cooperation.

Feb. 28, 2005: U.S. State Department’s annual report on human rights lists threats to civil society and democracy in Russia.

March 17, 2005: George Kennan passes away in Princeton, N.J. at age 101. Kennan, a Russian expert, is considered the father of the containment policy during the Cold War.

March 21, 2005: After fraudulent parliamentary elections, a revolt in Kyrgyzstan unseats the government and President Askar Akayev flees to Moscow.

U.S.-Southeast Asian Relations: Aid Burnishes U.S. Image but Other Concerns Persist

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A massive U.S. relief effort led by the U.S. Navy for the tsunami-devastated north Sumatran coast has burnished America's image in Indonesia, which had sunk to a record low after Washington's invasion of Iraq. Even large Indonesian Muslim organizations that previously voiced anti-American views have praised U.S. humanitarian activities in Banda Aceh. The Bush administration has seized the new positive spirit of Indonesian-U.S. relations to press Congress for the restoration of training and education programs for the Indonesian military that had been suspended since 1992. On the anti-terrorist front, the U.S. expressed disappointment at an Indonesian court's acquittal of radical Jemaah Islamiyah cleric Abu Bakar Bashir on allegations of involvement in the 2002 Bali and 2003 Jakarta Marriott bombings. Bashir received a relatively light 30-month sentence – half of which has already been served – for knowing about the terrorists' plans. The U.S. State Department's annual Human Rights Report criticized the Thai government killings of southern Thai Muslims during efforts to suppress secession activities.

Tsunami Relief Provides Opportunities for Washington

Speaking at a March 8 press conference with former Presidents George H.W. Bush and Bill Clinton at his side, the current President Bush enthused that the U.S. has shown “the good folks of Indonesia ... a different America now ... a country which, of course, will defend our security, but a country which also cares deeply about suffering people, regardless of their religion...” And, indeed, the U.S. military's huge tsunami relief effort has elicited praise from some of its harshest local critics. The thought of U.S. soldiers on Indonesian soil before the Dec. 26 tsunami would have been unimaginable. Throughout January and February, by contrast, they were featured on the front pages of Indonesian newspapers and on television – the commentary almost universally positive. The U.S. deployed more than 16,000 forces to the areas hardest hit – most to Aceh. Twenty-five U.S. Navy and Coast Guard ships, 42 cargo and surveillance planes, and 57 helicopters dominated the multinational relief operations. The carrier *USS Abraham Lincoln* was even used as a base by the World Health Organization to send experts to remote coastal areas to assess public health needs.

After the negative publicity in the Muslim world following the publicized abuses at Abu Ghraib in Iraq, the U.S. efforts in Aceh were seen by Indonesian leaders to improve America's standing. In fact, the military's swift response was due, in part, to the Pacific Command's large number of multinational exercises in Thailand that annually

incorporate disaster relief and humanitarian aid. The extensive U.S. presence in Southeast Asia was followed by a mid-February U.S. pledge of \$950 million for reconstruction that would focus on rebuilding infrastructure. Deputy Secretary of Defense Paul Wolfowitz emphasized the geopolitical importance of helping Indonesia, the world's largest Muslim country, rebuild.

Given the massive amount of aid heading for Indonesia and the country's reputation for corruption, a major concern is accountability. Andrew Natsios, the head of USAID, insisted in late February that the largest aid operation in U.S. history requires "very high levels of accountability." Instead of aid going directly to affected governments, most is scheduled for allocation through UN agencies, nonprofit organizations, and trust funds administered by the World Bank and the UN Development Programme. Indonesian President S.B. Yudhoyono has selected the accounting firm of Ernst and Young to advise his government on the use of reconstruction money. He also announced in January that a special accounting unit was being set up in Banda Aceh to monitor expenditures.

The U.S. presence in Aceh – and that of other foreign military and civilian aid workers – complicates the Indonesian military's efforts to suppress the rebel Free Aceh Movement (GAM) that has been battling for independence from Jakarta since the 1970s. Some members of the Indonesian political leadership, notably Vice President Jusuf Kalla, may have been concerned that GAM could regroup while foreign aid workers were present, preventing the military from reasserting control in the province. Nevertheless, the *USS Abraham Lincoln* departed the waters off Aceh Feb. 5 after flying more than 2,800 relief missions and treating 2,200 patients. In appreciation for these activities, the commander of the Indonesian armed forces, Gen. Endriartono Sutarto, attended a farewell ceremony on shipboard. The carrier has been replaced by the navy hospital ship *USS Mercy*, whose staff continues to treat the injured on ship and on shore. The hospital ship is scheduled to stay at least through the end of March.

Two prominent Indonesian Muslim organizations, the country's largest group Nahdlatul Ulama with 40 million members and the fundamentalist Prosperous Justice Party (PKS), both welcomed the U.S. aid effort. Only the extremist group Laskar Mujahidin has questioned the U.S. role and set up its own camp in Banda Aceh to guard against U.S. influence there. GAM representatives, on the other hand, welcome the presence of foreigners and would prefer they stay and "see for themselves what is happening." A GAM spokesman contradicted an Indonesian government warning that it was unsafe for aid workers to go unescorted to nearby jungle villages, saying all assistance would be welcome. GAM's prime concern is that once the aid workers leave, the government will reassert military control and once again resume a brutal crackdown.

Former Presidents Bush and Clinton, as U.S. emissaries, visited the tsunami-devastated areas in February. They noted that in addition to U.S. government aid, one-third of U.S. households have contributed to the relief effort for a total of \$400 million by mid-February. (Approximately \$7 billion has been raised worldwide, but an estimated \$11 billion is needed to restore the areas wiped out in Indonesia, Thailand, and Sri Lanka.) In contrast to Indonesia, Prime Minister Thaksin Shinawatra insists that Thailand will be

responsible for its own reconstruction; he was the only ASEAN leader missing from the Jakarta special ASEAN leaders meeting in early January. That meeting endorsed the creation of a tsunami early warning system for the Indian Ocean for which the U.S. has pledged full assistance.

U.S. Military Collaboration with Regional Armed Forces

In its dealings with the Indonesian armed forces (TNI), the Bush administration took advantage of U.S. sympathy for Indonesia's tsunami travails by expressing the hope that International Military Education and Training (IMET) could be restored. This program was withdrawn in 1992 when the Indonesian military launched a bloody attack on proindependence protesters in East Timor. The sanctions were further tightened in 1999 when the Indonesian army was accused of directing the killing of some 1,500 people in East Timor in an unsuccessful effort to prevent the territory's independence. The IMET ban was written into law by Congress in 2002 when U.S. lawmakers insisted that Indonesian generals were blocking an investigation into the killing of two U.S. school teachers in Papua province.

Subsequently, Indonesian authorities have taken steps to improve cooperation with the FBI and brought charges against a member of a Papuan separatist group for the killings of the two Americans. This development coincides with President Bush's stress on the importance of strengthening counterterrorism cooperation with Indonesia. In a Jan. 16 Jakarta joint press conference with Deputy Secretary Wolfowitz, Indonesian Defense Minister Sudarsono announced that "my job now is to try to reconfigure the Indonesian defense force ... so that it will be more accountable to democracy.... [T]here's no excuse for some of their alleged human rights abuses that have been taking place over the past 25 years." Sudarsono went on to ask the U.S. to improve TNI training, "a very important part of consolidating our democracy...." Wolfowitz concurred: "I think we need to think about how we can strengthen this newly elected democratic government ... to help build the kinds of defense institutions that will ensure ... that the Indonesian military, like our military, is [a] loyal function of democratic government." Wolfowitz promised to raise the IMET issue again with Congress.

The U.S. Pacific Command had already reestablished some ties with the TNI by sponsoring a series of conferences on civil-military relations, democratic institutions, and nonlethal training – major components of IMET, which also includes combat training. The Pentagon argues that training in the United States can help create a more professional and disciplined force. However, the long hiatus in U.S.-Indonesian military relations has increased sentiment within the TNI to steer clear of the U.S. because Washington stopped providing much of what it gave during the Cold War. By mid-February, Secretary of State Condoleezza Rice had raised the restoration of IMET with Congress, though no decision had been made by the end of March.

On other fronts, the U.S. set up a command center for regional tsunami relief in Thailand and announced in late February prospects for an enhanced defense treaty with the Philippines that would add counterterrorism and transnational crime to current bilateral security arrangements.

Terrorist Concerns Vary Across the Region

In Jakarta on March 3, after a lengthy and contentious trial, the alleged spiritual leader of the jihadist terror organization Jemaah Islamiyah (JI), Abu Bakar Bashir, was acquitted of all terrorism charges stemming from the bombing of the Jakarta Marriott hotel in August 2003 and the Bali bombings in October 2002. The U.S. had pressured Indonesia over two years to prosecute Bashir whom it considered to be Osama bin Laden's lieutenant in Southeast Asia. In what Jakarta media believed to be a concession to U.S. pressure, Bashir was convicted by the five judges on one count of criminal conspiracy in connection with the Bali bombings because the judges said "he knew the perpetrators" and encouraged their actions. Both the U.S. and Australia – 88 of whose citizens died in the Bali explosions – expressed disappointment in the verdict.

The prosecution's case was hampered, however, by the unwillingness of the Bush administration to make available two important al-Qaeda witnesses in U.S. custody. Hambali, bin Laden's operations director for Southeast Asia, and Omar al-Faruq – captured in 2003 and 2002, respectively – apparently provided their U.S. interrogators with strong evidence directly linking Bashir and JI to terrorism. But, the U.S. would not allow Indonesian officials to interrogate either man. Their absence from the court diminished the use of their statements.

Bashir had been acquitted on earlier terrorism charges in 2003 but convicted at that trial on minor immigration violations. He was immediately rearrested in April 2004 upon completing his first sentence and jailed on the charges for which he was recently exonerated. In general, Indonesian authorities were reluctant to move against Bashir, fearing an Islamist backlash in the most populous Muslim country in the world. While both Washington and Canberra registered disappointment at Bashir's relatively light 30-month sentence, a U.S. Embassy spokesman stated: "We respect the independence of Indonesia's judiciary and welcome the conviction of this known terrorist leader." The spokesman went to "welcome the Indonesian court's recognition of the existence of the Jemaah Islamiyah in Indonesia and its involvement in violent terrorist attacks...." For his part, Bashir insisted that "this case has been fabricated by George W. Bush and his acolytes to undermine Islamic Sharia from inside [Indonesia]."

In January, at the annual World Economic Forum in Davos, Switzerland, Malaysia continued to criticize Washington's military emphasis on counterterrorism. Malaysian Defense Minister Najib Tun Razak told U.S. Sen. John McCain that "a doctrine based on military strength which had destroyed cities, villages, and ... many innocent lives will only fulfill the aims and goals of the terrorists that we are facing now." Najib also warned the U.S. against tarring all Muslims with a terrorist brush simply because of "their names, citizenship, or the way they dress."

On other fronts, U.S. insistence on biometric passports by late October 2005 if countries wished to retain visa-free access to the U.S. led Singapore to introduce them in March. The island state also has set up radiation detection devices at container ports and tightened scrutiny of air cargo. Washington is helping Thailand's Immigration Bureau to set up electronic links to Interpol's online terrorist database. After a series of Valentine's Day bombings throughout the Philippines, the State Department urged Americans to be on high alert. The State Department advisory noted that the bombings linked JI with the Philippine terrorist-kidnap gang Abu Sayyaf that heretofore had confined its actions to Mindanao.

Thai Human Rights Record Deteriorates

The State Department's annual Human Rights Report released Feb. 28 once again criticized the Thaksin government. Last year, the report noted that human rights violations had increased with Thailand's crackdown on the drug trade via arbitrary arrests and extrajudicial killings. Recent critical assessments of Bangkok's human rights practices contrast with earlier reports, prior to Thaksin's election, that had praised the country's human rights record, respect for democracy, and freedom of the press.

The report is prepared by the U.S. Embassy based on its political assessment of Thai developments and on interviews with concerned authorities and others. This year the report emphasized Thaksin's response to separatist violence in the south, focusing on the April 28 Krue Se mosque and the Oct. 26 confrontation at Tak Bai. At least 200 Thai Muslims were killed in these episodes. The report also repeats previous criticism of deprivation of freedom of speech and the mass media. In an angry response, the Thai Foreign Ministry said the United States should not impose its standards on other countries. The Foreign Ministry statement seemed to justify the killings at the Krue Se mosque and at Tak Bai by implying that innocent people had been killed in the south by the separatists, so those who died at the hands of government forces deserved their fate. As Bangkok's *The Nation* put it in a March 5 editorial: "If there has been any sense of regret on the government's part regarding these two incidents ... we have never seen it."

U.S. Forces Continue to Train Philippine Military

The Philippines continues to battle dual insurgencies – one led by the communists' 8,000-strong New People's Army and the other by Muslims on Mindanao organized by a breakaway Moro Islamic Liberation Front (MILF) group, followers of the jailed Moro National Liberation Front (MNLF) leader Nur Misuari, and the kidnap gang Abu Sayyaf. U.S. forces have been training Philippine troops in counterinsurgency for the past five years, though U.S. troops do not directly participate in combat. In February, Abu Sayyaf and the Misuari faction of the MNLF attacked Philippine troops on southern Jolo Island. The Philippine counterstrike is the largest such action in three years. U.S. Army Special Forces have trained special Philippine units in light reaction companies and battalions ranging from 150 to 600 men. They are better equipped than regular Philippine forces and schooled in jungle warfare. Both sides have taken heavy casualties in the

current fighting that also displaced thousands of villagers. Southern Command chief Lt. Gen. Alberto Braganza stated that U.S. forces had arrived in Jolo and were acting in an advisory capacity.

Implications

The impressive outpouring of U.S. government and private aid for Indonesia's tsunami victims has improved America's standing in Indonesia. If the Bush administration can convince Congress to restore military training and arms sales, Washington's relations with the TNI will also be rebuilt. From the U.S. viewpoint, these developments will enhance counterterror cooperation. Restoring ties with the TNI can be a two-edged sword, however. The Indonesian military still engages in brutalities in Aceh and Papua. It is also a major source of corruption, and elements within the armed forces have supported radical Islamist groups in the Moluccas and Sulawesi. Education in civil-military relations through a revitalized IMET may help create future generations of TNI leaders who respect the requirements of democracy. However, IMET by itself can do little to change the current practices of the Indonesian military. The government in Jakarta has that responsibility.

Chronology of U.S.-Southeast Asia Relations January-March 2005

Dec. 31, 2004-Jan. 1, 2005: President Bush announces that U.S. aid for tsunami relief will rise to \$350 million from an earlier pledge of \$35 million, with the prospect of additional aid as the scope of the "epic disaster" becomes clearer.

Jan. 1, 2005: The U.S. aircraft carrier *USS Abraham Lincoln* is offshore Sumatra, its helicopters carrying supplies to stricken towns in Aceh province. The U.S. Pacific Command described the overall U.S. relief effort as the "largest in the region in at least 50 years."

Jan. 2, 2005: Philippine President Gloria Magapagal-Arroyo offers to place air marshals on Philippine Air Line flights to the U.S. and wants the U.S. to reciprocate for all U.S. flights destined for the Philippines.

Jan. 3, 2005: Presidents Bush, Clinton, and Bush Sr. visit embassies in Washington of Asian states stricken by the tsunami to extend condolences and promise assistance.

Jan. 4, 2005: Commenting on television coverage of U.S. service personnel providing aid in Banda Aceh, Secretary of State Powell states that, "it does give the Muslim world ... an opportunity to see American generosity and American values in action."

Jan. 6, 2005: Secretary Powell meets in Jakarta with heads of Asian states and donor countries to plan for relief flows and post-tsunami reconstruction. He agrees to relax U.S. restrictions on spare parts for Indonesian *C-130* aircraft needed to deliver supplies to hard-hit areas.

Jan. 6, 2005: In a meeting of tsunami donor nations, Powell turns over control for long-term aid from the core group the U.S. had formed (U.S., Japan, India, Australia) to the United Nations.

Jan. 9, 2005: President Yudhoyono and other senior government and military officials as well as Muslim leaders all say that Indonesians should put aside their political differences with the U.S. and welcome its humanitarian aid in Aceh province.

Jan. 10, 2005: Assistant Secretary of State James Kelly promises that the U.S. will provide full assistance in helping to create an Indian Ocean tsunami warning system.

Jan. 13, 2005: Indonesia asks all foreign troops to complete humanitarian missions by March 31. *USS Abraham Lincoln* leaves Indonesian territorial waters for international waters after Jakarta refused to permit it to continue training flights for its combat aircraft in Indonesian air space. Aid flights from the carrier continue.

Jan. 13, 2005: U.S. Ambassador to Indonesia B. Lynn Pascoe says that Indonesia had “every right” to decide how long American forces are needed in Aceh and that an end of March deadline is “reasonable.”

Jan. 15, 2005: Deputy Defense Secretary Paul Wolfowitz, observing the Aceh coastline from a helicopter, avers that quick response by the U.S. military to the tsunami disaster probably saved thousands of lives. He also said that the U.S. goal is to end its military presence in Indonesia as soon as possible.

Jan. 19, 2005: Secretary Wolfowitz notes that President Yudhoyono cancelled his military leadership’s placement of a specific date for a U.S. military exit, citing the need for continued humanitarian aid.

Jan. 19, 2005: Secretary Wolfowitz backs U.S. International Military Education and Training (IMET) restoration for Indonesian military officers as a way of providing human rights education.

Jan. 20, 2005: Department of Defense team visits Australia to discuss missile defense cooperation. Australia has not appropriated any funds for the program.

Jan. 21, 2005: Singapore announces the purchase of six advanced *Sirkorsky S-70B* naval helicopters for delivery between 2008-2010. They will operate off the navy’s new French-built frigates and are equipped for anti-surface and anti-submarine warfare.

Jan. 23, 2005: Malaysia's ruling party's youth wing calls on all Muslim states to oppose U.S. military action against Iran, accused of developing nuclear weapons.

Jan. 27, 2005: Japan invited by Thailand and the U.S. to participate in the Command Post portion of the annual *Cobra Gold* May exercise in Thailand. The Command Post exercise is a peace support operation.

Feb. 1, 2005: Former President Clinton chosen by UN Secretary General Kofi Annan to be his special envoy to countries affected by the South Asian tsunami. The appointment was approved by President Bush.

Feb. 3, 2005: U.S. criticizes Cambodian Parliament's decision to lift parliamentary immunity from three opposition lawmakers. One fled the country, another was arrested. The effect is to intimidate the opposition and stifle criticism of Hun Sen's government.

Feb. 4, 2005: Carrier *USS Abraham Lincoln* withdraws from the coast of Sumatra where it had been involved in tsunami relief operations since late December. The Navy hospital ship *USS Mercy* arrives in Banda Aceh.

Feb. 9, 2005: U.S. almost triples tsunami relief pledge to \$950 million, making it the largest government donor and the largest disaster relief pledge in U.S. history.

Feb. 11, 2005: U.S. Ambassador to Malaysia Christopher LaFleur criticizes Malaysia's violations of intellectual property rights, saying the problem harms bilateral trade ties. He said that Malaysia is one of the largest exporters of pirated products.

Feb. 11, 2005: State Department condemns arrest of prodemocracy leaders by Burma's military junta. Prodemocracy groups were prevented from using Union Day to condemn the junta's illegitimate rule.

Feb. 13, 2005: Former Cambodian King Norodom Sihanouk on his website agrees with Cambodian PM Hun Sen's condemnation of the U.S. for siding with three opposition National Assembly members whose parliamentary immunity was stripped.

Feb. 18, 2005: Secretary of State Condoleezza Rice proposes to reinstate U.S. military training programs for Indonesian military officers. The programs had been suspended since the 1992 and 1999 human rights violations committed by Indonesian soldiers during East Timor independence agitation and subsequent referendum.

Feb. 19, 2005: Former Presidents Bush and Clinton, representing the U.S., visit Thailand and PM Thaksin.

Feb. 20, 2005: Former Presidents Bush and Clinton visit Banda Aceh and pledge additional recovery assistance.

Feb. 22, 2005: Over 300 U.S. soldiers and 650 Filipino troops open *Balikatan 2005* exercise in Quezon Province well away from Islamic insurgents in Mindanao but close to communist New People's Army guerrilla zones.

Feb. 25, 2005: Singapore Foreign Minister George Yeo says the U.S. will remain engaged in Asia after meeting with Secretary Rice.

March 1, 2005: Indonesia welcomes a U.S. plan to resume IMET for Indonesian forces.

March 1, 2005: Over 1,000 U.S. sailors are in Kamola, Thailand, helping to clear debris left by the tsunami and delivering supplies sent from Americans.

March 1, 2005: U.S. says UN peacekeepers are no longer necessary in East Timor. Washington pays more than one-fourth of the peacekeeping costs. UN Secretary General Kofi Annan has suggested a year's extension of a scaled-back force.

March 1, 2005: U.S. Embassy in Thailand releases 2004 annual State Department *Human Rights Report*, which criticizes Thailand's human rights practices, particularly focusing on the government's handling of separatist violence in the south.

March 3, 2005: Indonesian court convicts alleged al-Qaeda-linked Jemaah Islamiyah leader Abu Bakar Bashir on one count of criminal conspiracy but acquits him of all terrorism charges related to the Bali, Jakarta Marriott, and Australian Embassy bombings. The U.S. and Australia express deep disappointment with the verdict.

March 10, 2005: Singapore agrees to install high-tech equipment at its ports within six months to detect nuclear and other radioactive material in a new counterterrorism agreement with the U.S. Singapore is the first Southeast Asian country to do so.

March 13, 2005: Indonesian Defense Minister Juwono Sudarsono arrives in Washington to convince the U.S. to resume full military relations in consideration of Indonesia's democratic development.

March 23, 2005: U.S. and British governments post new travel advisories about visiting the Philippines based on intelligence that Abu Sayyaf could engage in retaliatory attacks for the arrest of four of its members in a Manila police raid.

March 28, 2005: Magnitude 8.7 earthquake strikes Sumatra.

March 29, 2005: New U.S. Pacific Commander Adm. William J. Fallon voices apprehension about China's military buildup and intentions toward Taiwan, while also promising "whatever assets we may have" in the Southeast Asian fight against terrorists.

March 31, 2005: U.S. Navy dispatches hospital ship *USS Mercy* and its supply vessel to the latest earthquake-struck island off the Sumatran coast.

China-Southeast Asia Relations: Assurance and Reassurance

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As the year 2005 approached, Beijing was reportedly in the midst of preparations for an all-out effort to consolidate and expand the remarkable gains it scored in relations with the nations of Southeast Asia during the previous year. However, the shock and devastation of the December tsunami forced an immediate shift in regional priorities. Beijing appears to have responded by adjusting its diplomatic agenda, too. Despite the somber atmosphere, the requirements of greeting the Year of the Rooster provided their own distractions. As a result, the first quarter of 2005 was a quiet period for Chinese diplomacy and for China's relations with the subregion. No doubt, as the year progresses, the tempo and scope of Chinese activity will return to its previous high level.

Having sown the seeds of multilateral cooperation, China's leaders must have been disappointed at their inability to follow up on previous initiatives. Little specific effort was directed toward creating the institutional framework for multilateralism that Beijing had been seeking. Rather, if Chinese diplomacy during the quarter reflected any deliberate focus, it seemed to involve what might best be termed assurance and reassurance. By participating actively in the tsunami relief effort, the Chinese seemed to be attempting to assure the subregion of the constancy of their commitment to the welfare of what they increasingly refer to as the "Asian Community."

At the same time, Beijing made a quiet but significant effort to reassure its neighbors about the positive nature of Chinese intentions for shaping the emerging regional economic and security architectures. Sensitive as they are to regional concerns about the emergence of China as a driver of Southeast Asian economic and political developments, the leadership tried to disarm regional fears by speaking directly to issues related to economic competition and territorial disputes in the South China Sea. Arguably, some success was achieved on both counts.

The Tsunami: China Demonstrates its Concern

Chinese relief efforts began with the immediate and largely symbolic donation of relief materials by Beijing's ambassador in Jakarta. This action was in keeping with the convention observed by many nations according to which immediate contributions to relief efforts are made by national ambassadors as a kind of down payment on future contributions.

Two days later, on Jan. 6, Chinese willingness to provide aid and assistance was more visibly and concretely demonstrated by Premier Wen Jiabao who represented China at the ASEAN Leaders' Meeting on the Aftermath of the Earthquake and Tsunami held in Jakarta. Speaking before representatives of more than 26 nations and groups, Premier Wen outlined a seven-point assistance plan including, in addition to emergency relief, initiatives on establishing a tsunami warning system, creating procedures for exchanging information on impending natural disasters, and reviving tourism. Wen's suggestions were immediately affirmed by a Chinese Ministry of Foreign Affairs offer to host a regional seminar on tsunami warning systems.

Ever mindful of the need to stay on message, Wen also seized a personal – and strategic – opportunity to express privately the concerns of the Chinese leadership in separate meetings with Indonesian President Susilo Bambang Yudhoyono and Thai Foreign Minister Surakiat Sathirathai. This is not surprising since a close relationship with Bangkok is central to Chinese objectives on the Southeast Asian peninsula; and, during the last year or so, Beijing has gone out of its way to develop positive relations with Indonesia. It is worth noting that later in January, Thailand received additional attention when Foreign Minister Li Zhaoxing telephoned his Thai counterpart to discuss ongoing relief and reconstruction programs. A final demonstration of Chinese good wishes occurred Jan. 13 as Vice Foreign Minister Wu Dawei led a condolence mission to Bangkok.

Interestingly, Beijing's approach did not involve the distribution of large sums of money. Rather, the Chinese emphasized aid in kind and the establishment of various cooperative programs for rebuilding infrastructure. In fact, at this writing there is some confusion about the total value of Chinese relief and reconstruction assistance. At a United Nations-sponsored donors meeting held in Davos, Switzerland, Assistant Foreign Minister Shen Guofang confirmed Wen Jiabao's commitment of \$20 million in aid and announced that the total Chinese public and private aid amounted to \$133 million.

Significantly, the scale of the devastation apparently motivated many Chinese citizens to make individual contributions to various relief funds. Such actions have occurred in the past, but the broad scale of the private tsunami relief effort is unprecedented and tends to confirm the emergence in China of a broadening view of the world as well as of China's place in global affairs. Despite citizen involvement, however, regional commentary reflected an unmistakable *leit motif* expressing disappointment at the relatively low level of direct financial assistance by China.

Relations with ASEAN

Despite the adjustment in priorities as the region mobilized to deal with the havoc wrought by the tsunami, Beijing did manage to keep at least one major element of its overall agenda in public view. Albeit in a very low key, Assistant Minister of Commerce Yi Xiaozhun announced plans to join with ASEAN, Japan, and the Republic of Korea (the ASEAN Plus Three mechanism) to begin work on a feasibility study for the East Asia Free Trade Area (FTA) as proposed by Premier Wen in November last year. Noting that the creation of the FTA is likely to require many years of effort, Yi nonetheless listed the many potential advantages of such a trade structure and simultaneously reaffirmed Beijing's long-term commitment to the project. Yi also took the opportunity to remind the regional audience of the progress that has been achieved as China and ASEAN begin to implement their own FTA agreement. All in all, Yi appears to have been successful in presenting the region with a gentle reminder of the importance of pursuing a regional agenda on commerce and trade. He was also apparently successful in reminding Tokyo, Seoul, and the capitals of ASEAN that China remains the author and putative godfather of that agenda.

Beijing supplemented this demonstration of its big-picture diplomacy with action on a small number of additional specific initiatives. The first of these was a meeting in Kuala Lumpur of the ASEAN Plus Three tourism ministers, which convened on the sidelines of the 24th ASEAN Tourist Forum. This meeting enabled Beijing to plug its promise to host a seminar on tourism as part of its contribution to tsunami relief. Similarly, meetings with ASEAN representatives on nontraditional security threats and epidemic prevention demonstrated Chinese sensitivity to regional issues and also reinforced the impression that Beijing is willing to work systematically and cooperatively with members of the region to address a wide range of nettlesome problems.

Finally, on March 30, the Boao Forum at the Ninth *China Daily* CEO Roundtable brought together the CEOs of 30 international corporations with interests in China to discuss various aspects of regional integration. Analogous to the Network of East Asian Think Tanks (NEAT), which mobilizes academics from across the region to explore theoretical issues related to regional integration, the Boao Forum provides a venue for more practically oriented individuals to come to terms with the economic dimension of integrating the region. Both the Boao Forum and NEAT are examples of the new networks that Beijing is chartering to broaden and deepen its diplomatic reach.

Bilateral Relations

China's leaders must have been well pleased by extremely positive developments in relations with the individual nations of Southeast Asia. For example, Indonesian tourism officials promised to consider a Chinese request, forwarded informally by Singapore, that Chinese citizens visiting Singapore who also wish to visit Indonesia be granted the visa privileges that will make such visits possible. At present, some 800,000 Chinese visit Singapore each year, which means that the potential benefit to Indonesia would not be

insignificant. For its part, Beijing would gain an opportunity to present a kinder and gentler face toward the people of a nation that is a high priority for Chinese diplomacy.

Of greater importance for bilateral relations, Indonesian President Yudhoyono asserted publicly that China's emergence as a regional political and economic leader benefits not only Indonesia, but also Southeast Asia as a whole. Considering the long history of suspicion and mistrust that has characterized Beijing's ties with Jakarta, such an affirmation must be interpreted as a major triumph for Chinese diplomacy. Despite its economic difficulties, which have been compounded by the effects of the tsunami, Indonesia retains its symbolic value as a pillar of ASEAN whose endorsement can only enhance Beijing's ability to pursue successfully its Southeast Asian objectives.

At the beginning of February, Singapore's foreign minister, George Yong-Boon Yeo, visited China at the invitation of his counterpart, Li Zhaoxing. This visit was yet another in the long series of interactions between the two nations. Although it was not officially announced, the joint agenda almost certainly included the subject of Singapore's ongoing relations with Taiwan, a subject that has strained relations in the past. Although no details are available, unconfirmed speculation suggests that the use of Taiwan by the Armed Forces of Singapore as a venue for certain kinds of training constituted a major portion of the talks. In addition to meetings with his counterparts, Foreign Minister Yeo also spent some time with Premier Wen. The announcement that the two sides had agreed to continue to expand relations affirmed the constancy of close relations between the two nations.

Any doubt that this is in fact the case was removed by an almost simultaneous statement by Singapore Senior Minister Goh Chok-tong. As reported by *People's Daily*, Goh declared that, "China's extraordinary development sets the example for other Asian countries to follow and thus drives Asia's transformation." In one sense, the senior minister's comment can be seen as an effort to make a virtue out of necessity. At the end of the day, Singapore and its neighbors have no option other than to accept and work within the context of rising Chinese influence and power. However, since the declaration was made at a gala dinner sponsored by the highly prestigious and very influential International Enterprise Forum, it is difficult to gainsay that by linking Singapore's future with China's and by in effect acknowledging a form of Chinese regional leadership, Goh clearly lent substance, credibility, and above all legitimacy to China's progress toward regional preeminence. Singapore seems increasingly to be ignoring or at least engaging in a strategically motivated down-playing of its well-known reservations about growing Chinese power and influence.

China's less than vibrant, but by no means bad, relations with Malaysia may have been boosted by the visit of Supreme Head of State Tuanku Syed Sirajuddin that took place in February. Largely a ceremonial figure with little real power, Sirajuddin and Chinese President Hu Jintao acknowledged the steady growth of bilateral relations and also expressed a mutual desire to see further and more rapid development, particularly in the economic sphere. This may prove somewhat difficult, since Chinese and Malaysian enterprises increasingly occupy certain similar market niches and also have targeted

similar products, such as automobiles, for market development. President Hu must have gained points and earned some credit for China by his enthusiastic endorsement of Malaysia as the host of the first East Asian Summit scheduled to convene later this year.

Relations with Vietnam and the Philippines also moved at an encouraging pace. The event of greatest significance for the region as a whole occurred in mid-March when oil companies from China, the Philippines, and Vietnam signed an agreement to conduct joint prospecting for oil and gas resources in the area of the South China Sea in which the three nations have overlapping claims. Although no party renounced its territorial claim, rhetoric from all three capitals hailed the agreement as a major step toward creating and maintaining peace and stability in the area. China articulated the concept of joint development while not pressing conflicting claims nearly a decade ago and since then has worked diligently to integrate it into the regional discourse.

From the perspective of Manila, the agreement marks a major step in the gradual improvement of its relations with China. It will be recalled that the process achieved a major success last year with the visit of Philippine President Gloria Macapagal-Arroyo to Beijing and the beginning of a “strategic dialogue” between the two military establishments. Philippine Secretary of Foreign Affairs Alberto Romulo acknowledged the improvement by averring that the agreement transformed the South China Sea from a flashpoint into an “area of cooperation, peace, and development.” He also described the agreement as the first concrete manifestation of the Declaration of the Code of Conduct for the South China Sea. Whether the example of the South China Sea will be replicated as China and Japan deal with their respective competing territorial claims remains to be seen.

Actually Secretary Romulo heralded the improvement in bilateral relations earlier in March. While in Beijing to attend to the details of President Hu’s return state visit to the Philippines, he used the occasion to join with Premier Wen in declaring a desire “to further enhance reciprocal cooperation in various fields.” The trip that is scheduled for April 26-28 will undoubtedly seal the positive atmosphere for the next few years at least.

Reaction to the agreement in Hanoi was positive although considerably more measured. This is not surprising given the latent tensions that plague relations between the two nations. The latest manifestation of such tension came in a Chinese call for Vietnam to join its effort to deal with maritime crimes. The call came in the wake of allegations of attacks on Chinese fishermen by “robbers” from Vietnam. A quick deciphering of the Aesopian discourse between the two nations suggests that Beijing was really telling Hanoi either to control the situation or expect direct action by China to do so.

On a more positive note, a delegation of China’s National People’s Congress combined attending the 13th annual meeting of the Asia-Pacific Parliamentary Forum in Vietnam with an official visit goodwill visit. Both sides agreed that the parliamentary link should be used to promote closer economic and political ties.

Conclusion

Owing essentially to the effects of the tsunami of Dec. 26, 2004, the first quarter of 2005 was relatively quiet from the perspective of China's relations with Southeast Asia. However, Beijing did use the period to address what it correctly assesses to be major regional concerns about the impact of China's rise on the economic and political patterns of Southeast Asia. In the economic sphere, concerns focus not only on Chinese willingness to compete fairly in the development of markets and the ability of regional economic players to keep pace with Chinese advances, but also on Beijing's policies affecting the value of the renminbi. Most of all, the Southeast Asians fear a sudden change of policy that could prompt events to develop at a pace that they are unable to control and which, therefore, hold the potential for great economic loss.

Politically, the concerns are more subtle. Within the region there is a clearly emerging willingness to accept the inevitability of growing Chinese influence if not outright hegemony. Regional political leaders hope that a continued strong U.S. presence will offset some of the effects of China's rise and provide them with room to maneuver. But they also worry about the stability of U.S. relations with China over the longer term.

Beijing has apparently decided that its interests are better served by presenting itself as a responsible neighbor, one that is aware of and sensitive to the potentially negative implications of its policies, particularly in the economic sector. This leads them to assert the practice of openness and transparency in policy formulation. The Chinese have also apparently decided that creating the impression of a single-minded focus on economic development and maintaining the peace and stability that enables such development is also in its interest at this time. This leads to raising the flag of conflict avoidance, cooperation, and integration to facilitate mutual benefit. Beijing seeks to assure the region that its policies are firmly emplaced and not likely to change. It also seeks to reassure the region that its policies and priorities work to the benefit of the region as a whole. Whether the Chinese will be able or, it must be noted, willing to continue to move in this direction remains an open question. However, just now it seems clear that Beijing is achieving some success.

Chronology of China-Southeast Asia Relations January-March 2005*

Jan. 4, 2005: Chinese ambassador to Indonesia delivers emergency relief materials to Indonesian Foreign Ministry for the tsunami efforts.

Jan. 5, 2005: Chinese Premier Wen Jiabao meets Indonesia President Susilo Bambang Yudhoyono and Thai Foreign Minister Surakiat Sathirathai at the Special ASEAN Leaders' Meeting on the Earthquake and Tsunami.

* Compiled by Lena Kay, Vasey Fellow, Pacific Forum CSIS.

Jan. 6, 2005: ASEAN leaders meet in Jakarta to help coordinate relief efforts for the Indian Ocean tsunami.

Jan. 9, 2005: China's National People's Congress (NPC) delegation attends 13th annual meeting of the Asia-Pacific Parliamentary Forum in Vietnam.

Jan. 10, 2005: Malaysia's Deputy Minister of International Trade and Industry Datuk Mah Siew Keong says Malaysia's bilateral trade with China was \$26 billion for Jan.-Nov. 2004, an increase of 37 percent.

Jan. 11, 2005: Assistant FM Shen Guofang at the UN meeting highlights China's aid of \$133 million from government and individual donations to tsunami-stricken countries.

Jan. 13-15, 2005: Chinese government condolence mission headed by Vice FM Wu Dawei visits Thailand after tsunami.

Jan. 24, 2005: China and Vietnam celebrate fifth anniversary of the establishment of diplomatic ties.

Jan. 25-26, 2005: ASEAN-China Workshop on Tsunami Warning in Beijing.

Jan. 26, 2005: Chinese FM Li Zhaoxing telephones Thai FM Surakiat to discuss tsunami relief and ministerial-level meeting on regional cooperation of tsunami warning in Phuket.

Jan. 26, 2005: ASEAN Plus Three tourist ministers attend 24th ASEAN Tourist Forum in Kuala Lumpur.

Jan. 28-Feb. 3, 2005: Singapore FM George Yong-Boon Yeo meets Chinese FM Li.

Jan. 30, 2005: China's Assistant Minister of Commerce Yi Xiaozhun announces plans to join ASEAN, Japan, and Republic of Korea to work on feasibility study for East Asia Free Trade Area (FTA).

Feb. 1, 2005: China launches satellite TV service in Asia.

Feb. 3, 2005: Singapore's Senior Minister Goh Chok Tong says "China's extraordinary development sets the example for other Asian countries to follow and thus drives Asia's transformation" at the International Enterprise Forum 2005 in Singapore.

Feb. 7, 2005: Indonesian President SBY says that the expanding economy in China has "delivered positive result of higher bilateral trade volume in favor of Indonesia" at a meeting on Indonesia's long term development planning.

Feb. 9, 2005: Chinese New Year (Year of the Rooster).

Feb. 17-18, 2005: ASEAN Plus Three holds expert meeting on emerging diseases in Bangkok.

Feb. 23, 2005: International animal health experts and health officers from the UN and other agencies meet in Ho Chi Minh City to discuss emergency plans to control bird flu.

March 1-3, 2005: ASEAN-China Working Group on Development Cooperation in Phnom Penh.

March 1-7, 2005: Malaysian Supreme Head of State Tuanku Syed Sirajuddin meets President Hu Jintao to consolidate ties and reiterate Malaysia's "one China" policy.

March 2-3, 2005: ASEAN-China Joint Cooperation Committee (JCC) in Phnom Penh.

March 3, 2005: Chinese Premier Wen tells Philippines FM Romulo that the 30th anniversary of Philippines-China relations marks a "new golden age of partnership."

March 5, 2005: Singapore FM Yeo says emergence of China and India presents Southeast Asia with a new challenge.

March 7-8, 2005: ARF Seminar on enhancing cooperation in the field of nontraditional security issues hosted in Hainan, China.

March 14, 2005: China, Philippines, and Vietnam sign landmark agreement to conduct joint prospecting for oil and gas in South China Sea.

March 23, 2005: Taiwan Prime Minister Frank Hsieh accuses Singapore of blocking a port call by two warships to the city-state because of pressure from China.

March 29, 2005: Chinese President Hu Jintao sends telegram to Indonesian President SBY to express condolences on Sumatra March 28 earthquake casualties.

March 29, 2005: Boao Forum at 9th *China Daily* CEO Roundtable.

March 30, 2005: PriceWaterHouse Coopers auditor reports that China Aviation Oil (CAO) made risky gambles trading oil derivatives without formal approval from board.

China-Taiwan Relations: A Little Sunshine through the Clouds

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After burnishing its hardline credentials by announcing its intention to enact an anti-secession law (ASL) in December, Beijing took some significant steps toward improving cross-Strait relations in January by cooperating in New Year charter flights, stopping propaganda criticism of Taiwan President Chen Shui-bian, and sending Association for Relations Across the Taiwan Strait (ARATS) officials to Koo Chen-fu's funeral in Taipei. For his part, Chen also took conciliatory steps by reaffirming his inaugural pledges concerning constitutional reform and appointing as the new premier Hsieh Chang-ting, who quickly set a more moderate tone on contentious domestic and cross-Strait issues. Nevertheless, despite widespread criticism from Taiwan and the U.S., Beijing's National People's Congress adopted in March the anti-secession law (ASL), which emphasizes China's pursuit of peaceful reunification but mandates that unspecified "non-peaceful means" be used if Taiwan seeks to secede from China. When the dust from the ASL controversy settles, the question will be whether Beijing and Taipei are able to follow up on the successful New Year charter flights by arranging further steps toward direct cross-Strait cargo and/or passenger flights.

2005 Opens Felicitously

At its regular weekly press conference on Jan. 1, Beijing's Taiwan Affairs Office (TAO) announced that China was prepared to arrange cross-Strait charter flights over the lunar New Year spring festival holidays. This delayed response to an earlier proposal from Taipei led to a hectic series of cross-Strait contacts culminating in a meeting in Macau Jan. 16 at which civil air officials from each side participated in their unofficial capacities. The meeting produced agreement on a series of 48 charter flights flown by airlines of both sides over the New Year period. On Jan. 29, the first mainland airline flight since 1949 arrived at Taipei's international airport. When the flights concluded Feb. 20, both sides expressed their satisfaction and indicated a desire to see further progress on cross-Strait transportation issues.

The successful New Year charter flights were one of a series of developments that significantly improved the atmosphere of cross-Strait relations in the opening weeks of 2005. When the highly respected chairman of Taipei's Straits Exchange Foundation (SEF), Koo Chen-fu, passed away Jan. 3, Taipei quickly extended an invitation to his counterpart, Wang Daohan, the chairman of ARATS to attend Koo's memorial service.

Wang subsequently announced that, as he was too ill to attend himself, three ARATS officers, including Vice Chairman Sun Yafu and Secretary General Li Yafei, would represent him. Although these ARATS officers traveled to Taipei in their private capacities and did not have any meetings with SEF, Sun Yafu did have brief discussions with the SEF officials who escorted him at the memorial hall. Speaking at the memorial service, President Chen again extended an invitation for Wang to visit. Modest as this visit was, it was the first significant exchange between SEF and ARATS since Beijing broke off contact with SEF in 1999 after former President Lee Teng-hui characterized cross-Strait relations as a form of special state-to-state relations.

Following the December Legislative elections, President Chen stopped talking about a new constitution. On several occasions in January, Chen returned to his second inaugural commitments that constitutional reform would be accomplished through the Legislative Yuan (LY) and that controversial sovereignty issues would not be addressed. On Jan. 25, Frank Hsieh Chang-ting was appointed premier. Hsieh wasted no time in setting a new tone saying that reconciliation and cooperation would be his hallmarks both in dealing with the opposition at home and in handling cross-Strait relations. One of Hsieh's first acts was to put the name rectification issue on the back burner.

On Jan. 28, Politburo Standing Committee member Jia Qinglin gave the speech commemorating the 10th anniversary of Jiang Zemin's eight points. While his speech stuck closely to well-known PRC positions, the tone of his remarks was remarkably moderate. Jia said that Beijing would be willing to talk with leaders in Taiwan, regardless of what statements they had made earlier, provided they could accept the 1992 consensus on "one China." After his speech the drum beat of personal attacks on Chen in the official Chinese media ceased. President Chen, however, subsequently reiterated his view that no consensus had been reached in 1992.

On Feb. 24, President Chen and People's First Party Chairman James Soong Chu-yu issued a 10-point statement. While each man was motivated primarily by his domestic political interests, the statement contained significant points for cross-Strait relations. Chen reiterated the "five noes" pledge from his 2000 inaugural address and his commitments on limited constitutional revision from his 2004 inaugural. While there was nothing new in any of the points attributed to Chen in the 10-point statement, what was significant was what Chen omitted – no mention of the rectification of names, of a new constitution, or of one country on each side of the Strait. Consequently, former President Lee Teng-hui harshly attacked the 10-point statement, and several of Chen's fundamentalist advisors announced they would resign their posts because Chen had sold out his principles.

On the eve (March 4) of China's National People's Congress (NPC), President Hu Jintao issued a four-point guideline on cross-Strait relations. In short, his guidelines were to adhere to the "one China" principle, strive for peaceful reunification, rely on the Taiwan people, and never compromise in opposing Taiwan independence. The tone of Hu's statement reinforced the moderation expressed earlier by Jia. In comments clearly addressed to Chen's Democratic Progressive Party (DPP), Hu said China would welcome

any steps by parties on Taiwan to move in the direction of accepting the 1992 consensus on “one China.” He expressed China’s willingness to seek new ways for contacts and communications. In listing the issues China was ready to discuss once Taipei accepted the 1992 consensus on “one China,” Hu included points that President Chen had mentioned in his National Day address in 2004, including military confidence building measures and a framework for peace and stability in cross-Strait relations. At one point, Hu addressed Chen directly, if not by name, expressing the hope that the leader of the Taiwan authorities would show through his actions that he adheres to his “five noes” pledge and his commitment not to legalize Taiwan independence through constitutional reform.

And Then, the Anti-Secession Law

Through this whole period when steps were being taken by both sides that significantly lowered tensions and hinted at possibilities for further progress in cross-Strait relations, China was proceeding with preparations for the NPC to adopt its anti-secession law. For its part Taipei, led by Mainland Affairs Council (MAC) Chairman Joseph Wu Jauhsieh, unleashed a relentless campaign against the ASL, alleging it would contain a host of negative or damaging provisions. Beijing sent TAO Chairman Chen Yunlin to Washington twice to explain the law, and Washington used visits by its senior officials to convey its concerns about the ASL. Numerous American visitors reinforced these concerns in private visits to Beijing.

The ASL was adopted March 14. When the text was published, it turned out to be a short document of 10 articles that emphasizes the PRC desire to achieve unification through peaceful means, but reserves the right to use “non-peaceful means” to preserve China’s territorial integrity and sovereignty. The ASL does not include many of the features that Americans had been expressing concern about, including a timetable for unification, specific red lines under which China would use force, or mention of Beijing’s “one country, two systems” proposal. As such it preserves considerable flexibility for Beijing. Similarly, the ASL does not include the many features Taipei had been warning against. Substantively, it puts into law a few core elements of PRC policy that have existed for years if not decades and, as such, does not significantly change the challenges that Taiwan has long faced.

Many in Taipei recognized that the ASL was far less than feared. However, former President Lee Teng-hui’s Taiwan Solidarity Union (TSU) and fundamentalists in the DPP called for Taipei to pass an anti-annexation law or to conduct a referendum on unification to counter the ASL. For its part Washington urged the Chen administration not to overreact. In the end, Chen opted for a combination of public statements against the ASL, an international campaign against the law, and a demonstration in Taipei to allow the public to express (and vent) its opposition to unification. Premier Hsieh made clear at the LY that Taipei remained committed to reconciliation and would continue to promote cross-Strait transportation. MAC Chair Wu said that it is now Beijing’s responsibility to take concrete steps to repair cross-Strait relations and commented that transportation issues would likely not be addressed for some time.

The U.S. government response was to criticize the ASL as unwelcome and unhelpful. When Secretary Rice visited Beijing in mid March, she said publicly that the ASL had exacerbated tensions and urged both sides to find ways to resume dialogue.

The ASL: Why Now?

Why did Beijing go through with the ASL after the December legislative elections had changed the political climate in Taipei and when both sides were taking steps to reduce tensions? Chinese scholars have offered a number of explanations. One is that from Beijing's perspective the LY election did not change things significantly. The slim opposition control of the LY had not blocked Chen's separatist activities in the past and could not be counted on to do so in the future. Chen is still seen as a die-hard separatist who cannot be trusted. Another explanation was that the momentum that had gone into drafting the law since the fall of 2003 and the domestic consensus behind the ASL could not be reversed following the NPC Standing Committee's adoption of the draft in December. The domestic political impulse behind the law was clearly strong. It seems significant that Hu Jintao had the ASL announced in December before any of the PRC positive overtures on cross-Strait relations were initiated in January. It appears that Hu felt he had to demonstrate the hard side of his policy toward Taiwan before moving ahead with the more moderate elements. In other words, without the ASL, the more conciliatory steps toward Taipei would not have been possible or enjoyed domestic support in China.

Was the ASL text changed between its drafting in preparation for the Standing Committee meeting in December and its adoption by the NPC in March? What impact did criticisms from Taipei and concerns from Americans have? Chinese sources say that only a few wording changes were made before final adoption by the NPC. They state that the ASL had emerged from a long period of internal consultation, that its contents was fixed before the Dec. 17 announcement, and that substantive changes were not made thereafter.

EU Arms Embargo

Whether the European Union (EU) should lift its arms embargo on China has remained a contentious issue. China has pressed repeatedly for an end to the embargo, and it appeared early this year that the embargo would be scrapped in the near future despite appeals by President Bush during his February visit to Europe. However, the adoption of the ASL changed the tenor of the European debate. British Foreign Secretary Jack Straw, who had supported lifting the ban, commented in March that the adoption of the ASL had created a complicated political environment. The ASL's provisions on the use of non-peaceful means have given opponents of lifting the embargo a new argument. It now appears that a decision on lifting the ban is likely to be delayed for a considerable period.

Kuomintang Delegation to China

In the final days of March, Kuomintang (KMT) Vice Chairman Chiang Ping-kun led the first official KMT delegation on a visit to China since 1949. After its stronger than expected showing in the LY elections, the KMT felt confident that it could fend off the predictable charges from the DPP that it was selling out Taiwan's interests by visiting the mainland. The PRC gave the delegation a warm welcome and arranged meetings with TAO Chairman Chen Yunlin, Vice Premier Tang Jiaxuan, and Jia Qinglin. Chiang and Chen released a 10-point consensus statement on steps that could be taken to strengthen economic and cultural ties. Significantly, Beijing did not require the KMT delegation to publicly address the "one China" issue. Chiang reported that Tang Jiaxuan had made a comment about China's willingness to agree to technical contacts between Taiwan and the World Health Organization. The implications of this were not clear. The first official reaction in Taipei was to condemn the KMT delegation for encroaching on governmental prerogatives.

Economic Ties Continue to Expand

As has been the case in the past, the increased political tensions during 2004 did not stand in the way of the continued rapid expansion of cross-Strait economic ties. According to Beijing's Ministry of Commerce, cross-Strait trade rose 34.1 percent in 2004 to reach \$78.3 billion. Taipei's Board of Foreign Trade (BOFT) recorded 2004 cross-Strait trade at \$61.6 billion, up 33.1 percent. According to the BOFT, Taiwan exports to the mainland grew 25.8 percent and reached \$44.96 billion in 2004. Taiwan's export dependence on the China market continued to increase, reaching 25.8 percent in 2004 and 27 percent in January 2005. Growing export dependence produced expressions of concern in Taiwan, particularly in the pan-green camp, but concern did not translate into a response beyond rhetorical urgings that businesses diversify their export markets.

Taipei's Investment Commission reported approvals for investments in the PRC reached \$6.94 billion in 2004, an increase of 51 percent over 2003. These approvals for China accounted for a staggering 67 percent of Taiwan's total approved investments worldwide and reflected the magnetic effect of China as a manufacturing platform. The percentage would be even higher if investments funneled through Caribbean tax havens to the PRC could be identified and included.

On March 28, Hsu Wen-lung, the founder of Chi Mei Optoelectronics Corp., a major investor in China, published a statement in the Taipei press announcing his support for "one China." Hsu explained that while he had been a supporter of President Chen he did not support independence for Taiwan. This article sent shock waves around Taiwan and was widely interpreted as a sign that China was putting increasing pressure on Taiwan businesses to oppose independence.

Comments and Implications

During 2004, the challenge represented by Chen Shui-bian's promotion of Taiwanese identity, referenda, constitutional reform, and name rectification presented Hu Jintao with one of the early tests of his leadership. While Hu has adhered to the Taiwan policies laid down by his predecessors, the handling of Chen's challenge has begun to define Hu's own approach. That approach is reflected in the May 17, 2004 statement, the ASL, the conciliatory steps taken early this year, and Hu's four-point statement at the NPC. The catch phrase Chinese academics used to characterize the May 17 statement – that the hard aspects became harder and the soft aspects softer – seems an apt way to characterize the adjustments Hu is beginning to make in the policies he inherited.

What will come next? The answer to this will not be known until the dust stirred up by the passage of ASL has settled. That may take a few months. For the time being, the signals from both sides provide some reason for optimism. Beijing has said it wishes to arrange regular charter flights during other holidays as a next step to expand direct transportation. Beijing has also said it will encourage increased agricultural imports from Taiwan. For its part, Premier Hsieh has made clear several times that Taipei will continue its commitment to reconciliation and in time resume its effort to promote direct cargo charters. The negotiation of the New Year charter flights shows that the two sides are capable of reaching agreements when political conditions are ripe. Just when they will ripen again remains to be seen.

Chronology of China-Taiwan Relations January-March 2005

Jan. 1, 2005: Taiwan Affairs Office (TAO) says Beijing is willing to arrange New Year charter flights.

Jan. 3, 2005: SEF Chairman Koo Chen-fu dies.

Jan. 4, 2005: Mainland Affairs Council (MAC) says ARATS Chair Wang Daohan welcome to attend Koo's funeral.

Jan. 10, 2005: KMT delegation meets TAO's Chen Yunlin; report agreement on charter flights.

Jan. 12, 2005: Beijing civil aviation official invites counterpart for talks on charter flights.

Jan. 12, 2005: Deputy Secretary of State Armitage holds frank talks with Taiwan emissary Tsai Yng-wen.

Jan. 16, 2005: Civil aviation officials meet in Macau; announce agreement on charter flights.

Jan. 18, 2005: MAC Chair Joseph Wu in Washington attacks anti-secession law (ASL).

Jan. 20, 2005: UK Foreign Secretary Straw in Beijing urges end to EU arms embargo.

Jan. 21, 2005: Grenada resumes diplomatic relations with Beijing.

Jan. 24, 2005: TAO Chair Chen meets Armitage in DC, explains ASL.

Jan. 25, 2005: Frank Hsieh named premier; calls for reconciliation and cooperation.

Jan. 26, 2005: President Chen departs on tour to Solomons, Palau, and Guam.

Jan. 28, 2005: Jia Qinglin gives talk on Taiwan policy with conciliatory tone.

Jan. 29, 2005: New Year charter flights begin; first PRC plane lands in Taiwan.

Jan. 30, 2005: Responding to Jia, Chen reiterates there was no consensus in 1992.

Jan. 31, 2005: DOD DAS Lawless in Beijing for consultations, including Taiwan issue.

Feb. 1, 2005: ARATS officers Sun Yafu and Li Yafei arrive Taipei for Koo funeral.

Feb. 2, 2005: At Koo funeral, Chen invites Wang to visit Taiwan.

Feb. 3, 2005: NSC's Green in Beijing with Bush letter; meets TAO Chair Chen.

Feb. 9, 2005: Japanese Diet approves special visa waver program for Taiwan tourists.

Feb. 16, 2005: President Chen expresses hope for agreement on cargo charter flights.

Feb. 16, 2005: CIA Director Goss says cross-Strait military balance shifting in Beijing's favor.

Feb. 16, 2005: Beijing civil aviation official speaks positively of further charter flights.

Feb. 19, 2005: U.S.-Japan joint statement says peaceful settlement of cross-Strait issues is a common strategic objective.

Feb. 20, 2005: New Year charter flights end.

Feb. 22, 2005: Taipei civil aviation delegation meets counterparts in Beijing.

Feb. 22, 2005: Bush at NATO summit calls for continued EU arms embargo against China.

Feb. 23, 2005: Amendments to International Health Regulations agreed in Geneva.

Feb. 24, 2005: President Chen and James Soong sign 10-point statement.

Feb. 24, 2005: TAO says Beijing ready to arrange more flights and open agricultural markets.

Feb. 27, 2005: Former President Clinton in Taipei; supports “one China.”

Mar. 1, 2005: Chen remarks in *Newsweek* that he has thought about a plan to keep the cross-Strait relationship with China as is.

Mar. 2, 2005: Presidential advisors resign to protest 10-point statement.

Mar. 4, 2005: President Hu Jintao’s makes four points concerning Taiwan; Hu urges Chen to adhere to his five “noes” pledge.

Mar. 4, 2005: MAC welcomes Hu’s statement.

Mar. 6, 2005: Premier Wen Jiabao’s work report to National People’s Congress (NPC).

Mar. 8, 2005: NPC releases explanation of ASL.

Mar. 8, 2005: Taipei Vice Foreign Minister Kau in DC for consultations.

Mar. 10, 2005: Hong Kong Chief Executive Tung submits resignation.

Mar. 10, 2005: Premier Hsieh say initiatives on hold pending NPC action on ASL.

Mar. 14, 2005: NPC adopts ASL, releases text.

Mar. 16, 2005: President Chen releases five-point statement on ASL.

Mar. 16, 2005: House of Representatives passes resolution criticizing ASL.

Mar. 17, 2005: Secretary Rice commends Taiwan’s democratization.

Mar. 20, 2005: President Hu receives Secretary Rice in Beijing.

Mar. 22, 2005: Premier Hsieh tells LY Taiwan must pursue reconciliation with China.

Mar. 26, 2005: Anti-ASL demonstration in Taipei.

Mar. 28, 2005: Hsu Wen-lung’s open letter in *Economic Times* to reaffirm “one China.”

Mar. 28, 2005: KMT delegation leaves for Guangzhou, Nanjing, and Beijing.

Mar. 29, 2005: President Chen criticizes KMT delegation.

Mar. 30, 2005: KMT delegation and TAO reach 10-point consensus.

Mar. 31, 2005: KMT delegation leader Chiang Ping-kun meets Tang Jiaxuan and Jia Qinglin.

North Korea-South Korea Relations:

A (Potentially Sickening) Game of Chicken

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The inter-Korean relationship – like every other relationship with North Korea following the DPRK’s Feb. 10 announcement to indefinitely suspend participation in the Six-Party Talks – remains on hold this quarter. Although there is no chance to speak with North Korea officially in either a multilateral or bilateral setting, there are lots of opportunities in South Korea to talk about how to fashion more opportunities to pursue one-sided reconciliation with the North. There is also lots of self-criticism about how South Korea can be a better partner to its brothers in Pyongyang, despite ample evidence that brothers in Pyongyang are unwilling to provide support or even to take simple actions that might lead to more South Korean largesse. This quarter, Pyongyang’s begrudging attitude toward South Korean assistance was evident in its reaction to South Korean offers of help during the Avian flu emergency in North Korea, its refusal to accept some types of assistance in the Kaesong Industrial Zone, and its demand that South Korea expand its annual donation of fertilizer to the DPRK from 200,000 tons to 500,000 tons.

Who’s Chicken?

Since the inter-Korean summit, South Korea has been North Korea’s “911.” In an emergency, Seoul is always the first responder. The problem, as demonstrated in April 2004 following the Ryongchon explosion, is that North Korea still turns to Seoul only as a last resort after taking help from the international community and anyone else who will respond. The latest crisis to hit North Korea came in the form of an announcement in late March that North Korean authorities had culled chicken farms that had been hit by a form of “bird flu.” The oddly-named South Korean firm Porky Trading (how does chicken fit their product line?) suspended plans to import 2,000 tons of chicken from the North while South Korean humanitarian agencies geared up to respond, but the call for help from Pyongyang has not come. Instead, the North has tapped experts from the United Nations Food and Agricultural Organization to provide outside expertise. Seoul is left standing by the phone, waiting for the disinterested object of its affection to finally call. It is an odd game of chicken over Avian flu, with Seoul desperately trying to get Pyongyang’s attention or even a hint of a response, and the North Korean leadership trying not to acknowledge the presumed prince charming wanting to save the damsel that doesn’t recognize its own distress.

Kaesong Through the Looking Glass

The last quarter ended with another of many “milestones” in the inter-Korean relationship, a ceremony marking the production of the first items from the Kaesong Industrial Zone, a line of kitchen accessories produced just in time for Christmas sales by a South Korean company called Living Art. Minister of Unification and future presidential hopeful Chung Dong-young eagerly prepared for his first trip to North Korea as minister (it had been reported last summer soon after he took office that he had been studiously preparing to meet with his North Korean counterparts), but was roundly humiliated at the ceremony marking the opening of the zone. (The low-level North Korean representative at the ceremony criticized South Korea for its slowness in implementing the project and walked out on Chung’s address.)

In fact, the high-level dialogue that Seoul has so eagerly sought as part of an effort to institutionalize the inter-Korean relationship seems to have stalled with Chung’s appointment as minister of unification. Aside from North Korea’s unwillingness to meet with Chung, the Kaesong event gave the North an opportunity to snub him personally, a moment DPRK officials had awaited for over six months as sweet revenge for Chung’s initial decision as minister to forbid a South Korean nongovernmental delegation (to have included the wife of deceased South Korean dissident Rev. Moon Ick-hwan) from attending ceremonies marking the 10th anniversary of the death of DPRK founder and eternal President Kim Il-sung in July 2004. Minister Chung’s decision to accept 468 North Korean refugees from Vietnam in July 2004 only reinforced the North Korean judgment that the current unification minister is not the man with whom the DPRK is eager to speak. While it is premature to say whether Chung’s failure to make progress in inter-Korean relations would be good or bad for his presidential bid in 2007, the North Koreans have made little effort to give him a leg up on the competition by helping him to achieve any successes in the inter-Korean relationship.

Despite the insult to Chung (a relatively minor insult by North Korean standards), the Kaesong project continues apace, fueled by South Korean enthusiasm to make inroads in North Korea while taking advantage of North Korea’s relatively lower labor costs, the willingness of South Korean business to take on any project – no matter how “risky” – that is fully subsidized by the government of South Korea, and a steadily growing budget for inter-Korean economic cooperation. The budget for inter-Korean economic cooperation was set to increase by 300 percent to \$496 million, which should be enough to subsidize the entry of quite a few obsolescent South Korean firms into Kaesong.

This quarter’s milestone for the Kaesong project was the decision by South Korean officials, despite the North’s continued stiff-arming of high-level inter-Korean dialogue and the Six-Party Talks (and an apparent reversal of the South Korean refusal to provide electricity to North Korea prior to conducting a comprehensive assessment of North Korea’s electricity demand and needs), to finally flip the switch March 16 and allow electricity to flow across the inter-Korean border to South Korean firms located in the Kaesong Industrial Zone for the first time since 1948. At that time, it was the industrialized North that ended supply of electricity to the South on the basis of the

South's nonpayment of its electricity bills. (Who says there is no reciprocity in inter-Korean relations?) To be fair, this electricity is presumably exclusively for the purpose of raising the efficiency of South Korean firms in the North that had relied on generators for their electricity needs, arguably enhancing the efficiency of the project and lowering energy costs to be paid from the Inter-Korean Economic Cooperation Fund.

Another mark of progress was that a second company successfully brought production online this quarter. The Shinwon company shipped 1,000 shirts for sale in South Korea. It was also agreed that all Kaesong Industrial Zone manufactures will have the label "Made in Korea." The designation is likely good enough for trade with Singapore as part of the ROK-Singapore FTA currently under negotiation, and fine for Europe, but not suitable under trading restrictions in the United States that still prohibit sale of goods made in the DPRK.

Apart from high politics, progress in the Kaesong Zone itself is running at a slow pace – not because of any hesitancy to move forward on the part of South Korea, despite the ongoing nuclear crisis – but due to North Korean actions that have slowed the project. South Korea's Hyundai Asan, the exclusive manager of the Kaesong Industrial Zone as well as the tourism operation in Mount Kumgang, announced that it hoped to take South Korean tourists to the Kaesong Industrial Zone this quarter, but North Korean authorities have not yet agreed. Hyundai Asan has also requested to no avail that North Korean authorities allow Hyundai Asan to take foreign experts to the site, even though North Korean authorities have shown the site to European experts who conducted an economic training seminar in Pyongyang late last year. North Korea blocked the entry in January of South Korean doctors into Kaesong to mark the opening ceremony of a South Korean-built hospital in the zone and temporarily delayed the delivery of 5.4 million coal briquettes into Kaesong for a month without explanation. Despite some delays, KT Telecom reached an agreement to charge 50 cents per minute for calls from the Kaesong Industrial Zone.

Fertilizer Assistance, Inter-Korean Dialogue, and the Nuclear Crisis

The most interesting developments in the debate over the inter-Korean relationship and its relationship to the North Korean nuclear crisis this quarter focused on the questions of when, how, and why South Korea might respond to an annual request by North Korea for fertilizer for the spring planting season. The DPRK Red Cross signaled its annual request in early January, but upped the ante by demanding that South Korea double its annual supply of fertilizer from 300,000 to 500,000 tons. Aside from speculation about why the North might have doubled its request (to compensate for reductions in humanitarian assistance from the international agencies?), the question of how South Korea will respond has become a critical tactical question following the North Korean announcement that it would indefinitely suspend its participation in the Six-Party Talks.

The North Korean announcement came the day before the arrival of ROK Foreign Minister Ban Ki-moon in Washington. It was reported that Vice President Cheney raised the issue of how South Korea planned to respond to the fertilizer request as part of

discussions on how to respond to the North Korean announcement. If Washington had hopes of securing the withholding of South Korean fertilizer assistance as leverage to get the North Koreans back to the Six-Party Talks, Unification Minister Chung made clear that any effort to use the fertilizer assistance as leverage would be tied to the resumption of the inter-Korean dialogue, not Six-Party Talks. This subtle difference in U.S. and South Korean priorities and thinking about leverage raises an interesting question: Why has North Korea been so hesitant to cooperate more actively with South Korea, given the likely expanded material benefits and the bonus opportunity to exacerbate divisions in the U.S.-ROK security alliance?

The question of whether to give fertilizer as an inducement for what form of North Korean cooperation goes to the heart of the fundamental challenge that South Korea and other countries face in dealing with the North. Fertilizer may be valuable as leverage, but withholding fertilizer or using it as leverage doesn't guarantee anything more than begrudging and reluctant superficial North Korean cooperation, and may not yield the desired concession. Fertilizer also has a limited shelf-life as an inducement since the North Korean planting season will eventually pass, and the consequences of withholding the aid may haunt all parties in more severe forms if there is a new humanitarian disaster. On the other hand, without linkage to cooperation in some form, North Korean officials may well simply pocket the assistance without any expanded prospects for cooperation.

Two of the premises of the Sunshine Policy were that it would change North Korea and that the economic relationship would give South Korea leverage with North Korea by institutionalizing a dialogue and inducing North Korean dependence (to some degree) on South Korean largesse. At the very least it was assumed that the North would not be able to fight or hurt any party on which it is structurally dependent for its survival. Yet there is scant evidence that South Korea is getting much of a return on its investment, as North Korea has continued to marginalize South Korea as a player on the nuclear issue and even in the context of inter-Korean dialogue. This situation should raise questions in Seoul about whether it is getting any bang for its buck or whether it is getting swindled by a serial con artist. If South Korea cannot utilize the perceived leverage that it has, then South Korea is only allowing the North to hold it hostage in the same way that a parasite relies on its host as its means to survive.

South Koreans are clearly frustrated with the current situation for understandable reasons, and the public expects that the Roh administration will be an active player in resolving current tensions, even though there are divisions about what precisely South Korea should do, i.e., whether the primary emphasis should be on calming Washington or engaging North Korea. This frustration is traditionally heightened when there are perceptions that the South Korean government does not have an active or effective channel for inter-Korean dialogue.

The extent of the frustration was evidenced in a surprising and dramatic way by Grand National Party opposition leader Park Geun-hye's call in Washington for the Bush administration to break the six-party deadlock by sending a special envoy to North Korea. (Park's call for a special envoy also demonstrated the extent to which the Bush

administration's current approach falls outside the mainstream of the entire South Korean political spectrum.) This also helps to explain the periodic calls among ruling party supporters of President Roh for a special envoy to North Korea such as that made by Uri Party floor leader Chung Sye-kyun in early April.

One manifestation of the divisions within South Korea over how to respond to North Korea was dramatized by the publication of a new South Korean Defense White Paper following a gap of almost four years, due to an internal debate over whether or not North Korea should be classified as South Korea's "main enemy." North Korea strongly argued that such a classification contravened the June 2000 inter-Korean joint declaration, and also objected to the Defense White Paper's new classification of North Korea as a "substantial military threat." An assessment that drew less attention was the white paper's judgment that the North Koreans may have one or two nuclear weapons. This judgment conflicted with Minister of Unification Chung's assessment immediately following North Korea's Feb. 10 statement that it was too early to classify North Korea as a nuclear weapons state without an actual nuclear detonation by North Korea. There is only one way to settle this intelligence debate for good, but it is hard to see how such a development would be satisfactory for any of the concerned parties or for South Korea's credit rating, so why even appear to bait the North Koreans? (The same could be said for a new bill introduced in the National Assembly by an Uri Party member that would exempt chaebol that invest in North Korea from curbs on cross-shareholdings. At either a corporate or a national level, the assumption of tremendous collateral risk would surely be immediately factored into market valuations.)

At the same time, there are a variety of opportunities for informal or "secret" inter-Korean dialogue, including a "track-two" inter-Korean dialogue held at Kaesong at the end of March that included close senior advisors to President Roh. Thus far, despite a variety of signals of South Korean frustration with the U.S. and a wide range of hopes for direct inter-Korean dialogue to address the nuclear crisis, President Roh has resisted the temptation to defect from the Six-Party Talks and pursue an inter-Korean summit or send a special envoy to North Korea. Given that North Korea has consistently marginalized the South on the nuclear issue, the right course of action for President Roh is patience. After all, the DPRK leadership ultimately does know that its last option in a pinch is to dial "South Korea 911."

The Bright Side: Inter-Korean Economic Relations and Joint Cooperation

Aside from the Kaesong project, there was notable but limited progress on a number of fronts in support of inter-Korean economic and cultural cooperation. South Korean humanitarian aid for 2004 rose over 63 percent from 2003, going from \$158 million to \$263 million. This increase was primarily due to the South Korean response to the Ryongchon disaster in April 2004. Inter-Korean trade, however, was stagnant, falling 3.9 percent to \$697 million, about half the level of recorded China-DPRK trade (\$1.38 billion) in 2004. The Kaesong Industrial Zone efforts are expected to increase inter-Korean trade levels in 2005.

Average South Korean citizens can look forward to drinking from the same well as the “Dear Leader,” whose reported favorite Mount Myohyang mineral water was set to be imported into South Korea early in the year. A version of North Korea’s legal code has been made available for South Korean readers. Perhaps more useful reading may come in the form of a Korean language dictionary that scholars from North and South Korea agreed to work on, the first of its kind since before the Korean War. A jointly produced wildlife documentary between *MBC* and North Korean counterparts was successfully completed and aired this quarter; *KBS* and *MBC* have been negotiating with DPRK counterparts to jointly produce historical dramas.

The final area of progress in inter-Korean cooperation involves challenges to Korean nationalism or national pride. North and South Korea have agreed to cooperate this quarter on matters related to defending the history of Koguryo and share opposition to Japan’s bid for a permanent seat in the United Nations, to Japan’s claims to the disputed Liancourt Rocks (Tokdo/Takeshima) in the East Sea/Sea of Japan and to rightwing versions of Japanese history books that have been approved by Japan’s Ministry of Education for educational use in Japanese middle schools.

The Dark Side: Headaches North Korea Continues to Export

Handling of North Korean refugees and human rights continues to fester as new permutations of these issues arise each quarter. One recent survey shows over 60 percent of the South Korean public is opposed to the activities of South Korean human rights NGOs related to North Korea, while only about 30 percent of the South Korean public support such activities. There remains much that is unreported in the South Korean media on these issues as a result of an August 2000 agreement between Kim Jong-il and major news media not to report bad news about North Korea. Not surprisingly, a video showing a public execution in North Korea from early March has been making the rounds of many neighboring countries and is available on the web, but has yet to be shown on *KBS*, South Korea’s key broadcast network.

The Ministry of Unification announced that it will try to more effectively screen North Korean refugees so as not to accept North Korean criminals (only law-abiding North Korean citizens loyal to the “Dear Leader” accepted, others need not apply?) and spies, or Chinese ethnic Koreans posing as North Korean refugees. The alleged North Korean kidnapping in 2000 of a South Korean pastor, Kim Dong-shik, from northeastern China to North Korea, festers, as a number of perpetrators of the crime have reportedly found their way to South Korea. The case spawned an opposition GNP National Assembly fact-finding investigation to Yanji and a dispute with Chinese authorities over their planned press conference in Beijing. Beijing also shipped back to North Korea an alleged South Korean prisoner of war, Han Man-tack, to South Korean consternation. And there are continuing low-level charges from both sides of violations of the Northern Limit Line (NLL) in the West Sea.

South-South Divide: an Update

Although the DPRK bitterly criticized the failure of the South Korean National Assembly to repeal the National Security Law, there have been a number of court judgments in South Korea this quarter related to the ongoing ideological divide in South Korea over government policy toward the North. A Seoul court ordered that the ROK government should be required to pay over \$1,000 in damages for excessive restraint and treatment in jail of the controversial German-Korean scholar Song Du-yul, who returned to South Korea in 2003 and was arrested on charges of violating the National Security Law for his alleged membership in the North Korean communist party and activities he organized with North Korean funding during his years in exile in Germany. There was also an effort in South Korea to rehabilitate and honor left-leaning nationalist Yo Un-hyung, the victim of rightwing assassins in South Korea in 1947, by posthumously awarding him the Presidential Medal of the Order of National Foundation Merit; the commendation was rejected by Yo's daughter Yo Won-gu, chairperson of North Korea's National Unification Democratic Front. On March 31, the Seoul District Court decided not to press charges under the National Security Law against novelist Cho Chang-rae and Korea University political scientist Choi Jang-jip for novels and historical analysis that touched on ideological divisions stemming from the Korean War. The polarization of South Korean politics over North Korea-related issues is likely to continue with the current political investigation into collaboration during the Japanese colonial period.

Conclusion

South Korean leaders desperately want to be asked to the six-party prom, or even to have a special night out instead of a group date, but the man she has eyes for pursues someone else. In the absence of a date, there is another round of discussion among the girls – what can Seoul do to make itself more pretty, or more attractive, and won't the fact that Seoul is rich help? Isn't there anything that can turn North Korean eyes toward Seoul? These are the themes of most good Korean dramas, and it is widely known that Kim Jong-il fashions himself a director and producer, a man who knows a good story line when he sees one. The situation turns on its head the famous Korean proverb, "*nam-nam buk-nyu.*" (Handsome men are in the South, while the pretty girls are in the North.)

Instead, we have unrequited love in South Korea – hard to recover from or to get over, but the stuff of which dramas are made. And Kim Jong-il has cast himself as the leading man, wooing the even more distant U.S. despite consistent rejection, while ignoring the girl next door. Or as Uri Party Floor Leader Chung Sye-kyun plaintively cried, "How come the South Korean lawmakers are forbidden from meeting North Korean politicians, when even U.S. congressmen are visiting North Korea to discuss contentious issues?" Stay tuned for the next episode next quarter.

Chronology of North Korea-South Korea Relations January-March 2005

Jan. 2, 2005: *Yonhap News* reports ROK will help subsidize private company investments in North Korean infrastructure. The Ministry of Unification expects to revise rules for Inter-Korean Cooperation Fund and implement them later this month.

Jan. 3, 2005: ROK's Korea Container Terminal Authority says it has plans to develop North Korean Nampo port in a joint venture with Kookyang Shipping Co. and Dongnam Shipping Co.

Jan. 3, 2005: *Chosun Ilbo* reports Chairman Kim Jong-il's favorite bottled water, Mount Myohyang Mineral Water, will be available for consumption in the ROK. The first shipments have arrived at Incheon Port and are being inspected.

Jan. 4, 2005: ROK Unification Minister Chung Dong-young reveals the South will tighten procedures in accepting "DPRK defectors" to weed out ethnic Koreans in China, spies, and criminals. A survey shows that 11 percent of defectors have criminal records.

Jan. 4, 2005: *Rodong Sinmun*, daily paper of North Korea's ruling Korean Workers' Party (KWP), demands the abolition of the ROK's National Security Law (NSL) and condemns the Southern opposition Grand National Party (GNP) for opposing this step.

Jan. 5, 2005: *Rodong Sinmun* comments the DPRK will never give up its nuclear activities unless U.S. gives up policy of war against the DPRK.

Jan. 6, 2005: A Southern NGO claims, but the government denies, that Kim Dong-shik, a South Korean pastor believed abducted from China to North Korea in 2000, is dead.

Jan. 6, 2005: South's Unification Ministry (MOU) admits that progress on the 486 South Koreans abducted by North Korea since 1953 has been "insufficient," but denies conniving with the North to cover up this issue.

Jan. 7, 2005: A Seoul court orders the state to pay 1 million won (\$1,000) damages to a German-Korean professor, Song Du-yul, convicted last year of being a North Korean agent, for unreasonably handcuffing and binding him during his detention.

Jan. 10, 2005: Four ROK legislators travel to China on a four-day fact finding mission to investigate the kidnapping of ROK pastor, Kim Dong-shik five years ago.

Jan. 11, 2005: The North refuses to let Southern doctors and officials enter Kaesong for the opening ceremony of an ROK-built hospital. A day later, Pyongyang puts off delivery of 5.4 million Southern coal briquettes for Kaesong, which it had earlier requested.

Jan. 11, 2005: MOU tallied South Korean humanitarian assistance to the North in 2004 at \$256 million, up 63 percent from 2003. Most (\$141 million) was nongovernmental: much of it for April's explosion in Ryongchon.

Jan. 13, 2005: North Korea's Red Cross requests 500,000 tons of fertilizer from the South.

Jan. 18, 2005: Executives of the *Korean Broadcasting Service (KBS)* visit Kaesong to negotiate co-production of "Sayukshin," a historical drama, with North Korea. A day later, *KBS's* rival *MBC* sends a team to Beijing to discuss similar cooperation.

Jan. 20, 2005: Seoul receives permission from Pyongyang for search and rescue mission of a South Korean cargo ship, *Pioneeraya*, which sank off the DPRK coast.

Jan. 23, 2005: ROK seizes two North Korean crewmen as their barge drifted into South Korean waters.

Jan. 24, 2005: Construction begins on electricity lines at Kaesong Industrial Park.

Jan. 27, 2005: ROK expresses "regret" at China's repatriation to the DPRK of Han Mantack, 72, a Southern POW illegally held in the North for half a century.

Jan. 31, 2005: DPRK's 1,095-page legal codebook goes on sale in the ROK.

Jan. 31, 2005: ROK and DPRK navies accuse each other of crossing the NLL.

Feb. 4, 2005: ROK defense White Paper drops designation of DPRK as "main enemy" for the first time in a decade. Pyongyang takes umbrage at being labelled a "substantial military threat."

Feb. 5, 2005: South Korea sends 180 tons of coal briquettes and 400 heaters to Kaesong, making a total of 20,000 tons of briquettes and 10,000 heaters.

Feb. 7, 2005: ROK Unification Minister Chung says Seoul will actively consider supplying fertilizer – if North Korea returns to joint economic talks.

Feb. 10, 2005: DPRK Foreign Ministry announces that its participation in the Six-Party Talks is suspended indefinitely in response to Secretary Rice's reference to the DPRK as the "outpost of tyranny." Also says it has "manufactured nukes for self-defense."

Feb. 13, 2005: DPRK calls for U.S. troop withdrawal from the Korean Peninsula as a precursor to restarting Six-Party Talks; Minister Chung claims it is too early to classify North Korea as a nuclear state without an actual nuclear detonation.

Feb. 14, 2005: DM Yoon claims 542 ROK prisoners of war are still alive in DPRK.

Feb. 17, 2005: ROK FM Ban says ROK will not start any more “large-scale” economic projects with DPRK until the nuclear crisis is resolved.”

Feb. 20, 2005: Some 40 scholars, poets and politicians from both Koreas, meeting at Mt. Kungang, agree to compile the first unified Korean dictionary in half a century.

Feb. 22, 2005: Kim Jong-il tells senior Chinese visitor that the DPRK will return to the Six-Party Talks “if there are mature conditions.”

Feb. 24, 2005: Minister Chung says Seoul will do its best to finish connecting the east coast cross-border railroad by the end of this year.

Feb. 26, 2005: President Roh stresses no change in ROK position on DPRK nuclear issue, saying “we will solve the problem through dialogue and will not tolerate DPRK’s possession of nuclear weapons.”

March 2, 2005: FM Ban says DPRK will be granted direct talks with U.S. if it returns to the Six-Party Talks on its nuclear program.

March 3, 2005: ROK will increase its donation to the Inter-Korean Economic Fund by 300 percent \$496 million to support, facilitate, and complete businesses with DPRK.

March 4, 2005: *Rodong Sinmun* attacks as “an intolerable insult” proposals in Seoul to update its Chungmu plan on how to respond to any sudden change in North Korea.

March 6, 2005: Seoul newspapers report that Pyongyang brand and other North Korean cigarettes are catching on: they typically sell for 50 percent less than Southern brands.

March 7, 2005: ROK President Roh Moo-hyun will not send special envoy to DPRK while Pyongyang refuses to participate in Six-Party Talks.

March 7, 2005: South Korean watchmaker Romanson holds a groundbreaking ceremony for its \$15 million factory in Kaesong that will employ 570 North Korean workers.

March 7, 2005: South Korea’s Koguryo Research Foundation says it has agreed with the North’s Academy of Social Science to jointly investigate a tomb near Pyongyang, as well as to cooperate on “actively correcting Korean history.”

March 7, 2005: UN WFP releases fourth nutrition survey of North Korean children, again showing high rates of wasting and stunting; ROK study reports that one in 10 school students in Seoul is overweight.

March 8, 2005: Korea Customs Service says products manufactured at Kaesong in DPRK will be labeled “Made in Korea.”

March 9, 2005: Yo Won-gu, chairperson of the DPRK's National Unification Democratic Front rejects an ROK presidential medal and stipend recently bestowed on her late father Yo Un-hyong.

March 10, 2005: Shinwon, an ROK apparel maker, ships some 1,000 shirts made at its plant in Kaesong, becoming the second Southern firm to send goods across the DMZ.

March 14, 2005: DPRK says U.S.-ROK military exercises are "acts of aggression." The U.S. is planning *RSOI* and *Foal Eagle* joint military exercises in the ROK March 19-25.

March 14, 2005: Unification Minister Chung says that while the U.S. is South Korea's ally, North Korea is its brother. The comment was a response to criticism by Rep. Henry Hyde about the ROK Defense Ministry decision to stop designating the DPRK as a "main enemy."

March 15, 2005: Reports in Seoul claim thousands of hens were slaughtered after a suspected outbreak of bird flu at a chicken plant in Pyongyang. Porky Trading, an ROK firm, puts on hold plans to import 2,000 tons of DPRK chicken.

March 15, 2005: In Washington, Park Geun-hye, leader of the ROK's conservative main opposition Grand National Party (GNP), calls on the U.S. to "initiate more concrete and realistic proposals" to persuade North Korea back to the six-party process.

March 16, 2005: ROK supplies electricity to Kaesong, the ROK's first power transmission across the border.

March 20, 2005: The first inter-Korean copyright agreement is signed at Mt. Kumgang.

March 21, 2005: North Korea again claims to have boosted its nuclear arsenal. It protests U.S.-ROK military exercises.

March 23, 2005: MOU says ROK will ease regulations on inter-Korean trade.

March 23, 2005: ROK Minister Chung says DPRK should have no expectation of receiving fertilizer aid from Seoul unless Pyongyang resumes bilateral talks.

March 28, 2005: *Donga Ilbo* reports that U.S. handed secret information to ROK on DPRK's export of uranium hexafluoride (UF6) to Libya in early March but Seoul denies DPRK-Libya nuclear deal.

March 24, 2005: GNP urges relaxation of bars to contact with the DPRK, and that this should be delinked from the nuclear issue.

March 24, 2005: Conservative daily *Chosun Ilbo* reports a study by the U.S. Congressional Research Service claims that payments by Hyundai to the DPRK – \$600 million for Mt. Kumgang tourism, plus a secret \$500 million, during 1999-2003 – probably helped fund North Korea’s highly enriched uranium program.

March 29, 2005: ROK bars secret video of DPRK’s public execution of prisoners.

March 29, 2005: ROK delegation visits Kaesong in bid to restart talks between the DPRK and ROK. Since August 2004, relations other than those dealing with the two countries’ joint economic projects have been suspended.

March 31, 2005: President Roh stresses ROK role as a “balancer” to establish peace and prosperity in Northeast Asia.

March 31, 2005: *Joongang Ilbo* reports that GNP has drawn up proposal for a “peace accord” between DPRK and ROK, recognizing DPRK as a legitimate entity.

March 31, 2005: ROK invites DPRK to discuss containing the spread of bird flu while UN says DPRK is being “open and transparent” and is willing to cooperate with them.

China-Korea Relations:

All Eyes on Beijing: Raising the Stakes

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With North Korea's Feb. 10 announcement that it would indefinitely suspend its participation in the Six-Party Talks, a series of intensive bilateral and multilateral consultations regarding the North Korean nuclear weapons program took center stage this quarter. China's diplomacy with both Koreas intensified accordingly. PRC-DPRK diplomacy reached the highest levels, with an exchange of messages between President Hu Jintao and Central Defense Commission Chairman Kim Jong-il and the scheduling of a visit by Hu to the DPRK for later this year through an invitation conveyed by DPRK Prime Minister Pak Pong-ju during his March visit to Beijing.

There was a simultaneous intensification of diplomatic contact between Beijing and Seoul, with South Korea and all other parties looking to Beijing to find a way to reverse the DPRK position on the Six-Party Talks. These intensive consultations took place at the same time that a series of diplomatic setbacks occurred in the PRC-South Korean relationship, including the forcible shutdown of a press conference on North Korean refugees that South Korean National Assemblymen tried to hold at a Beijing hotel, the repatriation to North Korea of a South Korean prisoner of war, and increasing signs of bilateral economic tensions.

Beijing's long-term strategy of hedging its bets on the Korean Peninsula through a vibrant relationship with South Korea appeared to be paying handsome dividends as South Korean President Roh Moo-hyun, in response to rising bilateral tensions with Japan, suggested that South Korea may step outside the constraints of the U.S.-ROK alliance to play a strategic balancing role in the region. In short, no parties in the regional nuclear poker game in Northeast Asia actually had to show their cards this quarter, but North Korea raised the stakes and every other party matched North Korea's bet and remained in the game; it remains to be seen who is bluffing and who holds a winning hand.

North Korea Plays Hard to Get

North Korea's unilateral suspension of its participation in the next round of Six-Party Talks in Beijing has put the China-North Korea relationship into the spotlight as never before. No other party has sufficient leverage to convince the DPRK to return to dialogue. While Beijing's position is enhanced by the fact that all the other parties to the talks are depending on Beijing's diplomatic skills in dealing with the DPRK, it is by no

means clear whether or how the PRC might use the tools at its disposal to discipline and entice North Korea back to the negotiating table. The Brookings Institution's Jing Quan has characterized the principles of PRC diplomacy toward North Korea as "inheriting tradition, facing the future, good neighborliness and friendship, and strengthening cooperation." The U.S. has consistently pressured Beijing to make North Korea's denuclearization a priority, emphasizing that a nuclear North Korea inherently jeopardizes the fundamental PRC goal of regional stability. Beijing may agree that the nuclear issue should be resolved, but not necessarily on U.S. terms – that there may be a difference in priority between regional stability and the denuclearization of North Korea. Thus, the longer North Korea stays away from the Six-Party Talks, the more contentious the issue of how to deal with North Korea may become as part of the U.S.-PRC relationship, with negative ramifications for a South Korea that does not want to be forced to choose between Washington and Beijing.

Immediately following the DPRK's Feb. 10 announcement, the call went out to Beijing to bring North Korea back to the table. Following a rumored delay in the scheduling of a high-level visit to Pyongyang by Wang Jiarui of the CCP International Liaison Department until after Kim Jong-il's birthday on Feb. 16, the Wang delegation visited North Korea Feb. 19-21 and delivered an unusually public message from PRC President Hu. The public aspects of Hu's message emphasized China's interest in regional stability, the denuclearization of the Korean Peninsula, and resolution of any DPRK concerns about its own security (presumably in that order), and that it was in the interests of both the DPRK and the PRC to resolve these issues peacefully through negotiations. Chairman Kim took the opportunity of Wang's visit to state that North Korea remains committed to pursuing denuclearization, but presented several conditions for North Korea's return to the talks, including a retraction of the Bush administration's characterization of the DPRK as an "outpost of tyranny," and other unspecified actions that would signify that the U.S. no longer is pursuing a "hostile policy" toward North Korea.

Following the Wang Jiarui visit to Pyongyang, representatives from the U.S., Japan, and South Korea met in Seoul to analyze the various reports that China had provided from the meeting, and Beijing dispatched Ambassador Wu Dawei to Seoul and Ambassador Ning Fukui to Washington in late February and early March, respectively, to provide more details regarding the conversations with Kim Jong-il in Pyongyang. Secretary of State Condoleezza Rice's mid-March visit to Japan, South Korea, and China provided further opportunities for more detailed discussion about how to coordinate diplomacy toward North Korea, but Secretary Rice also stated that the U.S. "can not wait forever" to resolve this issue, revealing U.S. frustration with North Korea, and, by extension, with China's failure to deliver a firm commitment by North Korea to return to the talks.

Aside from China's shuttle diplomacy with North Korea, many outside observers want to know more about the mix of carrots and sticks that China might have used or might be willing to consider using as part of its diplomacy toward North Korea. It is widely recognized that the PRC supplies 80-90 percent of North Korean energy and food needs. (China has recently announced a cut-off of poultry imports from North Korea, but this

was in response to reports that North Korea was urgently combating bird flu.) Bilateral trade figures for 2004 show that trade between China and the DPRK increased by over 35 percent to \$1.38 billion (or 44 percent of the DPRK's recorded trade volume of \$3.11 billion), while the DPRK's bilateral merchandise trade with South Korea and Japan declined. A highly publicized temporary cut-off of an oil pipeline between the PRC and North Korea two years ago had been cited as one factor that originally brought North Korea to the table. The question of which tools China might use to bring North Korea back to the table has drawn a wide range of speculation within and outside of China. ROK Ambassador to the PRC Kim Ha-joong has publicly assessed that China has sufficient economic leverage to decisively influence North Korea's behavior, implying that such leverage should be used.

What more would China be willing to do short of imposing the type of sanctions that would punish North Korea without destabilizing the North Korean regime, and to what extent would South Korea cooperate with such an approach? Increasingly, it is possible to detect undertones of strategic distrust in Seoul over China's motives in providing economic assistance to North Korea. Some see South Korea's economic ties with North Korea as a strategic counterweight to China's economic dominance in North Korea, but it is also possible to imagine that North Korea could revert to its familiar game of playing China and South Korea against each other to get resources.

China-South Korean Economic Relations: Strong, but Signs of Conflict

The China-South Korean economic relationship continued to grow apace in 2004 as the foundation for deepening cooperation and close ties between the two countries. South Korean exports to the PRC grew by more than 42 percent to over \$48 billion, representing almost 20 percent of South Korea's total exports. The South Korean Ministry of Finance and Economy reported that South Korea's outward foreign direct investment expanded by 36.8 percent to \$7.94 billion in 2004 on the strength of \$3.63 billion of investments in China. Over 2.34 million Koreans visited China in 2004, a 48 percent increase over 2003. Over 50,000 Koreans are estimated to be studying in China and over 10,000 Chinese students are in South Korea.

South Korean firms such as the LG Corp., which has captured a significant share in China's domestic market through sales of "white goods," (refrigerators, microwaves, air conditioners, etc.) and SK Corp., whose oil refinery operations have benefited significantly from China's surging fuel demand, are beneficiaries of China's continued growth and project significant growth for 2005. Ssangyong Motor Company hopes to take advantage of its new status as part of Shanghai Automotive Group to expand exports to China. Hyundai Heavy Industries has won a contract from China's Cosco Asia to build four 10,000 TEU-plus container ships, some of the largest container ships in the world.

Other issues have also intruded on a virtually unblemished record of economic accomplishment. Hyundai is following in the footsteps of Toyota and General Motors-Daewoo in exploring legal means to redress copyright infringement issues with Chinese

local competitors. South Korea is losing market share in Japan while China's share of the Japanese import market has increased dramatically in recent years, and the same trend can be seen in many third-country markets around the world. South Korea's investment in China continues to erode its domestic manufacturing base. China is increasingly resorting to import restrictions or anti-dumping tariffs against South Korean items.

China-South Korean Political Relations: Turbulent Ride

Aside from the booming economic relationship, South Korea continues to recognize and accommodate Chinese strategic interests on the Korean Peninsula, despite occasional hiccups that dramatize the differences between the two sides. A statement by Prime Minister Wen Jiabao praising South Korea's policy toward North Korea as "reasonable" in a meeting last January with South Korean Prime Minister Lee Hae-chan on the sidelines of a global conference on tsunami relief in Jakarta stands in stark contrast to U.S.-ROK tensions over the nuclear issue. The South Korean and PRC foreign ministers agreed in late February to enhance coordination on the North Korean nuclear issue, in addition to the intensive consultations involving Deputy Foreign Minister Song Min-soon and his counterpart PRC Ambassador Wu.

There remain many unresolved issues in the ROK-PRC relationship, such as the ongoing Koguryeo kingdom dispute and Beijing's heavy-handedness on South Korea's interaction with Taipei. (It was only in March of this year that Taiwan's flag carriers resumed operations to Seoul following the suspension of flights when Seoul normalized relations with Beijing.) The issue that flared up this quarter was China's handling of refugees, and the violent treatment that the PRC government gave opposition party South Korean legislators who tried to hold a news conference on the issue last January in Beijing. A four-person delegation of National Assemblymen including Kim Moon-soo visited northeastern China to collect information on the whereabouts of a missing South Korean pastor rumored to have been abducted in 1999 by North Korean public security forces, presumably with the tacit cooperation of Chinese authorities.

Upon their return to Beijing, the South Korean lawmakers organized a news conference at the Beijing Great Wall Sheraton Hotel in Beijing, but it was interrupted when Chinese agents literally pulled the plug in the conference room, shutting off electricity, and physically removed reporters and aides to the lawmakers on the pretext that the South Korean lawmakers had not applied for the appropriate permission to hold a news conference. The unceremonious treatment outraged South Korea's opposition and occasioned a formal protest from the South Korean Ministry of Foreign Affairs and Trade. However, the South Korean government also quickly determined that it would not strain ties with China over such an "unexpected variable." The incident also provided a concrete example of the limits of expression and differences between the South Korean and Chinese political systems.

Less than two weeks later, it was determined that the Chinese authorities deported to North Korea an escaped South Korean prisoner held in North Korea since the Korean War, 72-year old Han Man-tack. Han had crossed the border in order to meet family

members from South Korea. The South Korean government was notified regarding this issue on Dec. 30 and responded to Beijing, but apparently not in time to prevent Han's deportation to North Korea. Rather than recognizing his past status and the fact that he was originally a South Korean citizen, the PRC authorities treated him as an illegal immigrant, despite prior agreements that the PRC will "fully comply" with South Korea when North Korean refugees are identified as POWs. Media reports on these issues are drawing attention and negative emotional reactions from the South Korean public; these reports have increased worries in Seoul that China's rising regional dominance may not be totally benign.

Seoul between China, Japan, and the U.S.

President Roh has drawn critical attention to strategic developments in Northeast Asia through his recent speeches in response to a complex set of emerging issues. Although the subjects of these speeches were the issue of "strategic flexibility" for U.S. forces in Korea, the territorial dispute between Japan and South Korea, and the unwillingness of some in Japan to acknowledge Japan's negative historical legacy as part of the process of moving on to the future, President Roh has also raised a critical issue that overshadows the decisions of all the players in managing the North Korean nuclear crisis: how will Asian countries relate with each other after the North Korean threat is gone?

For most countries in the region, the answer to this question is related almost exclusively to figuring out how to get relations with China right. But for South Koreans, the strategic preoccupation that immediately comes to mind is how to manage relations with a rising Japan. In fact, given South Korea's strategic location, South Korean diplomacy must figure out how to do both.

This task is complicated by the fact that South Koreans perceive their U.S. allies as oblivious to the ways that changes in Japan are perceived as threatening to South Korean security. South Koreans also carry a psychological burden that stems from South Korea's dependence on the alliance with the U.S. despite South Korea's economic independence and global stature. There will have to be fundamental changes in the nature of the U.S.-ROK alliance relationship if it is to be sustained in the future.

In addressing the issue of "strategic flexibility," President Roh has underscored the obvious point that South Korea will remain in control of the situation on the Korean Peninsula – without ruling out the possibility of U.S.-South Korean cooperation. Given the magnitude of South Korean strategic interests in its relationship with China, however, it is true that South Korea is in a different position from that of Japan. Whether or not U.S. needs truly contradict South Korean strategic imperatives vis-à-vis China remains to be seen.

South Koreans have quietly and nervously watched developments in the U.S.-Japan alliance during the past three years, but did not want to challenge them for fear of undermining South Korea's own interests in maintaining good relations with Washington. Another factor has been that Japan's level of cooperation in its alliance with

the United States has served as a de facto benchmark for what South Korea feels that it needs to do on issues such as dispatching troops to Iraq. Despite many initial misgivings, South Korea performed but made the process so unsatisfying for both sides that no one has a sense of satisfaction from that cooperation. But the issue of the future of the U.S.-Japan alliance, and of Japan as a normal nation, is one that deserves to be on the agenda of discussion as part of the U.S.-ROK alliance and as part of enhanced trilateral exchange among the U.S., Japan, and South Korea.

So where does China fit in? President Roh seems to want to break a downward cycle of conflict between China and Japan by “balancing” in some form – or at least by taking preventive actions to forestall a conflict in which South Korea would inevitably suffer some consequences. And China has managed its diplomacy toward South Korea relatively well despite its heavy-handed approach to dealing with Taiwan and the refugee issue. So there are some who don’t feel “at home” with the United States and Japan, but are China and Russia really the natural friends and allies of the Korean Peninsula? Today’s South Korea will not face the calamity of the 19th century again, but it may have tough choices to make to prevent and delimit the region-wide impact of 21st century tensions.

Given the complexity of the situation that South Korea will face, it is not surprising that President Roh has delivered some contradictory messages. These messages are particularly confusing to U.S. colleagues who have the benefit of distance from a tough Northeast Asian neighborhood. In fact, one sometimes feels that there is nothing South Korea would like better than to move to Europe. After all, the past few months have uncovered sharp conflicts between South Korea and all of its neighbors. Even the desire to just get along with brothers in North Korea is stymied by North Korean refusal to talk to the South. But the important thing is that after several years of domestic political navel-gazing, a new generation of South Korean leaders is waking up to the tremendous regional challenges it will face in coming years.

President Roh campaigned on a peace and prosperity platform. That platform incorporated many ideals, but managing the reality of South Korea’s current situation may not conform to those ideals. It will require great understanding, foresight, diplomatic skill, and greater emotional control among the South Korean public to meet many of these challenges. Ultimately, South Korean pragmatism and good survival instincts are likely to prevail.

Chronology of China-Korea Relations January-March 2005

Jan. 5, 2005: Chinese premier Wen Jiabao praises Seoul's approach toward the North Korean nuclear issue during a meeting in Jakarta on the sidelines of a tsunami relief conference with South Korea's PM Lee Hae-chan. Suggesting closer bilateral cooperation, Wen also said Seoul's "peace and prosperity" policy was "essential" to both peace on the Korean Peninsula and the success of the Six-Party Talks.

Jan. 7, 2005: Korea International Trade Association (KITA) announces that China either imposed import-restricting measures or initiated antidumping investigations on 21 Korean items last year.

Jan. 10, 2005: Four lawmakers from the opposition Grand National Party (GNP) travel to Yanji in northern China, where North Korean agents allegedly abducted a South Korean pastor in 2000.

Jan. 11, 2005: The Agricultural and Fishery Marketing Corp. (AFMC) announces that kimchi imports surged by 152.9 percent to 72,600 tons in 2004 from 28,700 tons in 2003, hitting an all-time high, due mainly to rising demand for low-priced Chinese kimchi.

Jan. 12, 2005: As GNP lawmakers start a news conference in a Beijing hotel about North Korean refugees, microphones and lights are turned off and security officials charge in, pushing and shoving lawmakers and about 50 reporters out of the room.

Jan. 13, 2005: South Korean Foreign Ministry summons Chinese Ambassador Li Bin and demands an explanation for Chinese actions in shutting down a news conference by ROK legislators at a Beijing hotel. The Chinese government says domestic law bans news conferences not approved in advance.

Jan. 14, 2005: Opposition GNP accuses China of "diplomatic arrogance" for manhandling GNP lawmakers who tried to hold a news conference in Beijing, and demands the Roh government punish Seoul diplomats responsible for policy on Chinese affairs.

Jan. 17, 2005: Sohn Jin-bang, chief of LG Electronics' Chinese holding company, states that LG Electronics will make a strong push to increase its electronic appliance sales in China by 50 percent from last year's \$10 billion.

Jan. 19, 2005: Seoul City Government announces its new Chinese name, "(soual)," which means "a leading city." The name is intended to replace the traditional Chinese language reference for Seoul, "han-cheng."

Jan. 23, 2005: Hyundai Heavy Industries announces it has won a contract to build the world's largest container ships from China's Cosco Asia, beginning the era of building container ships that can carry more than 10,000 TEUs of cargo.

Jan. 24, 2005: Ssangyong Motor, South Korea's fourth-largest automaker, announces it will end its debt workout programs, five years after it fell into financial turmoil following the Asian economic crisis and following the successful purchase of Ssangyong by the Shanghai Automotive Group.

Jan. 25, 2005: KITA announces that Korea's direct investment in China amounted to \$6.25 billion last year, more than twice the \$2.72 billion two years earlier.

Jan. 27, 2005: ROK Deputy FM Song Min-soon meets with Chinese Ambassador Li and states Seoul's objection to the fast return to the DPRK of Han Man-tack, a refugee from North Korea who also was a former South Korean soldier taken prisoner during the 1950-53 Korean War.

Jan. 30, 2005: According to KITA, North Korea's economic reliance on China grew last year, with bilateral trade between the two states hitting a record \$1.38 billion, up 35.4 percent from a year earlier.

Jan. 31, 2005: Kyonggi Provincial Governor Sohn Hak-kyu announces that his provincial government will develop a multi-complex showbiz village called "Hallyu-wood," to expand the current popularity of Korean culture sweeping Japan, China, and Southeast Asia.

Feb. 10, 2005: DPRK announces the "indefinite suspension" of its participation in Six-Party Talks until conditions change, asserts it has "manufactured nuclear weapons."

Feb. 11, 2005: KITA announces that China's share of the Japanese import market soared to 20.7 percent last year from 14.5 percent in 2000, while South Korea's share of Japan's imports dropped from 5.4 percent in 2000 to 4.9 percent last year.

Feb. 13, 2005: Hyundai Motor announces it is working closely with 10 law firms in China to toughen its stance against copyright violations by Chinese automakers.

Feb. 16, 2005: ROK ruling Uri Party announces intent to sign a memorandum of understanding to increase cooperation with China's Communist Party.

Feb. 17, 2005: ROK ambassador to the PRC Kim Ha-joong says in Seoul that China has bigger influence than others might expect on North Korea, if it is willing to use that influence to settle the North Korean nuclear issue.

Feb. 17-19, 2005: ROK Deputy FM Song Min-soon travels to Beijing for consultations with his counterpart, PRC Ambassador Wu Dawei. Newly appointed envoy for Six-Party Talks Ambassador Chris Hill has separate consultations in Beijing with Wu.

Feb. 19-21, 2005: PRC CCP international liaison department head Wang Jiarui meets with Kim Jong-il and other top North Korean officials to discuss the North Korean nuclear standoff and DPRK reluctance to return to the Six-Party Talks. He delivers a letter from Hu Jintao on China's policy objectives and the Six-Party Talks.

Feb. 22, 2005: Finance officials from China, Japan, and South Korea meet counterparts from ASEAN to discuss ways to counteract the weak dollar.

Feb. 26, 2005: South Korea, the U.S. and Japan meet to discuss North Korea's suspension of participation in Six-Party Talks, compare notes on the visit of Wang Jiarui to Pyongyang, and urge China to step up efforts to persuade Pyongyang to return to the talks.

March 1, 2005: Taiwanese airlines, including China Airlines, EVA Air, Far Eastern Air Transport, TransAsia Airways, and UNI Airways, resume regular flights to South Korean cities, ending 13 years of suspended service.

March 2, 2005: Jiang Zhiwei, of the Shanghai Automotive Industry Corporation that recently took over Ssangyong Motors, announces that Ssangyong has successfully completed the restructuring process, and is ready to become a top automaker in Asia.

March 2-3, 2005: Chinese chief negotiator Wu Dawei holds meetings in Seoul with South Korea's FM Ban Ki-moon, Vice FM Song Min-soon, and Unification Minister Chung Dong-young in a drive to get North Korea back to the negotiating table. Ambassador Wu also meets Ambassador Chris Hill, newly appointed senior U.S. representative to the Six-Party Talks.

March 8, 2005: President Roh Moo-hyun in a speech at the Air Force Academy commencement ceremony clarifies that South Korea will not allow U.S. troops to become involved in any dispute in Northeast Asia without the consent of the government.

March 22, 2005: South Korean President Roh declares that South Korea will play a "balancing role" to help ensure peace and prosperity in Northeast Asia and on the Korean Peninsula," possibly signaling a shift away from the U.S. and toward China.

March 22-28, 2005: DPRK PM Pak Bong-Ju embarks on a week-long visit to China at the invitation of counterpart PRC PM Wen Jiabao. PM Pak is reported to have brought an invitation for PRC President Hu to visit the DPRK later this year.

March 24, 2005: Samsung Fire and Marine Insurance, South Korea's largest non-life insurer, becomes the world's first insurance company to establish a subsidiary in China, according to the ROK Financial Supervisory Commission.

March 30-April 2, 2005: ROK Defense Minister Yoon Kwang-ung visits China to meet with PRC counterparts and tour major Chinese military facilities.

Japan-China Relations: Trying to Get Beyond Yasukuni

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The New Year opened with promise – Prime Minister Koizumi Junichiro did not visit the Yasukuni Shrine. While old issues, history and nationalism, sovereignty in the Senkaku (Diaoyu) Islands and the East China Sea, the extent and scope of the Japan-U.S. alliance (Taiwan) lingered, if not intensified, political leaders and diplomats worked to repair strained political relations, hopefully setting the stage for high-level reciprocal visits. The spirit of the Santiago and Vientiane Summits, in particular dealing “appropriately” with the Yasukuni issue, appeared to suffuse political and diplomatic engagement. Meanwhile, economic relations continued to expand – China replaced the United States as Japan’s top trading partner in 2004.

The New Year: Yasukuni

The year 2005 opened quietly. Prime Minister Koizumi did not visit Yasukuni Shrine. The *Yomiuri Shimbun* quoted a Foreign Ministry official as saying that the prime minister had decided not to visit the shrine during the New Year holidays in an effort “to map out a scenario to improve relations with China.” Meanwhile, a source close to the prime minister noted that Koizumi had visited the shrine every year as prime minister and that he was “unlikely to stop visiting the shrine.”

In early January, LDP sources revealed that the 2005 draft party platform would call for a continuation of visits to Yasukuni to pay homage to the souls of the war dead. On Jan. 18, at the conclusion of the LDP’s 50th anniversary convention, the party adopted the draft platform, including the Yasukuni language.

Meeting with former Prime Minister Mori Yoshiro and former Chief Cabinet Secretary Fukuda Yasuo on Jan. 13, Chinese Ambassador Wang Yi told them that 2005 should be made the year for improving bilateral relations and that he personally would refrain from talking about the issues of history. The previous day, following an address at Waseda University, Wang had asked that visits to Yasukuni be stopped. He explained to the LDP leaders that he did not raise the issue but had only responded to a question.

In his policy address to the Diet Jan. 21, PM Koizumi reaffirmed shared understandings from his recent meetings with China's leaders in Santiago and Vientiane. Koizumi again defined Japan-China relations as being of the "utmost importance" and agreed to "enhance cooperation in a broad range of areas from a broader perspective, even if views on individual areas may differ." Subsequently, in response to questions about China's opposition to his visits to Yasukuni, Koizumi replied that he would make "appropriate decisions" on his "own" regarding visits to the shrine.

Business and Commerce: the Numbers Tell the Story

At the end of January, the Finance Ministry released trade data for 2004. The numbers revealed that China, including Hong Kong, had become Japan's largest trading partner, surpassing the U.S. In 2004, China represented 20.1 percent of Japan's trade, with the U.S. accounting for 18.6 percent. In 2003, the U.S. represented 20.5 percent of Japan's trade, with China's share at 19.2 percent. Imports from China grew at a rate of 10 percent in 2004, maintaining the same rate as 2003.

Capitalizing on the positive economic news, Ambassador Wang in a speech delivered in Kobe called on Japan to enter negotiations for a bilateral free trade agreement. An end of year Cabinet Office review of the potential benefits of free trade agreements with 18 of Japan's top trading partners put China at the top of the list. Estimates indicated that a Japan-China FTA would increase Japan's GDP by 0.5 percent. Looking at China's growth rates and lowering of tariff rates, private sector economists in Japan were bullish on China and the Japan-China economic relationship.

High-Level Political Contacts

A high-level Japanese Parliamentary delegation was scheduled to visit China Jan. 9 to attend a meeting of the Japan-China Ruling Party Exchange Council. On Jan. 6, however, the minister at the Chinese Embassy in Tokyo, Cheng Yonghua, called on Nukaga Fukushima, a former Liberal Democratic Party (LDP) secretary general and informed him that, in light of the number of subjects on the agenda, the visit would have to be delayed. After a delay of less than a week, the Japanese parliamentary delegation including Nakagawa Hidenao, chairman of the LDP's Diet Policy Committee, former LDP Secretary General Koga Makoto and New Komeito Acting Secretary General Ota Akihiro, arrived in Beijing Jan. 11 and met with Tang Jiaxuan, former foreign minister and presently a member of the State Council at the Diaoyutai Guest House.

Tang told his visitors that China could not tolerate Koizumi's visits to Yasukuni, which he asserted, "are gradually jeopardizing" friendly relations between the two countries, and repeatedly called for an end to the visits. Tang also raised the issue of Lee Teng-hui's visit to Japan, calling the decision "regrettable." In response, Nakagawa asked China to change its attitude toward the Yasukuni issue. He explained that the "Japanese people are proud that our country has walked on the path to peace" and went to say that Japanese are "somewhat intolerable when you take up only our unfortunate past accounts." Efforts were needed "to overcome this issue." (Before leaving Japan, Nakagawa in a Jan. 8

speech warned that the future depended on “how the leaders of the two countries will manage nationalism in their countries.”) With Tang, he noted that many in Japan were calling for an end to official development assistance to China, and referred to the November submarine incident and China’s exploration for natural gas in the East China Sea as incidents which have “hurt the Japanese people’s feelings.” Tang replied that the exploration issues were complicated, stressed the need to avoid conflict, and urged joint exploration of resources in the area. Finally, Nakagawa invited Tang to attend the Aichi Exposition, but Tang demurred a direct response and said he would like to do so “if possible.”

The Nakagawa delegation had been scheduled to meet with Principal Vice Foreign Minister Dai Bingguo, but the meeting was canceled at the last minute. Instead, the delegation met with Vice Minister Zhang Yesui. The *Yomiuri* reported that a Foreign Ministry source speculated that the schedule change might suggest “displeasure” on the part of the Chinese government.

Diplomats: Looking for Traction

In mid January, informal working-level talks between Japanese and Chinese diplomats were held in Beijing. Searching for a breakthrough in prime ministerial-level political contacts, Japanese diplomats proposed a comprehensive “Cooperative Work Plan” aimed at increasing political, economic, and people-to-people exchange. The work plan also called for cooperation in the fields of energy, the environment and economics, an early resolution of issues such as the East China, and the disposition of chemical weapons abandoned in China by the Imperial Army. Their Chinese counterparts were reported to be receptive to the idea but avoided an immediate reply. On Feb. 7, Vice Minister of Foreign Affairs Yachi Shotaro told reporters that Japan had accepted a Chinese proposal for a China-Japan Strategic Dialogue at the vice-ministerial level. The dialogue would be modeled after the Japan-U.S. strategic dialogue and occur once each year. Yachi told reporters, “it is necessary for Beijing and Tokyo to hold dialogue and talks through every channel from the top-level to working-level officials.”

At the conclusion of the National People’s Congress, Prime Minister Wen Jiabao, on March 14, met with reporters and addressed the issue of high-level China-Japan contacts. He emphasized that the China-Japan relationship was China’s “most important bilateral relationship” and then offered a three-step plan toward the resumption of these contacts. The first step was to create an environment conducive to a resumption of such visits. The second was to conduct strategic research toward strengthening friendly relations based the work of the two countries’ diplomats. The third involved the appropriate management of the problems of history. Wen went on to emphasize that “main stumbling block was political – fundamentally whether Japan could correctly deal with the problems of history.” He added that he hoped Japan would take advantage of the 60th anniversary of the end of the war to advance friendly relations between the two countries.

On March 24, the Japanese Foreign Ministry announced that Cui Tiankai, director general of the Asian Affairs Bureau in the Chinese Foreign Ministry, would visit Tokyo March 28 to meet with his counterpart, Sasae Kenichiro. During the meeting, Japan again asked China for data on its exploration for natural gas in the East China Sea and again requested that exploration be stopped. Avoiding a direct response, the Chinese side replied that China would “take heed of” Japan’s concerns, called for dialogue to resolve the issue, and again proposed joint development. Sasae made clear that the proposal for joint development could not be accepted as long as its contents remained “unclear.” Japanese diplomats also spoke of the popular and political pressures building on the government to respond to China’s activities. At the same time, both sides agreed to a Japan-China Joint Activity Plan aimed at expanding bilateral cooperation both on international issues and bilateral economic, security, and cultural issues.

The Taiwan Factor: the Japan-U.S. Alliance

On Feb. 19, at the conclusion of the Japan-U.S. Security Consultative Committee meeting in Washington, the two governments issued a Joint Statement. It outlined shared strategic objectives: bilateral, regional, and global. In Asia and with respect to China, the two governments aimed at the development of a “cooperative relationship” with Beijing and welcomed China to play “a responsible and constructive role regionally as well as globally.” The Joint Statement also encouraged “the peaceful resolution of issues concerning the Taiwan Strait through dialogue” and increased transparency in China’s military budget.

On Feb. 20, Beijing used the Foreign Ministry’s website to express the firm opposition of the Chinese government and people to the Joint Statement, which “concerns China’s sovereignty, territorial integrity, and national security.” On Feb. 21, the Foreign Ministry’s spokesperson Kong Quan said, the Japan-U.S. Alliance was a “mutual arrangement made in a special historical condition, which should not overstep the bilateral category.” The reference to Taiwan was related to “China’s national sovereignty, territorial integrity and national security and the Chinese people are firmly against it.”

In Tokyo, on Feb. 22, Foreign Ministry spokesperson Takashima Hatsuhsa told reporters that the reference to Taiwan in the Joint Statement was “nothing new.” Takashima pointed out that “Taiwan has been a main security objective or issue for Japan and the United States since the signing of the security treaty...” As for China’s claim that the Joint Statement represented interference in its domestic affairs, Takashima thought it “unfortunate that the Chinese spokesperson misinterpreted the statement...” The language called for peaceful resolution and encouraged “a constructive and responsible role for China as a member of the international community”; accordingly, he found “nothing which would cause any sort of problem in our relations with China.” Three days later, Takashima, again addressing the Joint Statement, told reporters that “Japan by no means regards China as a threat but as a ‘constructive partner’ with whom a cooperative relationship should be promoted.”

The Taiwan Factor: the Aichi World Exposition

The opening of the Aichi World Exposition promised a six-month tourist bonanza for Japan. To facilitate travel from Taiwan, the government planned to introduce legislation that would provide Taiwanese with visa-free entry for six months, beginning March 25. (Special legislation was required in the case of Taiwan, because Japan lacks diplomatic relations with Taiwan and thus cannot inform the Taiwanese government of a visa-waiver decision.) Visa requirements for Chinese citizens, however, were not to be waived, but Chinese citizens were to be allowed to apply for visas anywhere in China rather than from the current limited number of provinces and cities. China's National Tourist Office protested the discriminatory nature of the planned arrangement. As a result, Transport Minister Kitagawa Kazuo proposed that all Chinese visitors be allowed visa waivers for the six months beginning March 25; at the same time, the government suspended consideration of the Taiwan legislation.

The Diet subsequently enacted the Taiwan visa waiver legislation. Passage, however, only raised sensitive political questions as to whether Taiwan's political leaders – Taiwan's president and his wife were reported to be interested in attending the Aichi Expo – would be allowed to travel to Japan under waiver. On March 8, the Foreign Ministry spokesperson sought to clarify the matter explaining that, with respect to “dignitaries or high ranking government officials,” appropriate consideration would be given on a “case-by-case or person-by-person basis.”

In early March *Jiji Press* reported that Wu Shu-chen, the wife of Taiwan's President Chen Shui-bian, would visit the Aichi Expo in early May, approximately the same time that China's Foreign Minister Li and Vice Premier Wu Yi had been expected to visit Japan. The *Jiji* story related that, as a result, Beijing had decided to postpone high-level visits of Wang Jiarui, head of the Chinese Communist Party's International Liaison Department and Cui Tiankai, director general of the Foreign Ministry's Asian Affairs Bureau. Asked about the visits, a Japanese Foreign Ministry official denied any postponement, pointing out that dates had not been officially set.

The Taiwan Factor: China's Anti-Secession Law

In advance of the March meeting of the NPC, Deputy Director of the Taiwan Affairs Office Sun Yafu traveled to Japan Feb. 22 and met with Vice Minister Yachi Shotaro to explain the contents and objective of the pending legislation. Yachi expressed concern that such legislation could not but negatively affect cross-Strait relations and urged an early resumption of cross-Strait dialogue. The following day, Foreign Minister Machimura met with Sun, and Sun again asked for Japan's understanding with respect to the legislation. According to Foreign Ministry sources, Machimura expressed his strong concern with the legislation and the affect it would have on cross-Strait relations.

On March 15, Foreign Ministers Machimura and Li spoke for close to 30 minutes on the telephone. Li explained that the anti-secession law reflected China's commitment to a peaceful resolution of cross-Strait issues, while Machimura reiterated Japan's concern over the potentially negative affect of the law on cross-Strait relations and called for an early resumption of dialogue between Beijing and Taipei.

In January, Tokyo was actively engaged in lobbying against the pending European Union decision to lift its embargo on arms exports to China. On Jan. 13, Nakagawa Shoichi, minister of economy, trade and industry, told his French counterpart that Japan and other East Asian countries were concerned with China's continuing arms buildup. Nakagawa was quoted as saying that a decision to end the arms embargo "might be a matter of business for the European Union and France. But it could damage peaceful development in East Asia if handled on the same level as automobiles and French ties." On March 15, Prime Minister Koizumi returned to the issue, telling a plenary session of the Lower House that he was "concerned that the move might affect the overall security in East Asia, including Japan."

Koizumi raised the issue with visiting French President Jacques Chirac March 27, reiterating his opposition to ending the embargo. Chirac told Koizumi that the act was political in nature and would not result in an increase of highly sophisticated weapons exports to China. Chirac asked for Koizumi's understanding, while expressing France's support for Japan's bid to become a permanent member of the UN Security Council.

Meanwhile, *Kyodo News* was reporting that the Japanese government was preparing to defend Japan's southernmost islands off Kyushu and Okinawa from a possible Chinese invasion. Noting the increasing pace of Chinese activities in the area, a JDA senior official told reporters that, "The Self Defense Forces do not have troops stationed on most of the southern remote islands and they are a vacuum in terms of security." On March 4, the *Asahi Shimbun* reported that the government had decided to deploy *F-15* fighter aircraft to Okinawa to replace the aging *F-4*. The government aims to complete the deployment by the middle of 2008. On March 15, the *Tokyo Shimbun* reported that the government was considering troop deployments to the southernmost islands in the Okinawa Prefecture, close to the disputed Senkaku (Diaoyu) Islands.

On March 24, Moriya Takemasa, deputy director general of the Defense Agency, traveled to Beijing to meet with Xiong Guangkai, deputy chief of staff of the PLA, and Cao Gangchuan, minister of defense. In his meeting with Xiong, Moriya raised the anti-secession law, China's defense spending, lack of transparency, and last November's submarine incident. (Earlier, on March 4, Beijing had announced a 17 percent increase in the military budget for 2005 – the 17th consecutive year of double-digit increases in the military spending.) The Chinese response was that because the structure of China's society and national defense were different from Japan's, it was not possible to ask for the same degree of transparency. Chinese officials also raised concerns about the inclusion of Taiwan in the U.S.-Japan Feb. 19 Joint Statement, criticizing it as "interference in China's domestic affairs." Referring to Japan's New Defense Policy Guidelines, Moriya told his interlocutors that document does not regard China as a

“threat.” Xiong and Moriya agreed to a Chinese naval visit to Japan, sometime in 2006, and an expanded program of bilateral exchange visit between defense officials. With Cao, Moriya extended an invitation from JDA Director General Ohno for a visit to Japan. Cao replied that he would like to do so at a time convenient for both sides.

At the end of the quarter, Japan’s National Institute for Defense Studies published its annual *East Asian Strategic Review*. In addition to the threats posed to Japan’s security environment by North Korea and sea-based terrorism, the 2005 report also called attention to China’s continuing military modernization and Beijing’s efforts to strengthen PLA capabilities to deal with Taiwan, while deterring U.S. military intervention. Echoing the December 2004 National Defense Program Guidelines, the strategic review observed that the China-Taiwan military balance required careful attention. The report also touched on the November 2004 submarine incident, citing it as evidence of China’s continuing efforts to move from a coastal defense posture to one of offshore defense, and China’s exploration for natural gas in the East China Sea. With respect to China’s foreign policy and relations with Taiwan, the report judged that Hu Jintao’s administration “will be increasingly influenced by public opinion and nationalism.”

East China Sea: Natural Gas

On Jan. 1, the *Yomiuri Shimbun* reported that the Japanese government had concluded that Chinese exploration activities were extending across Japan’s claimed median line maritime boundary, demarcating Japan’s and China’s respective EEZs. The government found that 12 of China’s exploration sites extended across the median line; three were clearly on the Japanese side. China has consistently refused to recognize the median line as demarcating the EEZs, as Ambassador Wang Yi again made clear in a Jan. 12 address at Waseda University. Shortly after Wang’s talk, it was reported that Japan Petroleum Exploration Company and Teikoku Oil Company were planning to begin test drilling in Japan’s claimed EEZ in early April.

At the same time, Japan renewed its request that Beijing provide data on the exploration activities in the East China Sea. Addressing a Feb. 20 television audience, Economics Minister Nakagawa Soichi told viewers that it is “highly likely” that Chinese exploration activities extended across the median line into resources in Japan’s EEZ. Nakagawa went on to say the test drilling were “naturally an option” for Japan. Nakagawa’s presentation tracked the conclusions of a Feb. 18 Ministry of Economics interim report on activities in the East China Sea. On Feb. 21, the director general of the Foreign Ministry’s Bureau of Asian and Oceanic Affairs informed the Chinese embassy of the high probability that China’s exploration activities were extending beyond the median line into Japan’s EEZ. and again requested cessation of the activities. Beijing’s response followed shortly. Foreign Ministry spokesperson Kong Quan made clear that Japan’s demands that China stop drilling and provide data on exploration “completely fall under the framework of China’s rights and are unacceptable.”

On March 2, the opposition Democratic Party of Japan introduced the outlines of legislation to regulate the exploration of natural resources in the East China Sea. The draft bill called for the Japanese Coast Guard to support the activities of Japanese companies when engaged in exploring for resources within Japan's EEZ. Aimed at China, the bill calls on the Coast Guard to protect Japanese ships engaged in test-drilling for natural resources within Japan's EEZ.

EEZ: Strengthening Claims to Sovereignty

On Jan. 31, Tokyo Governor Ishihara Shintaro called on the prime minister at his official residence and revealed that he was planning to construct a power facility, using ocean thermal energy conversion near Okinotori Island. (The Tokyo Municipal Government is responsible for the administration of the Ogasawara Islands whose western area is within Japan's EEZ.) Ishihara also spoke of plans to establish a fishing industry on the island. The Tokyo government had allocated ¥500 million for the project in the budget plan for the coming fiscal year, beginning April 1. After meeting with the prime minister, Ishihara told reporters that he intended to begin economic activity in the islands "whether China lodges a protest or not."

On Feb. 9, Chief Cabinet Secretary Hosoda told reporters that the government had assumed management of a beacon set up by a Japanese fisherman on Uotsuri Island in the Senkaku chain. The previous private owner had renounced his rights to the property and assumption of management by the central government was "not a problem" because, as Hosoda noted, "The Senkaku Islands are historically part of our inherent territory." The Japanese Coast Guard assumed responsibility for the management and maintenance of the facility, which had been renamed Uotsuri Island Lighthouse. Koizumi told reporters that the government's action was "only natural." (The Japanese Foreign Ministry informed the Chinese embassy of the change earlier in the day.)

China's Foreign Ministry branded the action "illegal and invalid" and protesters soon appeared before the Japanese Embassy in Beijing and consulates across China. On Feb. 21, in Hong Kong, China's League to Defend the Diaoyu Islands established a private sector company to promote tourism and resource exploration in the islands.

Near the end of the quarter, on March 24, the liaison council of ministries and agencies responsible for exploration of the continental shelf and oceanic resources held its third meeting at the prime minister's Residence. The Foreign Ministry reported that during 2004, Chinese research ships had conducted unauthorized research activities within Japan's EEZ 22 times; to date in 2005, there had been no such incidents. To monitor the erosion effect of waves on Okinotori and to deter Chinese research ships from entering waters off the island, the *Yomiuri Shimbun* reported March 28 that the government was planning to install a radar on Okinotori. Also, on the 28th, a privately sponsored research team landed on Okinotori; the oceanographic team, concerned that the islands coral structures are receding, is to focus on developing a preservation strategy. (At high tide, parts of the island are barely above water, a fact that Beijing cites to support its claim that

Okinotori is not an island but a pile of rocks and as such cannot support Japan's claim of an extended EEZ based on the island.)

Overseas Development Assistance

Following the debate at the end of 2004 over graduating China from Japan's ODA program, Japan's new Vice Minister of Foreign Affairs Yachi Shotaro announced Jan. 6, the day he assumed office, that "the time is ripe for us to consult with China on the timing." Yachi went on to say that "there is no need to provide ODA to a nation that does not feel the need to receive it." The *Mainichi Shimbun* reported Feb. 3 that Foreign Minister Machimura had revealed at a meeting of officials responsible for Japan's external economic assistance programs that Japan would "hold talks with China so that a soft landing will be made on ending yen loans." (Yen loans make up approximately 90 percent of Japan's ODA program for China.) On the same day, however, the Japan Bank for International Cooperation announced that it will add to untied commercial loans for China for use in the fields of energy and the environment, the first tranche being worth approximately \$80 million. (Untied loans have a shorter repayment period and higher interest rates)

On March 1, the *Asahi Shimbun* reported that the government had decided gradually to reduce yen loans for China by ¥10 to ¥30 billion annually beginning with the new 2005 fiscal year and terminate new yen loans within five years. In a March 15 telephone conversation with his Chinese counterpart, Foreign Minister Machimura communicated Japan's decision. Two days later, Machimura told the House of Councilors Budget Committee "I have basically agreed with Foreign Minister Li Zhaoxing that Japan will finish fresh yen loans by the Beijing Olympics." Machimura's statement was contradicted the following day, when Chief Cabinet Secretary Hosoda told the press the negotiations on the matter were "still ongoing."

History and Textbooks

Appearing before the Upper House Budget Committee March 4, Foreign Minister Machimura addressed the teaching of history – in China. Machimura told the legislators that there are things that should be improved and that he will ask that China make efforts to improve them. He went on to say that he wanted to raise the issue concretely with his Chinese counterpart. A Foreign Ministry source commented that at the working level in China, love of country has come to be identified completely with anti-Japanese sentiment. Four days later, Senior Vice Education Minister Shimomura Hakubun criticized the government's guidelines for textbook, which requires texts to take into account the sensitivities of Japan's neighbors. Shimomura characterized the practice as a form of "masochism."

China's reply came from Foreign Ministry spokesperson Liu Jianchao, who asserted that it is "totally groundless" for Japan to accuse China of "inciting anti-Japanese sentiment by history education." Liu thought that it was Japan that should "address the problems left by history..."

At the end of February, the *Asahi Shimbun* reported that Chinese Communist Party sources had told its reporters that party cadres had decided against inviting foreign leaders to attend September ceremonies marking the 60th anniversary of victory in the anti-Japanese global war against fascism. Invitations to foreign leaders had been debated within the CCP Party, but the decision went against issuing invitations – Koizumi’s visits to the Yasukuni Shrine complicated the issue and contributed to the decision not to invite foreign participation. In March, *Kyodo News Service* reported from Beijing that an advisor to China’s legislature had recommended that a national day of mourning and remembrance be instituted Dec. 13, the day the Imperial Army occupied Nanking in 1937. Other legislative proposals would prohibit the opening of new businesses or holding of marriage ceremonies Sept. 18, the day the Japanese army invaded Manchuria in 1931.

The past also surfaced during a Chinese Foreign Ministry press conference. When asked about Japan’s efforts to secure a permanent seat on the United Nations Security Council, Spokesperson Liu Jianchao replied that China hopes that Japan will adopt “a correct and responsible attitude toward history issues.” To gain the trust of others it “is necessary to directly and responsibly face the problems of history.”

History: Japan’s Courts

On March 18, the Tokyo High Court rejected an appeal for compensation filed by two Chinese women who had been forced to serve as comfort women by the Japanese Imperial Army. The court acknowledged that the women had been raped and suffered physical and psychological harm, but dismissed the suit citing the 20-year statute of limitations in Japan’s civil code as well as diplomatic instruments ending the war and establishing diplomatic relations with the People’s Republic of China.

Despite the best efforts of diplomats in both Tokyo and Beijing, the next three months promise a continuation of “cold politics and hot economics” – with the very real prospect that politics may get much colder before any real thaw. Issues related to sovereignty, nationalism, and history continue to bedevil the relationship and political forces in both countries are moving toward confrontation not conciliation.

Chronology of Japan-China Relations January-March 2005

Jan. 1, 2005: PM Koizumi does not visit the Yasukuni Shrine.

Jan. 4, 2005: PM Koizumi and five Cabinet members visit Ise Shrine.

Jan. 6, 2005: PM Koizumi and Premier Wen Jiabao meet briefly during tsunami relief conference in Jakarta; pledge cooperation in relief effort.

Jan. 6, 2005: LDP 2005 party platform calls for continuation of visits to Yasukuni.

Jan. 6, 2005: Chinese embassy informs LDP's Nukaga that scheduled visit of Diet delegation has to be postponed.

Jan. 11, 2005: Diet delegation arrives in Beijing; meets with former FM Tang and Vice FM Zhang.

Jan. 12, 2005: China's Ambassador Wang speaks at Waseda University, does not include Yasukuni issue in prepared remarks; speaks to issue only in response to a question.

Jan. 13, 2005: Ambassador Wang meets with senior LDP leaders; tells them that he is personally trying to avoid Yasukuni issue.

Jan. 13, 2005: Minister of Economy, Trade and Industry Nakagawa tells French counterpart that East Asian countries are concerned that EU will end China arms embargo.

Jan. 21, 2005: PM Koizumi in Diet policy speech defines Japan-China relations as of "utmost importance," pledges to "build future-oriented Japan-China relations" and to "enhance cooperation in a broad range of areas from a broader perspective, even if views on individual areas may differ."

Jan. 21, 2005: Working-level diplomat discussions take place in Beijing; Japanese propose "Comprehensive Work Plan" to advance bilateral relations.

Jan. 25, 2005: In response to questions about his intention to visit Yasukuni, PM Koizumi responds that he would make "appropriate decisions" on his own.

Jan. 26, 2005: Finance Ministry releases 2004 trade statistics, revealing China has become Japan's top trading partner.

Jan. 31, 2005: Tokyo Gov. Ishihara announces plans to construct power-generating facility on Okinotori Island.

Feb. 3, 2005: Ambassador Wang calls for Japan-China FTA in speech delivered in Kobe.

Feb. 7, 2005: Vice FM Yachi announces Japan's acceptance of Chinese proposal for China-Japan Strategic Dialogue.

Feb. 9, 2005: Chief Cabinet Secretary Hosoda announces government has assumed management of lighthouse on Uotsuri Island in Senkaku Islands; Foreign Ministry informs Chinese Embassy of its decision.

Feb. 18, 2005: Ministry of Economics, Trade and Industry releases interim report on activities in East China Sea.

Feb. 19, 2005: Joint Statement issued at conclusion of U.S.-Japan Security Consultative Committee calls for peaceful resolution of China-Taiwan issue.

Feb. 20, 2005: Economics Minister Nakagawa tells television audience that it is “highly likely” Chinese exploration in East China Sea extends into Japan’s EEZ.

Feb. 21, 2005: Foreign Ministry officially informs Chinese Embassy of concerns over exploration activities in East China Sea.

Feb. 22, 2005: Sun Yafu, deputy director of Taiwan Affairs Office, travels to Tokyo to brief Vice FM Yachi on China’s anti-secession law.

Feb. 23, 2005: Sun meets with FM Machimura.

Feb. 23, 2005: Chinese Foreign Ministry briefs Japanese and South Korean ambassadors on Wang Jarui’s mid-February visit to Pyongyang.

Feb. 23, 2005: Japan, China, ROK, and ASEAN meet in Bangkok to discuss dollar and monetary coordination issues.

Feb. 27, 2005: Director General of Asia and Oceanic Affairs Sasae travels to Beijing; meets with Vice Minister Wu on North Korea issues.

March 2, 2005: Democratic Party of Japan introduces legislation calling for Coast Guard protection for Japanese ships engaged in exploration of Japan’s EEZ.

March 4, 2005: *Asahi Shimbun* reports *F-15s* will replace *F-4s* in Okinawa by 2008.

March 4, 2005: FM Machimura during Upper House session tells China to make efforts to improve its teaching of history.

March 7, 2005: PM Koizumi states that Japan’s Taiwan policy is unchanged.

March 7, 2005: Foreign Ministry advisory panel on ODA agrees to gradual phasing out of ODA program for China; recommends continuing aid projects for environmental protection and personnel training.

March 8, 2005: Vice Education Minister Shimomura criticizes as “masochism” government consideration of sensitivities of Japan’s neighbors in developing textbooks.

March 14, 2005: Premier Wen Jiabao addresses issue of China-Japan reciprocal high-level visits; offers three-step plan toward their resumption.

March 15, 2005: FM Machimura and Li discuss Taiwan and ODA during 30-minute telephone call.

March 15, 2005: PM Koizumi addresses pending EU arms embargo decision during Lower House meeting.

March 17, 2005: FM Machimura announces Japan-China agreement to terminate new ODA loans by 2008.

March 18, 2005: Chief Cabinet Secretary Hosoda tells press that negotiations on ODA termination are still in process.

March 18, 2005: Tokyo High Court dismisses suit for wartime compensation brought by two Chinese comfort women.

March 24, 2005: JDA deputy director general travels to Beijing; meets with PLA Deputy Chief of Staff Xiong Guangkai and Minister of Defense Cao Gangchuan.

March 24, 2005: Liaison Council on continental shelf and ocean resources meets at Prime Minister's official residence.

March 27, 2005: Koizumi meets in Tokyo with French President Jacques Chirac; Chirac affirms EU intent to end China arms embargo.

March 28, 2005: Private Japanese research team lands on Okinotori Island.

March 28, 2005: Director General of the Asia Bureau of China's Foreign Ministry Cui travels to Tokyo to meet with counterpart Sasae.

March 28, 2005: Japan's National Institute for Defense Studies releases *East Asian Strategic Survey 2005*, calling attention to China's military modernization, cross-Strait military balance, and increasing nationalism behind China's foreign policies.

Japan-Korea Relations: History Impedes the Future

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Despite a good working relationship during the last quarter of 2004, during the first three months of 2005, some tiny, uninhabited rocks in the middle of the sea between Japan and Korea became the source of a major diplomatic spat between both Koreas and Japan. “Who owned Tokdo/Takeshima first” is evidently more important to Japan and South Korea than is concluding a free-trade agreement, resolving the North Korean nuclear issue, or sorting out relations with China and the U.S. This might be fitting: although 2005 is “Japan-Korea Friendship Year,” which marks the 40th anniversary of normalized ties between the two countries, it is also the 100th anniversary of Japan’s annexation of Korea.

That said, not much progress was occurring in any of these other issues. Japan and North Korea remain sidetracked in a dispute over abductees, and Japan moved toward economic sanctions even as the Six-Party Talks stalled. South Korea and Japan made little progress toward a free-trade area, preferring to argue about history.

Japan-North Korea Relations

The nuclear issue remains convoluted, with the abductees issue overshadowing nuclear talks, and Japan moving much closer to imposing sanctions on North Korea. Indeed, March 1 marked the beginning of “pseudo-sanctions,” with Japan implementing an insurance law that could effectively ban much of North Korean shipping from its ports.

The issue of abductees remains as important as ever in Japanese domestic politics. With North Korea being accused of falsifying remains, the Japanese are insistent that the abductee issue be resolved before any moves toward normalization occur. Last year the Japanese government found the remains that North Korea returned were not from Japanese abductees. North Korea claimed that Japan had falsified DNA tests of returned abductee Yokota Megumi. On March 10, the *Choson Ilbo* reported that the team that analyzed the cremated remains of Yokota said the result is not final and it is possible that the test samples could have been tainted. Tokyo had previously claimed that the DPRK handed over remains belonging to another person. Teikyo University Professor Tomio Yoshii, whose team led the DNA test, made these remarks in an interview with the journal *Nature*. As a sign of how distorted the issue of abductees has become, Yokota’s case has caught the interest of the Japanese because she is survived by a 16 year-old daughter, still in North Korea, who is reportedly quite pretty. Some observers have

speculated that if North Korea allows the daughter to visit Japan, much of the Japanese public's attention to and frustration over the matter will dissipate.

In early January, *Kyodo News* reported that Prime Minister Koizumi Junichiro downplayed the idea of prioritizing the abduction issue over the nuclear standoff in dealing with the DPRK. Koizumi told reporters that Japan's policy toward the DPRK is to resolve these and other issues "comprehensively," and "none should be particularly delayed." *The Japan Times* reported Feb. 24 that North Korea returned the favor, saying that resumption of Six-Party Talks on the North's nuclear threat depends not only on the U.S. position but also Japan's stance on the abduction issue.

Koizumi has backpedaled on the issue of normalization of relations with North Korea. The *Chosun Ilbo* reported that the prime minister said Jan. 4 that Japan would not normalize relations with the DPRK unless the Pyongyang Declaration was faithfully fulfilled, and that he would not set a deadline for the restoration of diplomatic ties. This appears to be a retreat from his previous stance that he would normalize relations with the DPRK during his tenure.

North Korea's Feb. 10 declaration that it had nuclear weapons caused only a minor response in Japan. On Feb. 19, the U.S. secretary of state and the Japanese foreign minister made clear their deep concern over the "nuclear statement" which publicly declared that the DPRK would suspend its participation in the Six-Party Talks for an indefinite period and that it had manufactured nuclear weapons. The ministers, while reconfirming their fundamental policy toward the DPRK, reiterated their commitment to a peaceful diplomatic resolution of the nuclear issue through the Six-Party Talks.

The abductee issue has fueled popular sentiment in Japan for sanctions against North Korea. Japan has been considering sanctions for some time, and took its first steps down that path by implementing a law that is the functional equivalent of a minor sanction on North Korean shipping. After months of threatening to move to sanctions if the abductee question was not satisfactorily resolved, the Japanese government decided to impose sanctions in two stages.

The amended Law on Liability for Oil Pollution Damage, which will ban foreign vessels without proper insurance from Japanese ports, took effect March 1. The amended law states that foreign ships weighing over 100 tons must have liability insurance as protection against oil spillages caused by running aground or similar accidents. This new law will function as a de facto economic sanction on the DPRK because most DPRK freighters are not covered by "Protection and Indemnity Insurance," and they will in effect be banned from Japanese ports. *Kyodo News* reported March 1 that inspectors from the Transport Ministry started checking foreign vessels at Yokohama port and Kyoto Prefecture's Maizuru port to see if they are covered by insurance against oil spills and other liabilities. The Transport Ministry said that 73 percent of foreign vessels that entered Japanese ports in 2003 were insured and met insurance requirements, but only 2.5 percent of the 982 DPRK vessels that visited Japanese ports in 2004 had such coverage.

The insurance premium is an expensive ¥400,000 per 100 tons, and since North Korea has many old ships that can't be insured, it is thought that most of them will not be able to enter the ports.

However, it is not clear whether the sanctions will be any more than a symbolic gesture. Trade between Japan and North Korea was the lowest in 25 years, making sanctions potentially more symbolic than effectual. *Kyodo News* reported that the total amount of commercial trade between Japan and the DPRK in 2004 was about ¥27.2 billion, the lowest since 1977, when the annual yen figure was first made public, according to Finance Ministry data. Furthermore, North Korea is rapidly expanding its trade with the PRC and ROK, rendering Japan's sanctions less effective than they might have been. Furthermore, many North Korean ships are below the 100-ton weight threshold for requiring insurance, allowing them to avoid the new rule, while many of those ships over 100 tons that are uninsured come from other countries, such as China and Southeast Asia. In another move to exert more pressure on the DPRK, on Feb. 3 the ruling Liberal Democratic Party drafted human rights legislation aimed specifically at refugees from North Korea. The proposed legislation is being touted as a "third plank" in efforts to get the DPRK to resolve the decades-old abduction issue.

Japan-South Korea Relations

In contrast to the lack of progress in North Korea-Japan relations, the beginning of 2005 looked quite promising for South Korea-Japan relations. With 2005 marking the 40th anniversary of the normalization of ties between the two countries, ROK-Japan Friendship Year 2005 officially kicked off Jan. 25 at the National Yoyogi Stadium in Tokyo. Over 2,500 people took part in the ceremonies, including Japanese Foreign Minister Machimura Nobutaka and ROK Ambassador to Japan Na Jong-il.

Another encouraging sign came Jan. 13, when South Korean President Roh Moo-hyun said that the ROK would welcome a visit by the Japanese emperor. Such a visit would be a further sign of warming ties between the two countries. There was even talk of creating a joint television channel among Korea's *KBS*, China's *CCTV*, and Japan's *NHK* so that each network can air eight hours per day on the channel. In early January, Japan's *Fuji TV* and Korea's *MBC (Munhwa Broadcasting Corporation)* conducted a poll that showed that 56.1 percent of Japanese respondents consider the ROK an ally, compared to 29.2 percent that said it was a rival. However, 62.9 percent of ROK citizens view Japan as a competitor, and only 29.2 percent see Japan as an ally. Furthermore, four of the top 10 foreign films in Japan for 2004 came from Korea, according to Japan's leading movie magazine *Kinema Junbo*.

Another sign of progress was South Korea's muted response to Japan's increasingly assertive foreign policy. In early January, the head of Japan's Defense Agency embarked on a six-day trip to several Asian nations to explain the country's beefed-up defense policy. The visit was seen as an attempt to reassure the region that Japan had no intention of returning to its militarist past. Defense Agency Director General Ohno Yoshinori visited Indonesia, Singapore, and South Korea. On the eve of his departure, he told

foreign correspondents he wants to see international peacekeeping become a primary, rather than subordinate, mission for Japan's military. While in South Korea, the talks focused on Japan's overhaul of its defense guidelines to play a more expanded global role and the DPRK nuclear standoff. In an annual meeting between defense ministers, ROK Defense Minister Yoon Kwang-ung asked Ohno to implement Japan's new defense policy in a "transparent and prudent" manner. In turn, Ohno asked the ROK to take an active role in resolving the 27-month standoff over the DPRK's nuclear weapons program.

Even when the *Yomiuri Shimbun* reported in early February that Prime Minister Koizumi said that he supports revising the Constitution to include a "clear reference to Japan's commitment to pacifism and dedication to international cooperation as well as the possession of a military for self-defense," South Korea and the rest of the region responded in subdued tones.

And then came Tokdo/Takeshima (in order to avoid offending either country, hereafter the rocks will be referred to as "Liancourt"). On Feb. 24, a distant relative of Chief Cabinet Secretary Hosoda Hiroyuki, who is on the local council in Japan's rural Shimane Prefecture, presented a bill to name Feb. 22 as "Takeshima Day," to mark the 100th anniversary of what many in Japan claim was its legal annexation of the islands now administered by Korea. Shimane Gov. Sumita Nobuyoshi said, "We hope the central government will take more active measures to establish territorial rights over Takeshima." The ROK Foreign Ministry initially expressed strong regret over the Japanese provincial government's move. The Japanese central government did not interfere in Shimane's decision, claiming it had no authority.

Then Japanese ambassador to the ROK Takano Toshiyuki got involved, saying during a press conference Feb. 23, that, "The Takeshima Islands [the Japanese name for the Tokdo islets] are Japanese territory historically and in terms of international law." This set off a firestorm of outrage in South Korea.

Then President Roh got involved. On the back of a domestic call to find and punish collaborators with the Japanese during 1910-1945 imperial rule, marking the 86th anniversary of the March 1, 1919 Independence Movement, President Roh demanded that the Japanese government offer apologies and further compensation to its Korean victims. No ROK president has made such a demand since Japan paid compensation when the two countries restored diplomatic relations in 1965. "Korea and Japan have a common destiny to open the future of Northeast Asia," Roh said at the Yu Gwan-sun Memorial Hall in Seoul. "What is needed are the sincere efforts of the Japanese government and people. They will have to find out the truth of the past and make apologies and compensation, if necessary."

The next day Foreign Minister Ban Ki-moon backpedaled from the president's comments, saying that, "The South Korean-Japanese treaty has served as the basic framework for bilateral ties in various aspects over the past 40 years...It is not realistic to negotiate the treaty again." In light of the increasing public outrage on both sides, things were clearly spiraling out of control.

A week later, on March 8, things got even worse when a Japanese newspaper attempted to fly a light civilian plane over Tokdo, prompting a response by South Korean fighter jets. The plane from Japan attempted to enter the ROK's airspace without permission, but turned back after four ROK Air Force *F-5* jet fighters were scrambled to intercept it. The ROK Foreign Ministry lodged a complaint with Japan's Embassy in Seoul over the incident, demanding measures to prevent a recurrence of similar incidents.

As rhetoric heated up on both sides, Foreign Minister Ban canceled a visit to Japan and said that the ROK is ready to risk its ties with Japan to defend its sovereignty over Liancourt. On March 9, Foreign Minister Ban said that the island issue was more important than ROK-Japan relations, since it was a matter of sovereignty over the country's territory. He added that the government would stand firm on the question, saying that, "The Tokdo issue, which is directly linked to our territorial sovereignty, is the foremost issue in the Seoul-Tokyo relationship."

The North Koreans were unanimous in siding with the South Koreans on the issue. North Korea's UN Ambassador Park Kil-yon wrote to UN Secretary General Kofi Annan March 7 condemning Japanese claims to the South Korean-administered Tokdo islets and asked for the letter to be circulated as an official U.N. Security Council document.

Then emotions really escalated. To protest Japan's claims over the islands, two South Korean citizens cut off their fingers and a third set himself on fire, while Japanese fishermen from Shimane prefecture demanded a guarantee for safe fishing in the waters around Liancourt, prompting Foreign Minister Ban to say that the ROK should take action in response to any "provocative act" from Japan concerning a dispute over the islands. "We should take tangible steps to solidify our sovereignty if Japan does a provocative act," Ban told a Cabinet meeting.

How could two uninhabited islands derail major diplomatic initiatives? There is some speculation that the issue is really over fishing rights and potential oil and natural gas reserves. Indeed, fishing is one reason that North and South Korea have had occasional clashes in the waters – the fishing is good. But fishing does not explain the explosive quality of these tiny islands. In part the issue took on a life of its own because of domestic politics: both sides played to their domestic constituents, and getting worked up over a meaningless set of rocks is easier to focus upon than divisive and difficult issues such as North Korean nuclear proliferation, free trade agreements, and how to deal with the United States and China. Partly, it is a lack of leadership on both sides: while Koizumi and Roh should be taking the lead in dealing with this type of issue and moving the Japan-Korea relationship forward, they both are content to ride the wave that is

focused on history. Finally, it is a convenient excuse for other frustrations the two sides have with each other: South Korea is concerned about Japan's moves to change its military stance, while Japan is frustrated that South Korea continues to engage rather than contain North Korea. These all combined to make an explosive mix of sentiment and anger.

Resolving territorial issues is a notoriously difficult task. Japan currently has unresolved claims with three of its closest neighbors: Korea, Russia, and China, and has recently been making more claims about all of them. China has resolved many of its disputes with its neighbors, but most notably has still not resolved the sovereignty issues of Taiwan nor the border dispute with India. Both Koreas and China are currently debating whether the ancient Koguryo Kingdom (400-600 C.E.) was "Korean" or "Chinese." These issues are important precisely because they are not over such mundane issues as minerals, economics, or even oil. They are important because they touch on the issue of national sovereignty and national identity.

However, it is also clear that resolution of these issues such as Liancourt and, more broadly, the entire issue of "history," will take sustained attention and energy from the top leadership of both countries. South Korea controls the rocks and hence has de facto ownership. Instead of riding popular sentiment, it will take two leaders who decide that genuine progress toward changing the ways that both countries view each other and their history is a major task, and are willing to devote political capital to such an end. Until that happens, and as long as both sides pander to instead of confront popular sentiment, these issues will sporadically become major events.

Economics

Both South Korea and Japan have said that they will not let diplomatic difficulties interfere with economic relations between them. However, the first three months of 2005 saw South Korea and Japan make little progress toward integrating their two economies through a free-trade agreement. The difficulties in the free trade talks were to be expected, given the complex nature of such a major agreement. In the private sector, individual companies from the two countries continued to interact more closely than before.

South Korea and Japan held a sixth round of negotiations on the free trade agreement in Tokyo in November 2004, with no date set for the next meeting. Agriculture, as expected, remains the major sticking point between the two countries. The main agricultural issue between Seoul and Tokyo is seaweed. Dried seaweed is eaten daily by the populations of both countries. The controversy began when Japan announced that it would start allowing Chinese seaweed into the country without raising the overall quota it has for the foodstuff, effectively lowering South Korea's share. This was only the most prominent of the issues regarding agriculture. The larger issue is over how much Japan's agricultural market should open when the agreement is finally signed. Seoul is demanding that Japan open more of its agricultural market because Korea's trade deficit with Japan could grow under a free-trade pact, due to likely increases in imports of Japanese manufactured

goods such as vehicles and components. Currently, South Korea's trade deficit with Japan is about \$20 billion. Tokyo said it wants to open its agricultural market step by step, citing market "sensitivities." The Japanese government said it opened only 21 to 40 percent of its agricultural market in "free-trade" deals with Singapore and Mexico. Japan has offered to open 50 percent of its total agricultural market, while Korea is demanding 70 to 80 percent. Agriculture is a common issue in trade agreements throughout the world. However, agriculture is a minor part of either country's economies. Agriculture comprises just 3.6 percent of South Korea's GDP, and 1.3 percent of Japan's GDP. But for domestic political reasons, sheltering agriculture is enormously important.

Despite the slow progress on talks between the governments, early 2005 saw a number of joint ventures and possible takeovers occur, most of them focused on the high technology sector. One of the most noteworthy moves was Korea's MagnaChip Semiconductor's purchase of Japanese firm International System and Electronics Corp. (ISRON). This is the first time a Korean integrated circuit maker has taken over a Japanese display driver company. In addition, the LG-Philips LCD flat display manufacturing joint-venture announced that they will set up a further joint venture with Nippon Electric Glass (NEG), the world's third largest LCD glass supplier, in the Paju Display cluster situated north of Seoul. Finally, with Korean distiller Jinro Ltd. for sale, Lotte Group partnered with Asahi Brewery of Japan in making a bid, while CJ Corp of Korea held talks with but ultimately did not partner with Kirin Brewery of Japan. The deadline for proposals was March 30, and a further round of bidding is expected.

On Jan. 10, Toyota Korea said that the Japanese carmaker will establish a humanitarian foundation in Korea beginning in late March. A spokesman for the company said that "Korea is not only Japan's economic partner but a very important neighbor, politically, socially, and culturally. Therefore, more efforts to increase the understanding between the two countries are needed." Furthermore, the Tokyo Stock Exchange (TSE) announced that it was encouraging South Korean firms to list on the exchange. Finally, high-technology titans Samsung and Sony continued to cooperate, with Samsung Electronics supplying the memory chips used in Sony's new PlayStation Portable game players.

Culture

Overshadowed by the island dispute were other issues, such as the continuing controversy over the new Japanese junior high history textbooks, the Japan-North Korea World Cup qualifying soccer match, and Yon-sama's continued popularity in Japan.

The Feb. 9 World Cup qualifying match between Japan and North Korea at Saitama Stadium came off without incident, Japan winning 2-1. The return match will be played in Pyongyang June 8. Substitute Oguro Masashi scored the winning goal in overtime after North Korea's keeper Sim Sung-chol mishandled the ball in front of his own net. Despite concerns about potential fan violence, the match was played without incident. *Mainichi Shimbun* reported that the Japanese government is considering setting up a "provisional consulate" in Pyongyang in order to deal with the large number of Japanese who may

travel to North Korea for the return match. It is estimated that perhaps 5,000 Japanese fans, and more than 100 reporters and 50 cameramen may travel to Pyongyang for the game.

A private fund used to compensate Asian women forced into World War II brothels run by the Japanese Army will be dissolved in March 2007. Murayama Tomiichi, the president of the Asian Women's Fund and former prime minister, explained that, "By March 2007, all our compensation projects will be completed and we will dissolve the fund as of March 31 in that year."

The textbook controversy continues unabated. This is the time of year when the Japanese Education Ministry considers textbooks for use in schools. Chinese and Korean government officials plan to monitor the textbooks closely and protest loudly if anything is "whitewashed," while some Japanese call for an end to the "masochism" of the textbooks. However, one small positive step is being considered. On Jan. 29, *Chosun Ilbo* reported that scholars from South Korea, Japan, and China are working to bridge the gap over differences in each nation's interpretation of history to seek common ground for constructive cooperation in the future. In line with such intentions, a middle school history textbook written by pundits from the three nations will be published in May. The book, which is tentatively being referred to as "Modern History of East Asia," is a record of the events during the 18th to 20th centuries, including the rise of Japanese imperialism and World War II.

Finally, despite all the other tensions in Japan-Korean relations, Yon-sama remains highly popular in Japan. His latest step has been to capitalize on his popularity by producing a diet and exercise book. The book, scheduled for release in Japan April 8, will show how Bae Yong-joon (Yon-Sama) achieves and maintains his fitness. The new book evidently includes a 100-day intensive training program. This latest book follows a hugely successful photo album titled, "The Image, Vol. One," which was published in Japan last November.

Chronology of Japan-Korea Relations January-March 2005

Jan. 4, 2005: *Chosun Ilbo* reports poll taken by Japan's *Fuji TV* and South Korea's *Munhwa Broadcasting Station* shows that 56.1 percent of Japanese see Koreans as allies, while only 29.2 percent of South Koreans view Japanese as allies.

Jan. 4, 2005: PM Koizumi says no deadline will be set for normalizing relations with North Korea. Furthering the relations between the two nations will be contingent upon North Korean fulfilling the Pyongyang Declaration.

Jan. 9, 2005: *Joongang Ilbo* reports free-trade talks between Japan and South Korea are bogged down over agriculture quotas on seaweed and concerns of a South Korean trade deficit with Japan.

Jan. 24, 2005: AP reports private Japanese fund, from which donations were used to compensate “comfort women” or women and girls pressed into wartime prostitution for Japanese soldiers during WWII, will be dissolved March 31, 2007.

Jan. 25, 2005: South Korea-Japan Friendship Year is officially kicked off at National Yoyogi Stadium in Japan to mark the 40th anniversary of normalization between the two nations. The opening ceremony for South Korea will be held Jan. 27.

Jan. 28, 2005: Publication of a middle school history textbook to be written by a committee of scholars, teachers, and experts from China, Japan, and South Korea is announced. The project is tentatively titled, *Modern History of East Asia*.

Feb. 3, 2005: LDP drafts human rights legislation aimed at protecting the rights of North Korean defectors to pressure North Korea to resolve the abduction issue.

Feb. 10, 2005: Japan’s Foreign Ministry announces plans to set up a provisional consulate in the DPRK to accommodate hundreds of Japanese supporters expected to attend the World Cup qualifier June 8.

Feb. 10, 2005: DPRK declares itself a “de facto” nuclear power with a statement it has “manufactured nuclear weapons.”

Feb. 23, 2005: Japan’s Ambassador to South Korea Takano Toshiyuki states to foreign correspondents in Seoul that Takashima (Tokdo) is part of Japanese territory historically and under international law.

March 1, 2005: Ban on foreign vessels without proper insurance from Japanese ports goes into effect. It is considered a de facto sanction against the DPRK as about only 2.5 percent of its vessels are insured.

March 1, 2005: President Roh demands the Japanese government offer apologies and adequate compensation to victims of Japanese brutality during the colonial period on the Korean Peninsula.

March 8, 2005: Light civilian Japanese aircraft attempts to fly over the Tokdo/Takeshima islets without South Korean permission. South Korean jet fighters are sent to intercept the plane.

March 10, 2005: *Choson Ilbo* reports that Tokyo’s claim that Yokota’s remains were not authentic were premature.

March 16, 2005: Shimane Prefectural Assembly passes bill designating Feb. 22 as Takeshima Day.

March 31, 2005: South Korean ambassador to the UN Kim Sam-hoon announces that Seoul has decided to oppose Japan’s bid for a permanent seat on the Security Council.

China-Russia Relations: Back to Geostrategics

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The Year of the Rooster ushered in a quite different mold of Chinese-Russian interaction. In sharp contrast to the “oil-politicking” of much of the previous year, strategic gaming topped the agenda of bilateral relations for the first quarter of 2005. Several high-profile visits occurred, including the first China-Russia inter-governmental consultation on security issues and three rounds of talks between top military officers to prepare for the first ever joint military exercise in the fall. All this occurred in the midst of a sudden burst of “orange revolutions” in Russia and China’s western peripheries (Ukraine and Kyrgyzstan). To the East, Washington and Tokyo were hardening their alliance with the “2+2” meeting in Washington D.C. in February, in anticipation of China’s anti-secession law that was adopted in March.

Security Talks

On Feb. 1, Chinese State Councilor Tang Jiaxuan traveled to Moscow as a guest of Igor Sergeevich Ivanov, secretary of the Russian Security Council, for four days of inter-governmental talks on security issues. The Tang-Ivanov talks launched the first session of a Russian-Chinese consultation mechanism, focusing on the content and format of the security dialogue. “This will be the first time that China has created with another country an inter-governmental consultation mechanism on security issues,” Tang said.

China apparently initiated the security talks. Describing Russia as China’s “principal strategic partner,” the Chinese envoy stated that, “We decided to create such a mechanism with Russia because our positions are close on a wide range of international and regional issues, on our evaluation of the international situation, and also in the task of maintaining peace and cooperation in global development in general,” Tang said. The Tang-Ivanov talks were certainly in the mind of President Vladimir Putin, who received Tang in the Kremlin Feb. 2. Hailing the development of bilateral ties, the Russian leader called for further joint efforts in defending world peace and regional stability [emphasis added]. For this purpose, Russia and China “should intensify their consultations in dealing with world affairs to tackle all kinds of threats and challenges.”

The Chinese envoy echoed this by stating that, “We must focus on achieving longevity, stability, and commonality in these relations, rely on our own efforts, orient toward the whole world [emphasis added], and keep pace with the movement of the times,” a common phrase invented by former Chinese leader Jiang Zemin, implying that the existing Chinese-Russian strategic partnership should prepare to adjust itself to the new situation.

Taiwan was one of these regional issues for the security dialogue when Putin confirmed that Russia sticks to the “one China” policy, resolutely opposes any forms of “Taiwan independence, and supports China’s efforts in safeguarding national sovereignty and territorial integrity.” The Chinese envoy thanked Russia for its unswerving support of China on the Taiwan issue and on the anti-secession law.

The talks also addressed the prospects for development of the Shanghai Cooperation Organization (SCO) and measures to raise the efficiency of this organization. Both sides view the SCO as a key tool for maintaining stability in the region.

In addition to discussing security issues during his four-day stay in Moscow, Tang also explored possibilities for more tangible outcomes from this new security mechanism. In his meeting with Russian Prime Minister Mikhail Fradkov, Tang expressed hopes for “breakthroughs” in some “key fields of cooperation,” including economy and trade, the energy sector, science and technology, and investment. One such goal was to increase annual trade volume to \$60-80 billion in 2010.

Upcoming Joint Exercise: Small but...

The agreement to hold *Sodruzhestvo-2005 (Commonwealth-2005)*, the first-ever joint drill between the two militaries, was reached during Russian Defense Minister Sergei Ivanov’s December 2004 visit to China. The two sides, however, only decided on the force size, services, weapons systems, and a general time framework (August-September 2005), while leaving specific timing, actual location inside China, and procedure to be negotiated during the months leading to the exercise.

Three-and-half rounds of talks were held during the first quarter to detail the first joint exercise in the fall. Between Jan. 31 and Feb. 4, Col. Gen. Vladimir Moltenskoï, Russian Land Forces deputy commander-in-chief, visited Beijing. In early March, a group of PLA General Staff officers arrived in Moscow. The Chinese side, however, asked to delay the talks for “technical reasons.” The Chinese military delegation returned to Moscow March 14-16, when the two sides agreed that the drill be held for eight days in the second half of August and that military observers from the SCO member states be invited. This was immediately followed by Russian Chief of Staff Yury Baluyevsky’s “formal friendship visit” to China March 17-20 at the invitation of his Chinese counterpart, Gen. Liang Guanglie. China’s Premier Wen Jiabao also met with Baluyevsky, a sign that major progress was made in the discussion.

The back and forth by top military officers during the first quarter naturally drew curiosity, speculations, and expectations both in and outside the two nations. The two sides, however, insisted that the hypothetical enemy was “international terrorists,” or the drill practiced “peace keeping,” and their exercise did not target any third nation.

The declared goal, however, sounds too modest to match the diverse weapon systems to be brought into play. Russia would contribute its strategic and tactical air forces (*Su-27SM* fighters, *Tu-95MS* and *Tu-22M3* strategic bombers), large surface ships and submarines to the drill. Despite the insignificant size of the Russian and Chinese military units to be involved (about 200 total and 100 from each side, a sliver of the number used in Russia’s 2004 exercise in the Far East, the largest in 15 years and which involved 70,000 servicemen, 58 ships, and 69 aircraft), the composition of the units will be “more military,” including amphibious landing forces, marines, and airborne forces for parachuting drills and beach assault. In contrast, the multilateral antiterror exercises in August 2003 were done by several SCO members’ law enforcement units and a few air force support units from China, Russia, Kazakhstan, Kyrgyzstan, and Tajikistan.

Behind the redoubled effort to prepare for the first military exercise by the two militaries, Russia and China had different ideas and interests. China was apparently in the driver’s seat. Not only did Beijing come up with the idea during Russian Defense Minister Sergey Ivanov’s visit in December 2004, but China also suggested that the tactical portion of the exercises be conducted on Chinese territory. China also suggested that Russians throw in more sophisticated weaponry.

Russian analysts were well aware of China’s preference for a larger and more substantial “military” exercise. In this regard, Taiwan looms large over the horizon of the Yellow Sea, where the planned drill will take place. Some in Russia believe that there should be some limits in developing military relations with China, reasoning that Russia is a Western democracy and that Russia’s Far Eastern region is perceived vulnerable to the “influx” of Chinese. Other practical factors, however, seemed to overcome these worries. One incentive for Russia is that the demonstration effect from joint exercises or those outside Russia would elevate Russia’s profile overseas as a major power. This is particularly needed when the Russian military budget is being seriously constrained by inflation. The record-high military spending of 187 billion rubles (\$6.7 billion) for the current fiscal year will be 10 to 20 percent less, particularly given fuel costs, if inflation is factored in. Joint exercises, therefore, are actually more cost effective for achieving a demonstration effect. Beyond this, the upcoming drill will be a time when the two militaries start to “synchronize” with one another. This is particularly important for Moscow that, despite billions of dollars of arms sales to its largest neighbor, has a limited idea of how the PLA has actually digested Russian hardware and technology. Finally, there is the hope that the involvement of Russia’s strategic aviation forces would impress the Chinese so much that the PLA Air Force would decide to purchase some of those expensive weapons platforms in the not-so-distant future, which may sustain the current level of Russian arms transfers to China. This will be particularly helpful for the Russian Air Force, which has to retire some of its aging strategic bombers (*Tu-95s* and *Tu-22s*), while there is little money available to procure the more advanced *Tu-160s*.

Military Sales: Successful Failure?

Perhaps more than any other area in China-Russia relations, arms sales to China have been one of the consistently brighter spots. It has so far served the interests of both sides: modernizing China's large but obsolete military (particularly the air force and navy), and keeping alive Russia's industrial-military complex, which has received little direct orders from the Russian military. Deliveries of Russian weapons systems since the early 1990s amount to some \$12 billion. Transactions of the 1990s included such high-profile items as 74 *Su-27SK* heavy fighters, licensed production of 200 *Su-27s*, 4 *Kilo* diesel submarines (2 *Kilo-877* and 2 updated *636s*), and 2 *Socermenny*-class guided missile destroyers. Since 2000, orders and deliveries have remained continuous and strong, ranging from 24 *Su-30MK2* (naval type, \$1 billion), 8 *Kilo-636s* (\$1.6 billion), 2 more *Socermenny*-class destroyers, 50 *Club* anti-ship missiles for the *Kilos*, 8 battalions with *S-300PMU-2* air defense systems (\$970 million), 100 *RD-93* aircraft engines (a modification of the *RD-33* engine that powers *MIG-29 Fulcrum* fighters), and more.

The success of Russian weapons in the China market also comes at a time when both sides seem more interested in moving from hardware purchases to joint development of weapons systems. Since 2004, there have been rumors that Russia will team up with India and China for the R&D for the fifth generation of fighters. China's media reported that China was negotiating with Russia's Sukhoi Company for joint research and technology transfers of *Sukhoi-37 Berkut (Golden Eagle)* fighter jets and technology related to the *AL-41* thrust-vector-control turbofan engines used on *Berkuts*. China reportedly also wants to import from MiG Corporation advanced electronics technology and stealth technology related to the *MiG-1.42* fighter jets. The two sides have already jointly developed the phased-array radar technology for the *Su*-series fighter-bombers.

Despite all these impressive and encouraging trends regarding arms/technology transfers to China, there has been a growing uneasiness in Russia regarding a possible decrease and/or even eventual withdrawal of Russian arms from China's shopping basket. It is ironic that these fears come in the wake of the "best" year of Russian arms sales in 2004 (\$5.7 billion, a 33 percent hike over \$4.3 billion in 2003). Some of the reasons for Russia's pessimism are: poor management and quality control in Russian arms companies; lack of sophistication in Russian weapon systems, particularly in the electronic and software areas; lack of any large orders like the hundreds of heavy fighter-bomber deals with China and India (*Sukhoi-27s* and *Sukhoi-30s*) in the 1990s; increased R&D capability of Russia's traditional arms customers such as India and China; future competition from the European Union and possibly Japan; and poor after-sale services, etc.

For these reasons, among others, some in Russia are urging that more sophisticated weapons be transferred to China. This will help Russia position itself in the China market before the EU lifts its ban on arms sales to China, according to Konstantin Makiyenko, deputy director of the Center of Strategy and Technologies Analysis. Makiyenko argued that Russia should promote in China aircraft systems with phased and slot array radars, i.e., the *Sukhoi-30MK3* fighter with the *Zhuk-MSE* radar, and *Su-27K-UB* deck multirole

plane with the *Zhuk-MSFE* radar, as well as extended-range air-air missiles. In addition, Russia should promote the powerful *Tupolev Tu-22M3* naval missile platforms. For the Chinese Navy, Russia should offer destroyers on the basis of *Project 956U* or *Project 11551* ships, i.e., multi-role and well-balanced surface vessels. The Chinese Navy also should get more advanced *Project 677* submarines, following those *Project 636* diesel-electric submarines currently under construction. Russia's nuclear-powered submarines of *Project 949A* should also be considered for China.

To what extent these ideas will be translated into policy remains unclear. The mood and chemistry between Moscow and Beijing, however, seems to go forward with more cooperation in both security issues and arms/technology transfers.

Oil Still Lubricates Relations

Despite the heavier-than-usual security agenda in China-Russia relations, oil issues were not completely eclipsed during the first quarter. Rather, they assumed a more opaque, if not mythical, dimension regarding both the pipeline and the fate of the Russian oil firm Yukos.

After the sale of a 76.79 percent stake of Yugansk, the main production arm of Yukos, to a Baikal Finance Group on Dec. 19, 2004 for \$9.35 billion, Russian Industry and Energy Minister Viktor Khristenko announced Dec. 30 that Yugansk's assets would be handed over to a separate, wholly state-owned company, and up to 20 percent of the shares in this company might be offered to the China National Petroleum Corporation (CNPC). On the same day, Russia's state-owned Rosneft bought Baikal Finance Group.

The real picture behind the purchase of Yugansk started to emerge in January when the Russian newspaper *Vedomosti* reported that CNPC helped Rosneft pay for the main Yukos subsidiary by offering a \$6 billion credit in return for 48.4 million tons of oil to CNPC by 2010. The Chinese credit would be used to pay off short-term loans provided by Russian banks for the purchase, which had to be settled in full in January under the terms of the auction.

Both Chinese and Russian officials denied any direct financing of Rosneft's acquisition of Yugansk with Chinese money. The "credit-for-oil" arrangement, however, at least indirectly lubricated the transfer of Yukos' assets to state firms. A spinoff effect of this CNPC credit was the creeping back to life of the officially "dead" oil pipeline to China. Indeed, this may be the exact purpose of a "secret visit" to China in mid-January by Viktor Khristenko, Russia's industry and energy minister. Khristenko reportedly promised China that a branch of the Far East oil export pipeline to China would be built, and that a specific plan will be finalized in May. Upon returning home, the Russian minister publicly stated that, "The decision by the president and the prime minister will be implemented, and the oil will flow to China." Chinese media paraphrased Khristenko's term "flow to" as an indicator that Russian oil will go to China through the oil export pipeline, not merely through the current method of shipping oil by rail.

Throughout the first quarter, Russia business circles, government officials, and the media toyed with the idea that the planned oil pipeline connecting Taishet in the Irkutsk region, Skovorodino in the Amur region, and Perevoznaya Bay in the Maritime (Primorye) territory does not rule out the possibility of building a branch to China. “The distance between Skovorodino and China is 70 kilometers, and (the construction of) this branch will not cost too much,” commented Sergei Grigoryev, vice president of the state oil transportation company Transneft; adding, “A decision on building a branch to China will be made in the course of the project implementation.”

The Russian Natural Resource Ministry (NRM) apparently conducted an assessment of the availability of oil reserves for both the trunk line to the Pacific coast and a branch line to China’s Daqing. In a press release late January, Sergei Fyodorov, director of the state policy and regulation department at the NRM, announced that the trunk and branch lines combined would require an increase in reserves of 2.8 billion tons in Eastern Siberia and the Far East. Other sources at the NPM indicated that field reserves in Eastern Siberia are sufficient to fill the Taishet-Pacific Ocean pipe.

President Putin, too, got involved in the new twist. In his Jan. 26 meeting with Semyon Vainshtok, president of the Russian oil pipeline monopoly Transneft, Putin was informed that Transneft has “... now started work on designing the Far East project with a branch to China.” Six days later, Putin met with Natural Resources Minister Yuri Trutnev who informed Putin that a system of licensing for the East Siberian pipeline was ready.

By early February, China’s oil pipeline dream received another boost when Sergey Oganessian, head of the Russian Federal Energy Agency, announced that the first oil to be pumped along the Eastern Siberian Pipeline would go to China, which is already a client of Rosneft. China’s \$6 billion credit to Rosneft, therefore, seems able to deliver both oil and an oil pipeline.

Warming up Russian-China Relations for Colder Days

The warming trend in Chinese-Russian bilateral relations across political, security, and economic areas, has had its own momentum, caused at least partially by a colder external environment. At the international system level, U.S. President George W. Bush is more determined in his second term to reshape the world, not just the Middle East. While the nuclear issues with Iran and North Korea are yet to be resolved, the “Orange Revolution” has popped up on Russia and China’s peripheries, challenging and toppling existing governments. This is particularly true in the former Soviet republics. But in almost all cases, people’s power has yet to create efficient and stable governance. For both Russia and China, instability, corruption, and even violence around their periphery seems to continue and directly affects the operation of their regional mechanisms (the Commonwealth of Independent States and the Shanghai Cooperation Organization).

Beyond these immediate concerns, 2005 is full of anniversaries: it is the 60th anniversary of the end of World War II; 60 years after the U.S. atomic bombing of the Japanese cities of Hiroshima and Nagasaki, and 100 years after the Russian-Japanese war, which was

fought over China. The current political and strategic climate around China and Russia does not match the more turbulent years of the Cold War, let alone the devastation of the real wars (World War II, the Korean and Vietnam Wars). It nonetheless is a very different place, in which all previous rules may or may not apply in an increasingly unipolar world dominated by the two most powerful nations (the U.S. and Japan). The questions and challenges for Russian and Chinese leaders are not only how to commemorate the past, but how to keep the peace, no matter how “cold” it is.

Chronology of China-Russia Relations January-March 2005

Jan. 11, 2005: China-Russian trade for 2004 reached \$21.23 billion, with a \$3.03 billion surplus for Russia, 34.7 percent growth over 2003.

Jan. 31-Feb. 2, 2005: Moscow Mayor Yury Luzhkov visits Beijing and Shanghai. He meets in Beijing with Jia Qinglin, chairman of the National Committee of the Chinese People’s Political Consultative Conference.

Jan. 31-Feb. 4, 2005: Col. Gen. Vladimir Moltenskoi, Russian Land Forces deputy commander-in-chief, leads Russian delegation to Beijing to work on details of the joint Russian-Chinese military exercise in the fall.

Feb. 1-4, 2005: Chinese State Councilor Tang Jiaxuan visits Russia as guest of Igor Ivanov, secretary of the Russian Security Council. During the visit they reach agreement to create and launch a Russian-Chinese inter-governmental consultation mechanism on security issues. Tang is also received by President Putin and PM Mikhail Fradkov.

Feb. 14, 2005: Chinese FM Li Zhaoxing and Russian counterpart Sergey Lavrov exchange views on the Korean Peninsula nuclear issue in a telephone conversation.

Feb. 21, 2005: Russian Deputy FM Alexander Alexeyev meets in Moscow with Li Bingcai, executive deputy director of China’s Taiwan Affairs Office of the State Council. They discuss China’s anti-secession law and “certain issues concerning Russian-Chinese relations and also the situation in East Asia.”

Feb. 25, 2005: Shanghai Cooperation Organization (SCO) holds its annual foreign ministerial meeting in Astana, Kazakhstan. A joint communiqué is issued calling for a nuclear-free Korean Peninsula as well as for peace and stability in the region.

March 1, 2005: Branch of Khabarovsk-based Chinese Consulate General opens in Vladivostok, ending need to travel 700km to Khabarovsk to resolve visa and business problems. China has become the Maritime Territory’s biggest trade partner with trade between the territory and China exceeding \$829 million in 2004, the volume of Chinese investment reaching \$9.5 million.

March 1-5, 2005: Group of Chinese military officers arrives in Moscow to finalize detailed plans for *Sodruzhestvo-2005 (Commonwealth-2005)* to be held in the fall. The Chinese side later asked to delay the talks for “technical reasons.”

March 5, 2005: Unified Energy System of Russia and the State Grid Corporation of China sign a memo in Beijing to further power cooperation between the two countries.

March 14-16, 2005: Chinese military delegation visits Moscow to coordinate the Russian-Chinese exercise. Participants decide that the exercise would take eight days in the second half of August and military observers from the SCO member states would be invited.

March 17-18, 2005: Russia and China reach cooperative agreements on 70 hi-tech projects at the Chinese-Russian hi-tech cooperation forum in Beijing, including energy conservation, environmental protection, and nanotechnology.

March 17-20, 2005: Russian military delegation led by Armed Forces Chief of Staff Yury Baluyevsky pays formal friendship visit at the invitation of PLA Chief of Staff Liang Guanglie. The 3rd round of talks regarding the *Commonwealth* military exercise are held. Baluyevsky meets with DM Cao Gangchuan and Deputy Chairman of the Central Military Council Guo Boxiong, and later Chinese Premier Wen Jiabao. Baluyevsky says Russia is against any secessionist activities of “Taiwan independence” in any form and would stick to the “one China” policy.

March 24-25, 2005: Russian Deputy FM Alexander Alexeyev holds consultations with China’s Deputy FM Wu Dawei and Assistant FM Li Hui over North Korea’s nuclear problem. Russian officials described the positions of Moscow and Beijing on this issue as “coinciding.”

March 28, 2005: Chinese FM Li speaks via telephone to Russian FM Lavrov, exchanging views on Kyrgyzstan and reform of the UN.

March 29, 2005: Chinese FM Li holds telephone conversations with his Kazakh, Uzbek, and Tajik counterparts to discuss the situation in Kyrgyzstan and further development of the SCO.

March 30-31, 2005: The SCO Council of National Coordinators meets in Beijing.

About The Contributors

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