



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
Carl Baker

2nd Quarter (April-June) 2008
Vol. 10, No. 2
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Pacific Forum CSIS

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

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A Quarterly Electronic Journal on East Asian Bilateral Relations

Bilateral relationships in East Asia have long been important to regional peace and stability, but in the post-Cold War environment, these relationships have taken on a new strategic rationale as countries pursue multiple ties, beyond those with the U.S., to realize complex political, economic, and security interests. How one set of bilateral interests affects a country's other key relations is becoming more fluid and complex, and at the same time is becoming more central to the region's overall strategic compass. *Comparative Connections*, Pacific Forum's quarterly electronic journal on East Asian bilateral relations edited by Brad Glosserman and Carl Baker, 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 Michael J. Green, CSIS, and Nicholas Szechenyi, CSIS

The debate in the Japanese Diet remained contentious this quarter as opposition parties challenged the Fukuda government on several legislative issues including the gasoline tax, a new health insurance program for the elderly, and host nation support for U.S. forces. Fukuda's approval rating fell due to public dissatisfaction with his domestic policy agenda but later rebounded enough to quell rumors of a Cabinet reshuffle prior to the G8 Summit in July. Japanese anxieties continued to mount as the U.S. prepared to lift terrorism-related sanctions on North Korea as part of the Six-Party Talks, despite earlier pledges that this would not be done without progress on the abductee issue. President Bush did announce his intention to lift those sanctions on June 26, but his strong reaffirmation of support for Japan on the abductee issue helped to assuage some of the concerns in Tokyo. It also helped that Secretary of State Condoleezza Rice stressed during the G8 foreign ministers meeting in Kyoto that the U.S. actions would be reversed if North Korea's claims could not be verified. All of this took place as the Japanese public paid close attention to the U.S. presidential race and as the candidates took their debate into the pages of Japanese newspapers. Speculation also persisted about possible dissolution of the Diet and new elections in Japan sometime in the next year.

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by Bonnie S. Glaser, CSIS/Pacific Forum CSIS

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by Joseph Ferguson, National Council for Eurasian and East European Research

At the conclusion of the final summit meeting between Presidents George Bush and Vladimir Putin in early April, relations between Moscow and Washington appeared to have righted themselves. The cordial meeting left a sense of optimism in both Moscow and in the West that U.S.-Russia relations would improve until at least the fall presidential elections in the United States. Things have quieted down between the two nations over the last quarter, as the leadership of both countries has gone about business at home and has lessened (though not ceased) the often-negative rhetoric. But when the summer concludes, Russia will again loom large in U.S. political debates, and the big questions of U.S. foreign policy will necessarily include Russia policy. And as President Dmitry Medvedev unveils his own version of “sovereign democracy,” U.S. foreign policymakers have to address the question of whether U.S. policy toward Moscow is centered on its strategic interests, or on democratic values.

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by Sheldon Simon, Arizona State University

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by Robert Sutter, School of Foreign Service, Georgetown University, and Chin-hao Huang, SIPRI

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

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by Aidan Foster-Carter, Leeds University, UK

Rarely does the political weather change so abruptly with the calendar as it has in Korea during the past quarter. North Korea chose April 1 – April Fools’ Day – to finally break its long silence on the South’s new leader Lee Myung-bak, who was elected president last December 19 and took office on February 25. With rare restraint, Pyongyang had kept its counsel for several months since Lee – a former mayor of Seoul, ex-Hyundai CEO and self-described pragmatic conservative – was elected president by a large majority on a platform of mending fences with the U.S. and curbing Seoul’s “sunshine” policy of the past decade. Though ready to expand inter-Korean dealings on his own terms – as in his Vision 3000 program, which offered to triple North Korean national income to US\$3,000 per head – Lee insisted on linking any increased cooperation to progress on the North’s nuclear disarmament.

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by Scott Snyder, The Asia Foundation/Pacific Forum CSIS

The Lee Myung-bak administration committed to the establishment of a “strategic cooperative partnership” with China during Lee’s inaugural visit to Beijing as the new president of South Korea. The visit occurred in late May, coming only weeks after the tragic Sichuan earthquake and in the midst of protests in South Korea over Lee’s decision to allow imports of U.S. beef. Those events quickly overshadowed a late April flap during the Olympic torch relay in Seoul. PRC Vice President Xi Jinping made his maiden international visit to Pyongyang where he met Kim Jong-il and affirmed the importance of the Sino-DPRK relationship. As host of the Six-Party Talks, China received North Korea’s declaration of its nuclear programs on June 26 in what really was a formality given the critical role of U.S.-DPRK talks in paving the way for the declaration. Nevertheless, the declaration did set the stage for the reactivation of Six-Party Talks in Beijing. Hyundai-Kia opened a new factory in Beijing and SK Telecom responded to strategic changes in China’s telecommunications market by diversifying its investments in various Chinese multimedia companies in pursuit of a “convergence strategy.”

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

Two events dominated the second quarter of 2008: the visit of President Hu Jintao to Japan and the Sichuan earthquake. Tibet, poisoned *gyoza*, and the East China Sea dispute set the pre-summit agenda. Although the summit itself failed to provide solutions, both Hu and Prime Minister Fukuda Yasuo renewed commitments to cooperate in resolving the issues, and a month later the two governments announced agreement on a plan for joint development in the East China Sea. Shortly after Hu’s return to China, a devastating earthquake hit Sichuan Province. Japan’s response, which included sending emergency rescue and medical teams, tents, and emergency supplies, was well received by the Chinese victims. Beijing, however, quickly pulled back from an early but unofficial acceptance of Japan’s Air Self- Defense Force participation in relief operations. By the end of May, Japan’s contributions to relief efforts totaled 1 billion yen.

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by David C. Kang, Dartmouth College, and Ji-Young Lee, Georgetown University

Japan's relations with both North and South Korea improved over the past quarter. In conjunction with the North's June declaration of its nuclear activities, there was renewed momentum in resolving the two biggest pending bilateral issues between Tokyo and Pyongyang – the North's nuclear development program and the abduction issue. Bilateral talks resumed in mid-June after more than six months of no progress. The second quarter also marked a fresh start for Tokyo and Seoul as President Lee's Myung-bak's visit to Japan – the first since December 2004 by a South Korean president – marked the resumption of so-called "shuttle diplomacy." The summit between Prime Minister Fukuda Yasuo and President Lee produced agreements on several bilateral issues, including the stalled bilateral FTA negotiations, closer coordination on policy regarding North Korea's nuclear development program, and youth exchanges.

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by Yu Bin, Wittenberg University

May 2008 was a hectic month for both Russia and China. The inauguration of Dmitry Medvedev as Russian president marked the least eventful, albeit the most speculated about, power transition in the history of the Russian Federation. Medvedev's visit to China in late May, his first foreign visit outside the Commonwealth of Independent States (CIS) as president, ran into the devastating earthquake (May 12) in China's Sichuan Province. Medvedev's appearance in China and the largest international rescue mission in Russian history were both symbolic and substantial for the Russian-China strategic partnership, regardless of who controls the Kremlin.

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Regional Overview:

Action for Action with Mixed Reaction

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

After eight months of inaction, there was a flurry of six-party action at quarter's end. As Pyongyang produced its long-awaited declaration of its nuclear activities, President Bush announced his intention to remove North Korea from the U.S. listing of state sponsors of terrorism and Trading with the Enemy Act (TWEA) restrictions. Pyongyang responded with a made-for-TV demolition of the cooling tower at its Yongbyon nuclear facility. Elsewhere, respective reactions to natural disasters showed how far China has come and Myanmar/Burma still has to go in dealing with the outside world. There was a generally positive reaction to Secretary Gates' Shangri-La statements on U.S. East Asia policy and toward the two U.S. presidential candidates (or their surrogates) early pronouncements about Asia as well. In contrast, there has been almost no reaction at all to Australian Prime Minister Kevin Rudd's call for a more inclusive Asia-Pacific community.

Democracy seemed to be struggling in Thailand and in Mongolia, even as a reshuffling of coalition partners in India promised to resurrect the India-U.S. nuclear deal from the near-dead, just as Indian Prime Minister Singh prepared to meet President Bush along the sidelines of the upcoming G8 meeting in Japan. With this year's Asia-Pacific Economic Cooperation (APEC) Leaders Meeting scheduled for Peru in November, and with leaders from China, South Korea, and India among the invited guests to the July 6-8 summit at Lake Toyako, the G8 meeting will likely serve as President Bush's last opportunity for East Asia multilateral summitry. Finally, a word to our readers in Korea: Get the facts! American beef is safe. Period. End of sentence.

New Year's Eve finally arrives!

On June 26, Pyongyang finally turned over to Six-Party Talks host China its much-anticipated declaration of "all its nuclear activities," although reporting on the still not made public declaration suggests it was far from "complete and correct," at least by Washington's original description. The declaration was supposed to have been delivered by Dec. 31, 2007 but North Korea had been holding out, presumably until it received assurances that Washington would deliver on its end of the deal; namely, removing North Korea from Trading With the Enemy Act restrictions and beginning the 45-day process to take Pyongyang off the State Sponsors of Terrorism list. Secretary of State Condoleezza Rice provided those assurances publicly during a speech at the Heritage Foundation, a conservative Washington think tank, on June 18, which apparently opened the door for Pyongyang's action one week later.

As June 26 dawned in Washington, President Bush announced that he was taking the above-promised actions, while cautioning that these could be reversed if Pyongyang did not follow through with verification. “If North Korea makes the wrong choices,” Bush warned, “the United States and our partners in the Six-Party Talks will respond accordingly. If they do not fully disclose and end their plutonium, their enrichment, and their proliferation efforts and activities, there will be further consequences.” Just what these consequences might be was left unsaid.

Some have argued that it would have made more sense to wait until the list was delivered and verified before restrictions were lifted, and they are probably right. Unfortunately, that was not what Washington promised – the Oct. 3 agreement on implementation of this phase of the denuclearization agreement calls for the U.S. delisting and DPRK declaration to take place “in parallel.” If we have learned nothing else about North Korea we should know one thing by now: while Pyongyang might not be too good at living up to its own promises, it will not budge an inch if it perceives that others are not living up to theirs.

Verification remains the key. In her June 26 commentary in the *Wall Street Journal*, timed to coincide with (and set the stage for) President Bush’s announcement, Secretary Rice wrote: “We will not accept [Pyongyang’s] statement on faith. We will insist on verification.” A State Department “Fact Sheet” issued the same day noted that “a comprehensive verification regime would include, among other things, short notice access to declared or suspect sites related to the North Korean nuclear program, access to nuclear materials, environmental and bulk sampling of materials and equipment, interviews with personnel in North Korea, as well as access to additional documentation and records for all nuclear-related facilities and operations.” It further asserted that “any discrepancies in its declaration must be addressed by North Korea until the declaration is deemed to be complete and correct.” This, of course, is Washington’s unilateral definition of what constitutes verification. It remains to be seen if Pyongyang shares this view.

The White House acknowledged that the 60-page declaration did not answer Washington’s concerns about proliferation and uranium enrichment. These issues, it was subsequently learned, were apparently addressed in two separate short declarations presumably handed directly to Washington. Readers of last quarter’s report will recall Assistant Secretary of State and chief Six-Party Talks negotiator Christopher Hill’s assertion that neither separate declarations nor a partial declaration setting aside some of the issues (read: uranium enrichment and alleged support to Syria) was “politically sustainable.” Apparently, even less politically sustainable was a complete lack of forward progress, hence the sudden show of increased U.S. flexibility. Hill’s earlier “all means all” assertions apparently did not mean all in one package after all. Still, IF (and it’s a big IF), the three separate declarations really do (verifiably) answer all of Washington’s plutonium, uranium, and proliferation-associated questions, a major breakthrough has indeed occurred.

Largely overlooked but equally significant (if unappreciated) in the “action for action” drama was Pyongyang’s surprise agreement, during bilateral talks with Japan on June 14, that it would “reinvestigate the abduction issue,” after years of claiming that the issue was settled. There was no indication that the results would be any different and no acknowledgment that additional abductees remain alive in North Korea (as many in Japan are convinced), but the agreement did represent some forward movement on this issue. Recall that President Bush had reportedly

promised that delisting of North Korea would not come without “progress” on the abductee issue. While few in Tokyo seemed to consider the DPRK compromise sufficient, it no doubt required a great deal of behind-the-scenes diplomacy on Hill’s part and could be seen, at least in Washington’s eyes, as having honored President Bush’s pledge. Of note, Pyongyang also promised to hand over to Japan surviving members (and families) of Japanese Red Army terrorists who had hijacked a Japan Airlines plane in 1970 and then received asylum in the North. (The Clinton administration had been prepared years ago to remove Pyongyang from the terrorism sponsors’ list in return for the hijackers’ expulsion.)

One “action for action” that has received little reaction (or recognition, for that matter) was the June 26 “National Emergency Declaration” under which President Bush declared that “it is necessary to continue certain restrictions with respect to North Korea that would otherwise be lifted pursuant to a forthcoming [TWEA] proclamation” given that “the current existence and risk of the proliferation of weapons-usable fissile material on the Korean Peninsula constitute an unusual and extraordinary threat to the national security and foreign policy of the United States.” Sanctions against North Korea applied under United Nations Security Council Resolution 1718 also remain in effect, which further limits the practical impact of the largely symbolic U.S. delisting actions.

What we (still don’t) know

Volumes have been written commenting on the inadequacy of the North’s June 26 declaration, mostly by pundits (like ourselves) who have not yet seen its contents, which have apparently been kept from the public at Beijing’s request. By all accounts, the declaration deals only with the North’s plutonium-based nuclear weapons program. It apparently also provides a detailed accounting of Pyongyang’s plutonium holdings – which leaks and rumors have reported at somewhere between 25.5 to 38.5 to 40+ kg (with 6-7 kg required for a nuclear weapon) – and the amount used in the North’s October 2006 nuclear test (reportedly 2 kg, about half of what had been previously estimated).

Questions have arisen whether “all” plutonium-related facilities are listed in the declaration. At a minimum, this should include not only the three main facilities at Yongbyon – the 5 megawatt Experimental Reactor, the Reprocessing Plant, and the Nuclear Fuel Rod Fabrication Facility (initially scheduled for complete dismantlement by Dec. 31 2007) – but the identification and dismantlement of the nuclear test site, any weapons fabrication facilities, any nuclear research labs, and, most controversially weapons/fissile material storage facilities. By all accounts, the number of actual weapons is not included in the declaration.

In September 2005, the North pledged to eventually give up all its nuclear weapons but the February and October 2007 implementing agreements make no reference to weapons *per se* and the North has since made it clear that they will only surrender this capability after the U.S. has demonstrated that it no longer has a “hostile policy” toward Pyongyang. “Proof” of this has ranged from calls for diplomatic recognition, the provision of light water reactors (LWRs), the removal of U.S. troops from the Peninsula, etc. Stay tuned on this issue.

Note that the February and October 2007 agreements both specify that the million tons equivalent of aid is in compensation for the disablement of *all* nuclear-related facilities and material, including those yet to be identified but which were expected to be included in the June 26 declaration. Nonetheless, Pyongyang now claims (thus far without contradiction from Washington) that the energy aid is related only to the disabling of Yongbyon, asserting: “While the [Yongbyon] disabling has been completed for more than 80 percent, overall energy cooperation business is going very slowly – at 30 percent to 36 percent.” It would seem that Pyongyang has “renegotiated” the agreements and now expects the full million ton equivalent of oil and assistance for the disablement of Yongbyon and nothing more. Disablement of other nuclear facilities (presuming they are on the “complete and correct” declaration) will apparently now fall into phase three – the dismantlement and abandonment phase.

Hopefully, phase three entails the complete denuclearization of North Korea but this has yet to be clearly or definitively stated. What it is certain to entail is a lot more money, fuel oil, and assistance to North Korea – how much is yet to be negotiated. North Korea continues to insist that it also entails provision of LWRs to the North. In the Sept. 19, 2005 Six-Party Talks Joint Statement, the U.S. promised only to discuss LWRs “at the appropriate time,” making clear that this was after complete denuclearization. The North has been equally clear that the appropriate time was before or simultaneous with denuclearization. In all previous disagreements, the North Korean interpretation seems to have won out, but there are significant legal and political hurdles standing in the way of delivering LWRs to North Korea at this point.

The real and perceived shortcomings of the six-party process and current arrangements notwithstanding, we are clearly better off for having come this far. The demolition of the Yongbyon cooling tower and the near-complete dismantlement of the three nuclear facilities there have removed the North’s ability (at least in the near term) to produce more plutonium, which prevents the situation from getting worse. Accounting for North Korean plutonium stockpiles is another essential step in the denuclearization process, as is the identification (if “complete and correct”) of all its other plutonium-associated facilities. Unfortunately, the North has also learned that if it stubbornly holds out for its own interpretation of agreements, it will likely prevail, and this will make future negotiations and any future implementation process all the more difficult.

***Nargis* hits and the junta misses**

Not all the significant actions taking place this quarter were man-made. Mother Nature included her share, with the worst (in terms of lives lost and opportunities for cooperation missed) taking place in Burma/Myanmar. On May 3, Cyclone *Nargis* hit Burma, devastating the Irrawaddy River delta – one of the country’s and the world’s key rice growing areas – and the nation’s major city, Rangoon. Initial estimates provided an absurdly low death count – 340 people – but the numbers grew exponentially within days, to top 22,000. It is unclear whether this miscount was the result of ignorance on the part of the government or sheer indifference to the scale of the tragedy. By the end of the quarter, the official death toll was 84,537 dead, with 53,836 still missing. More than 1 million people are estimated to have been left homeless, and 2.4 million people have been affected by the cyclone, the worst natural disaster in the country’s history.

The scale of the disaster was compounded by the regime's appalling response. Rather than opening doors to foreign aid, the regime – motivated by a combination of xenophobia, arrogance, and paranoia – decided assistance could only trickle in: for the most part, aid was allowed in, not aid workers who could ensure assistance wasn't stolen and got to groups most in need.

Meanwhile, a week after the cyclone struck, the government went ahead with a referendum on a new constitution, which is supposed to pave the way for democratic elections in 2010. The referendum had previously been denounced by pro-democracy campaigners as a device to prolong military rule, but the cynicism that inspired the holding of the vote rather than devoting full attention to the tragedy was breathtaking.

International condemnation of the military government's actions was widespread. Some governments even contemplated going to the UN for approval of forcible humanitarian intervention under the penumbra of the "responsibility to protect." China and Indonesia rejected that idea. It may have had an impression on Burma's leaders, however: soon after, they allowed in the first load of UN-sponsored relief goods. Visas for relief workers from international aid agencies continued to be held up.

U.S. Pacific Command Commander Adm. Timothy Keating went to Burma to make a personal request to his Burmese counterpart - marking the highest-level military contact between the two countries in decades - but only got a pledge to consider the offer. U.S. vessels stayed near the Burmese coast for weeks in hopes that the aid request would be accepted, but they eventually turned away after getting the cold shoulder. Reportedly, the military government refused the offer for fear that the U.S. relief effort was a cover for an invasion. Some transport aircraft eventually got clearance to take aid into the main airport, but helicopters, desperately needed to get aid to the hardest hit, were denied clearance. Given the treatment the junta gave to UN Secretary General Ban Ki-moon, the cold shoulder to the U.S. was nothing exceptional.

Ultimately, ASEAN managed to open the doors somewhat, after a May 19 meeting of ASEAN foreign ministers pressed the country to accept foreign aid. A compromise allowed entry to ASEAN aid workers but there were reports that assessment efforts were stage managed to keep them from getting a complete picture of the tragedy. Nonetheless, ASEAN officials call their intervention a success, an overly generous assessment by most standards.

Nature strikes again in Sichuan

Less than two weeks after Cyclone *Nargis*, a 7.8 magnitude earthquake with an epicenter near the Sichuan provincial capital of Chengdu refocused world attention. Even though exact figures were hard to come by, it was immediately apparent that the quake was one of the worst in Chinese history. By June 30, *Xinhua* reported a death toll of 69,195 with another 374,177 injured and 18,403 missing. Five million were said to be homeless, and another 15 million displaced.

The disaster provided a rallying point for the nation, and an outlet for nationalist sentiment built up during the Olympic torch relay that morphed into anger after protests that looked to many Chinese like a deliberate insult. The natural inclination to help victims was supplemented by a campaign to redirect anger and focus on responding to the disaster. Reports that schools may

have been poorly built, which resulted in a high number of casualties among school children, gave the government even more reason to ensure that public sentiment was properly channeled. The response, official and unofficial, was overwhelming. Compared to the 1976 Tangshan earthquake that claimed over 200,000 lives, the Beijing government was far more capable and better attuned to the needs of the victims. The PLA performed impressively (despite some problems). Most significantly – and in pointed contrast to the Burmese reaction – China quickly opened the door to international aid, accepting not only goods and funds, but even foreign rescue teams for the first time. U.S. officials, from President Bush on down, were quick to offer sympathy, condolences, and help. Aid and disaster relief specialists were dispatched within days; U.S. private sector contributions were even more generous than that of the U.S. government. (For more details, see Bonnie Glaser’s chapter on U.S.-China relations.)

The U.S. as a resident power in Asia

Condolences and renewed offers of help to both China and Burma were also on Defense Secretary Robert Gates’ agenda when he spoke at the annual Shangri-La Dialogue in Singapore on May 31. Gates underscored Washington’s continued commitment to remaining a strong Asia-Pacific power characterizing the U.S. as a “resident” power in Asia that has been and will remain fully engaged in the region. Gates stressed three main points: the U.S. is “a Pacific nation with an enduring role in Asia”; Washington stands “for openness, against exclusivity”; and any new U.S. administration will remain “grounded in the fact that the United States remains a nation with strong and enduring interests in the region.” As expected, he pointed to Washington’s five alliances – with Australia, Japan, Korea, the Philippines, and Thailand – as “the foundation of our security presence,” adding that they were “enabled and strengthened by our relationships with partners and friends.” He stressed the important role of U.S. military presence, in Guam and in the region, as a signal of continued commitment and the ability “to respond quickly to a number of contingencies.”

Gates reassured Washington’s friends and allies in Asia that the Bush administration and any likely successor would be both supportive of and involved in the development of any regional security architecture. “We certainly share an interest in institutionalizing various forums to deal with region-specific problems, and we intend to participate in their evolution,” Gates asserted, even as we “continue to depend on our time-tested Asian alliance architecture, a framework embracing many overlapping security relationships and still evolving after the end of the Cold War.” He did offer some “benchmarks” in judging the new architecture: it should not be a zero-sum game, it should be collaborative and inclusive, and “it can only succeed if we treat the region as a single entity.” The U.S., Gates seemed to be saying, has no problem with Asia-only economic groupings, but when it comes to security architecture, the U.S. must be counted in: “There is little room for a separate ‘East Asian’ order.”

Unlike the speeches of his predecessor, Gates barely mentioned China by name and when he did, it was generally in complimentary or sympathetic terms. He praised Beijing’s “valued cooperation” on Korean Peninsula denuclearization and noted the increased level of engagement between the two militaries, while extending condolences over the tragic loss of life during the Sichuan earthquake.

In his prepared remarks, Gates was factual and largely neutral in discussing Burma, merely noting U.S. willingness to help, despite obstructions, and welcoming ASEAN's leadership in searching for a mechanism to help get aid to those most in need. When asked by a former Singaporean diplomat why Washington was not prepared to change its "failed policy of isolationism" against Rangoon, however, Gates forcefully pointed out that "We have reached out; they have kept their hands in their pockets," adding that to date ASEAN's engagement policy likewise seems to have had "zero influence" on Rangoon. The problem here is not Washington's (or ASEAN's) policies; it's the ruling junta in Burma!

Gates essentially avoided talking about the Middle East or global issues in general, other than to acknowledge regional concerns that U.S. actions in Iraq and Afghanistan were distracting Washington from focusing on Asia, a notion he hoped his speech would serve to disabuse. Refreshingly, nowhere in Gates' speech was there any reference to the global war on terrorism, indicating that the Pentagon has clearly gotten the message that Washington's constant hectoring on this topic is counterproductive and sends the wrong message about U.S. priorities in Asia. What defense establishments in Asia wanted and needed to hear was the reassurance that, despite commitments and distractions elsewhere, Washington remained aware of the region's growing importance and would remain engaged today and into the foreseeable future, regardless of who the next U.S. president might be.

The national interest redux

Secretary of State Condoleezza Rice also provided her take on U.S. foreign policy this quarter in the latest issue of *Foreign Affairs*, a stocktaking that echoes her previous analysis published in that same journal in 2000. She again emphasized the need for great power cooperation, applauding the progress with China but insisting that more transparency and more action is needed before Beijing can truly be a "responsible stakeholder." She identified the Six-Party Talks as "an opportunity for cooperation and coordination" to ensure that verifiable denuclearization takes place. She also noted that the parties intend to institutionalize habits of cooperation through the establishment of a Northeast Asian peace and security mechanism, although most observers consider such a step a long way off.

Rice puts the promotion of democracy at the heart of U.S. foreign policy. The deepening of democratization across the Asia Pacific region "is the defining geopolitical event of the 21st century." Alliances are core components of this tide; curious South Koreans note that Rice identifies Australia, Japan and key states in Southeast Asia as allies – and calls South Korea "a global partner." While no slight was intended, one was taken by some in Korea (especially those looking for more excuses to criticize the U.S.) Unlike Gates' Shangri-La address, nearly half of Rice's article is devoted to the Middle East and Iraq. Sadly, and most telling, this is also likely to be how the next administration is forced to handle foreign policy, no matter what its intentions.

The candidates and Asia

The 2008 presidential race was clarified this quarter with Sen. Barack Obama securing the Democratic nomination. That will pit him against Sen. John McCain in the November ballot. Now, the two candidates' foreign policies are coming under growing scrutiny.

McCain. In “Renewing America’s Asia Policy,” published in the *Wall Street Journal* on May 27, Sen. McCain and Sen. Joseph Lieberman provide insight into the Republican candidate’s Asia policy. The commentary begins by noting that “the U.S.-Japan alliance has been the indispensable anchor of peace, prosperity and freedom in the Asia-Pacific for more than 60 years, and its importance will only grow in the years ahead.” Clearly, “Deepening cooperation, consultation and coordination” is critical and McCain’s vision demands more from the alliance, not merely consolidating the gains of the past. The authors back “Japan’s emergence as a global power, encourage its effective diplomacy, and support its bid for permanent membership in the UN Security Council.”

Turning to specific issues, the two governments should expand the North Korean agenda to tackle ballistic missile programs, the abduction of Japanese citizens, and human rights. Similarly, they must work together to press China to be a “responsible stakeholder.” Decrying the protectionist instincts of the Democratic frontrunners, the two men argue that the U.S. should press for greater economic engagement with the dynamic economies of Asia and work to build “an open, inclusive system of international trade.” The U.S. has to “take much more seriously our responsibility to address our contribution to climate change.”

In what is likely to be the most controversial section, the authors put norms and values at the heart of their foreign policy, arguing the two countries “have a clear interest in enshrining these norms and values at the center of our international system.” It is hard to object in theory to “a regional architecture that favors freedom,” but its implementation could be problematic.

Obama. While there has yet to be a similar op-ed from the Democratic candidate himself, the *Asahi Shimbun* printed a comment in late June by Richard Danzig, former secretary of the Navy, and Joseph Nye, former assistant secretary of defense, Harvard professor, and chairman of the Pacific Forum CSIS Board of Governors (“Japan dialogue key to U.S. interests in Asia”), that can be read as an explication of Obama’s views.

They too start by noting that “The U.S.-Japan alliance remains the cornerstone of American policy in the Asia-Pacific region.” Applauding the success of that partnership, they call for its expansion and transition into “much more than bilateral security arrangements. ... By working together, by combining our strengths, Japan and the United States can provide renewed leadership to resolve a host of challenges, from the need to improve energy efficiency, protect the environment and foster the economic development of the world’s poorest countries to enhancing peace and security in East Asia.” (These remarks echo Nye’s comments at the 14th U.S.-Japan Security Seminar, hosted by the Japan Institute of International Affairs and Pacific Forum CSIS, held in March of this year; the report from that meeting will be available shortly.)

Their agenda includes closer cooperation in the Six-Party Talks, peacekeeping operations and humanitarian crises, fighting terrorism and al Qaeda, and transnational challenges, like climate change, avian flu, and breaking the cycle of poverty in Africa. As always, they urge Japan to rejuvenate its economy and develop to its full potential, for Japan’s sake as well as that of its economic partners. Similarly, the two governments should work together to ensure that new

regional architectures are open and inclusive and “protect and advance the interests and values dear to both our countries.”

With East Asia emerging as “the most dynamic region in the world,” Danzig and Nye believe that neither country can afford to take their alliance for granted. “The world’s most pressing challenges ... cannot be successfully addressed without active Asian participation. Close cooperation with Japan is the starting place for all U.S. policies and interests in Asia.”

Building an Asia-Pacific community

Australian Prime Minister Kevin Rudd, in a June 4 speech to the Asia Society AustralAsia Centre in Sydney, called for the creation of an all-inclusive Asia Pacific Community by 2020 to help the region maintain security, foster trade, respond to natural disasters and terrorism, and react more quickly to cope with changes brought about by rapid economic growth in the region. He was not, as some newspapers erroneously reported, calling for a European Union in Asia, noting instead that “the European Union does not represent an identikit model of what we would seek to develop in the Asia-Pacific, but what we can learn from Europe is this – it is necessary to take the first step.”

Rudd called for a regional institution “which is able to engage in the full spectrum of dialogue, cooperation and action on economic and political matters and future challenges related to security,” something that current regional institutions (which still have value in their own right according to Rudd) “as currently configured” are not capable of achieving. The silence in response to this proposal has thus far been deafening. It does, however, provide an alternative to calls for a “League of Democracies,” something Rudd has been decidedly cool toward.

Democracy (in)action

Thailand agonists. Pity Thai Prime Minister Samak Sundaravej: he just doesn’t seem to get a break. Having prevailed in elections held early this year to replace the government installed by the military after the September 2006 coup, Samak has been denounced as a surrogate for deposed PM Thaksin Shinawatra, subjected to court challenges, threatened with another coup, and faced - and defeated - a vote of no-confidence. He must be wondering what a guy has to do to get a mandate.

Suspicious about Samak were raised when he campaigned last year as a stand-in for Thaksin. That charge is one of several leveled against the prime minister by the opposition People’s Alliance for Democracy: others included giving land to Cambodia, economic mismanagement, and failing to defend the king. When the government proposed rules to make it harder to dissolve political parties - a response to a Supreme Court case that could go against Samak’s party and force it to be disbanded - protestors took to the streets on May 25. At times, there appeared to be the real danger of violence as the government threatened to clear the streets by force. Some feared the military would use the chaos to launch yet another coup.

Instead, the government backed off, let the demonstrators sound off, and let the opposition have a vote of no-confidence, which was handily defeated after a week-long debate. There are hopes

that this will deflate the anti-government bubble, but it is clear that the passions that drive Thai politics are deep. Entrenched opposition to the Samak government and its policies will continue for the foreseeable future, bubbling over whenever there is a provocation, real or imagined. This is no recipe for stability.

Unrest in Ulan Bator. Mongolian got a taste of extraparliamentary action at the end of the quarter when rioters vented their frustrations in the capital of Ulan Bator, leaving five people dead and injuring more than 200 others. The riots were triggered by allegations of fraud after national elections at the end of June. The elections, the fifth since Mongolia won real independence following the collapse of the Soviet Union in 1990, were won by the ruling Mongolian People's Revolutionary Party, which claimed a 45-seat majority in the 76-seat legislature. The party has been dogged by allegations of corruption and misconduct, but international observers gave the election a seal of approval.

President Nambariin Enkhbayar declared four days of emergency rule in response to the violence and convened an extraordinary session of parliament to figure out what to do next. The state of emergency was lifted on schedule. The general consensus is that better economic policy is critical, but the prospect of instability makes it difficult to create a positive business environment and attract investment.

India rescues nuclear deal?

The Indian government appeared at quarter's end to have salvaged its beleaguered civil nuclear-energy agreement with the United States. After a flurry of political meetings with allies and adversaries, Prime Minister Manmohan Singh appeared to have gained the support of a regional political party, the socialist Samajwadi Party, which will not only back the deal but prevent his government from falling. The deal had been attacked by Singh's communist coalition allies, who feared it would give Washington too much influence over India's nuclear programs. They threatened to withdraw support from Singh's government if he moved forward with the nuclear deal. The coalition switch allowed Singh's Congress Party to avoid calling early elections, in which it was expected to lose many representatives in Parliament because of growing concerns over inflation and high oil prices. It also allows Singh to bring some good news to his meeting with President Bush on the sidelines of the G8 meeting in Japan.

Fukuda makes the most of the G8

The July 6-8 G8 Summit in Toyako, Japan provides a fillip to long-suffering Prime Minister Fukuda Yasuo, offering him relief from his domestic woes and an opportunity to show international leadership. It was hoped that a strong performance would shore up his standing at home and ease pressure on him to call national elections.

Japan has for over a year made its priorities clear: climate change and development top the agenda. Climbing energy and food prices obliged Tokyo to modify its plan, but those issues still fit comfortably within its anticipated format. Other concerns, such as North Korea's nuclear programs, Iran's nuclear ambitions, the need to complete the Doha Round of trade talks, and dealing with Zimbabwe's Robert Mugabe completed the agenda.

In fact, little is likely to come of the meeting. Many of the pledges regarding aid, trade, and the climate, have already been made in previous meetings; the problem is honoring them. Many leaders at the meeting, notably Fukuda, President Bush, and British Prime Minister Gordon Brown, are hobbled at home. It isn't clear what leverage any of them have with oil producers in the best of times.

Perhaps most important are the summit side meetings, given the presence of a record number of heads of state (both members and invited guests). For starters, President Bush has some fence mending to do with the Japanese, who were concerned and disturbed by his decision to remove North Korea from the list of state sponsors of terrorism, despite the lack of progress regarding the fate of the Japanese abducted by Pyongyang's agents decades ago. PM Singh will no doubt see this as an opportunity to strengthen India's trilateral ties with China and Russia even while breaking new ground with the U.S., while PM Rudd will get a chance to explain Australia's vision of an Asia-Pacific Community first hand while observing G8 events. Another invited guest, ROK President Lee Myung-Bak will no doubt be hoping for more U.S. concessions to ease the "beef crisis" at home. All this and more will be recounted in next quarter's *Comparative Connections*.

Korea: What's the beef?

Finally, we cannot close without a few words on the ongoing protests in Korea over President Lee Myung-bak's decision to lift the five-year restriction against the import of U.S. beef. Protesters have taken to the streets by the thousands and candlelight vigils, last seen in protest to the accidental deaths of two Korean schoolgirls run over by an American military vehicle in 2001, were once again the order of the day. Korean colleagues have been quick to assure us that this is not an anti-American demonstration; for that matter, it's not even really about beef. It's about Korean frustration with its new government, with the decision to lift the restrictions as the convenient vehicle.

We are not convinced! It's hard not to take it personal when groups are protesting the safety of a product that Americans (including Korean-Americans) eat regularly and know is safe, and which is grown and tested under stricter standards than those employed by the Korean government for its own livestock. This is not about food safety – no one has ever died of mad cow disease from eating U.S. beef. But the professional protesters are not deterred by the facts. When U.S. Ambassador Vershbow tried to point out that if people looked at the science behind the controversy, they would determine that the beef was safe, opponents disingenuously accused the ambassador of claiming that "Koreans couldn't understand science," causing a protest within a protest and ultimately forcing the ambassador to apologize for telling the truth.

As an ironic footnote, when U.S. beef finally reappeared on Korean shelves in early July, suppliers could not keep up with the demand. Protests aside, Korean consumers still know a good deal when they see one.

Regional Chronology

April-June 2008

March 31-April 4, 2008: Representatives from more than 160 countries begin formal negotiations in Bangkok on a treaty to mitigate climate change.

April 1, 2008: The Olympic Torch relay begins its four-month journey around the world.

April 2, 2008: A *BBC World Service* poll, which surveyed over 17,000 people in 34 countries, indicates Japan is the second most positively viewed country behind Germany.

April 7, 2008: China and New Zealand sign a free trade agreement.

April 8, 2008: U.S. and North Korean negotiators Christopher Hill and Kim Kye-gwan meet in Singapore, narrow differences in their dispute over Pyongyang's declaration of its nuclear activities, and reach a tentative agreement.

April 9, 2008: Parliamentary elections are held in South Korea. President Lee's GNP (Grand National Party) holds 153 seats of the 299 seats (from 128 seats), while the opposition liberal UDP (United Democratic Party) plunges from 141 to 81.

April 10, 2008: The U.S. and China test for the first time a defense "hot line" designed for consultations in times of crisis.

April 11, 2008: The U.S. appoints Scott Marciel as the first U.S. ambassador for ASEAN affairs. He also serves as deputy assistant secretary of state for East Asia and the Pacific.

April 11-13, 2008: The annual Boao Forum for Asia is held on Hainan Island.

April 12, 2008: China President Hu Jintao meets Taiwan Vice President-elect Vincent Siew on the sidelines of the Boao Forum, the highest-level contact between the two governments since their post-civil war split in 1949.

April 15-19, 2008: South Korean President Lee Myung-bak visits the U.S. and meets President Bush at Camp David.

April 16, 2008: South Korea names Kim Sook as the Foreign Ministry's special representative for Korean Peninsula Peace and Security Affairs chief negotiator for the Six-Party Talks.

April 17, 2008: Timor Leste President Jose Ramos-Horta returns home amid tight security and cheering crowds after two months of treatment for gunshot wounds sustained in a rebel attack.

April 18, 2008: Japanese Prime Minister Fukuda Yasuo tells visiting Chinese Foreign Minister Yang Jiechi that China should "face up to the reality that the matter [Tibet] has become an international issue and that it should not affect the Olympics."

April 20-21, 2008: South Korean President Lee visits Japan and meets PM Fukuda. They agree to cooperate together with the U.S. on the North Korean nuclear issue, resume discussions on a bilateral Economic Partnership Agreement (EPA), and hold a trilateral meeting with China within this year.

April 21, 2008: An Indonesian court sentences Abu Dujana, the self-proclaimed leader of the Islamic militant group Jemaah Islamiyah blamed for the 2002 Bali bombings, to 15 years in jail for violating the anti-terror law.

April 21, 2008: Japanese PM Fukuda conveys his intent to raise the issue rising food prices at the G-8 summit scheduled for July in Hokkaido. In letters addressed to UN Secretary General Ban Ki Moon and World Bank President Robert Zoellick, he seeks cooperation from both organizations. Fukuda says that “soaring food prices are posing imminent and serious global challenges” and have brought about social unrest.

April 22-23, 2008: A U.S. team, led by Sung Kim, visits Pyongyang to discuss how to verify any declaration North Korea may make about its nuclear programs.

April 23-24, 2008: Thai Prime Minister Samak Sundaravej visits Malaysia and meets Prime Minister Abdullah Ahmad Badawi. The two agree to work together to fight unrest in Thailand’s south and work to bring peace to the region through economic development.

April 25, 2008: *Xinhua* news agency announces that Chinese government officials would meet “in the coming days” with a private representative of the Dalai Lama.

April 25-27, 2008: Japanese PM Fukuda visits Russia and meets President Vladimir Putin and President-elect Dmitry Medvedev, who takes office in May. They sign an agreement to pursue their countries’ first joint oil field development project in Russia’s eastern Siberian region and discuss the territorial issue of the Russian-held islands off Hokkaido, global warming, and peace and stability in Northeast Asia.

April 25-28, 2008: North Korean Foreign Minister Pak Ui Chun visits China and meets Foreign Minister Yang Jiechi and State Councilor Dai Bingguo. Yang says it is in everyone’s interests to implement the second phase of the Six-Party Talks in a balanced way and Pak says North Korea wants to “denuclearize the Korean peninsula and would like to work with all relevant parties to fulfill obligations.”

April 26, 2008: Australia announces that it will withdraw 200 troops from East Timor because security has improved.

April 29, 2008: President Bush defends his decision to release details of alleged North Korean links with Syrian nuclear program in order to send a “message” to U.S. foes North Korea and Iran that they could not hide their own nuclear activity.

April 29, 2008: General Secretary of the CCP Central Committee Hu Jintao meets with Lien Chan, honorary chairman of Taiwan’s Nationalist Party, or Kuomintang (KMT), in Beijing.

April 30, 2008: South Korean deputy negotiator for the Six-Party Talks meets Japanese chief negotiator Saiki Akidaka in Tokyo for a working-level discussion.

May 3, 2008: Cyclone *Nargis* strikes Burma, devastating much of the fertile Irrawaddy River delta and the nation's major city, Rangoon.

May 3, 2008: ASEAN trade ministers agree to help each other during the global food crisis and to take measures to maintain the stability of rice prices and boost production.

May 4, 2008: Chinese government representatives meet the Dalai Lama's representatives in Shenzhen. Samdhong Rinpoche, prime minister of the exiled Tibetan government, says the two sides agreed to meet again after discussions "conducted in good atmosphere."

May 6-10, 2008: Chinese President Hu Jintao visits Japan. During the visit Hu and PM Fukuda agree to regular summits aimed at easing tensions between the two countries.

May 7, 2008: Dmitry Medvedev is inaugurated as Russia's third president. The following day he appoints outgoing President Vladimir Putin as Prime Minister.

May 7-12, 2008: Deputy Secretary of State John Negroponte travels to Tokyo, Seoul, and Beijing for talks on a range of issues.

May 8, 2008: China and Indonesia reject France's proposal to have UN Security Council put pressure on cyclone-devastated Burma to grant full access to foreign aid workers.

May 8-9, 2008: U.S. State Department representative Sung Kim meets North Korean officials in Pyongyang in what are described by the U.S. State Department spokesperson as "ongoing discussions to rid the North of its nuclear weapons programs." During the meeting, North Korea turns over 18,000 pages of documents related to its plutonium program dating back to 1986.

May 8-21, 2008: *Cobra Gold 2008*, a regularly scheduled joint and combined multinational military exercise, is held in Thailand. Participants include the U.S., Thailand, Singapore, Japan, and Indonesia.

May 9, 2008: Japan's Diet passes a bill that permits military use of outer space for defensive purposes.

May 9-13, 2008: Singapore Foreign Minister George Yeo accompanied by a business delegation visits North Korea.

May 10, 2008: Burma's junta opens the polls for a referendum on a new constitution, which it says will pave the way for democratic elections in 2010. Pro-democracy campaigners say the ballot will be rigged and accuse the generals of trying to prolong their reign. The military delays the referendum in the areas worst-affected by Cyclone *Nargis* until May 24.

May 10, 2008: The UN High Commissioner on Refugees announces the first trucks with relief goods for victims of Cyclone *Nargis* cross the border between Thailand and Burma.

May 12, 2008: U.S. Pacific Command (USPACOM) Commander Adm. Timothy Keating flies to Burma aboard the first U.S. military aid flight to press for a full-scale international relief operation for victims of Cyclone *Nargis*. At the airport in Rangoon, he meets Burma's top naval officer in the highest-level military contact between the two countries in decades. Burmese officials promise to consider the request.

May 12, 2008: A 7.8 magnitude earthquake with an epicenter located 90 km from the Sichuan provincial capital of Chengdu kills more than 8,700 people.

May 14, 2008: Thailand's Prime Minister Samak Sundaravej says after a visit to Myanmar that the junta leaders would not allow foreign experts into the country for the cyclone relief effort.

May 14-16, 2008: The 8th Russia-China-Indian foreign ministerial meeting is held in Yekaterinburg, Russia. The trilateral meeting is followed by a four-party meeting, adding Brazil's foreign minister on May 16, to review areas of four-party interaction.

May 16, 2008: Rescue teams from Japan, South Korea, Singapore, Russia, Taiwan, and Hong Kong arrive in China's quake-devastated region. This is the first time the Chinese government has accepted foreign professionals for a domestic disaster rescue and relief operation.

May 16, 2008: A U.S. military court sentences a U.S. Marine to at least three years in prison for sexually abusing a 14-year-old Japanese girl, in a case that triggered mass protests in Okinawa.

May 16, 2008: The U.S. announces that it will deliver 500,000 metric tons of food aid to North Korea over the next year. North Korea responds by saying that it is "ready to provide all technical conditions necessary for the food delivery."

May 18-19, 2008: The chief negotiators for the Six-Party Talks from South Korea, the U.S., and Japan hold talks in Washington to discuss how to verify North Korea's declaration of nuclear programs and stockpiles. This is the first time for the group to meet officially since the Korea-U.S.-Japan Trilateral Coordination and Oversight Group (TCOG) was suspended in 2003.

May 19, 2008: ASEAN foreign ministers hold an emergency meeting in Singapore to discuss the situation in Myanmar. In a major concession, Myanmar agrees to open its doors to medical teams from all ASEAN countries.

May 19, 2008: World Health Assembly again rejects "Taiwan" observer application.

May 20, 2008: Ma Ying-jeou is inaugurated as president of the Republic of China in Taiwan.

May 22-23, 2008: Thai Prime Minister Samak Sundaravej visits the Philippines and pledges to sell rice to the Philippines for "negotiable" rates.

May 22-25, 2008: UN Secretary General Ban Ki-moon visits Burma. During his stay, Ban visits the Irrawaddy delta region, meets Gen. Than Shwe, and attends a donor conference.

May 23-24, 2008: President Medvedev visits China on his first trip outside the country since being inaugurated and meets President Hu Jintao. They release a joint statement denouncing U.S. plans to build a global missile defense shield.

May 26, 2008: KMT chairman Wu Poh-hsiung visits China and meets President Hu Jintao. The visit underscores a rapid improvement in ties since the change in government in Taiwan.

May 27, 2008: Assistant Secretary Hill meets Vice Foreign Minister Kim Kye-gwan in Beijing to discuss a time frame for Pyongyang's submission of a declaration of its nuclear programs. Hill also holds separate meetings with Chinese Six-Party Talks negotiator Wu Da-wei and Japanese negotiator Saiki Akitaka.

May 27, 2008: Sen. John McCain and Sen. Joseph Lieberman provide insight into the Republican candidate's Asia policy in a *Wall Street Journal* article titled "Renewing America's Asia Policy."

May 27-30, 2008: South Korean President Lee Myung-bak visits Beijing. A presidential official said the summit will trigger the upgrading of bilateral ties to a "strategic cooperative partnership" meaning the two countries "will cooperate more comprehensively and diversely."

May 28, 2008: The *USS Kitty Hawk* aircraft carrier, stationed in Japan for nearly 10 years, departs Yokosuka to be decommissioned.

May 29-June 4, 2008: U.S. Defense Secretary Robert Gates visits Guam, Singapore, Thailand, and South Korea in conjunction with his attendance at the seventh annual International Institute for Strategic Studies' Shangri-La Dialogue. In a speech in Singapore he states that the U.S. is a Pacific nation with an enduring role in Asia and that U.S. alliance relationships are the foundation of the U.S. security presence in the region.

June 1, 2008: Chairman of the U.S. Joint Chiefs of Staff Adm. Mike Mullen makes a brief surprise visit to Zamboanga, Philippines.

June 4, 2008: Australian Prime Minister Kevin Rudd calls for the creation of an all-inclusive Asia Pacific Community by 2020 to help the region maintain security, foster trade, respond to natural disasters and terrorism, and react more quickly to cope with changes brought about by rapid economic growth.

June 10, 2008: Japan PM Fukuda announces a new climate change policy that sets a goal for cutting greenhouse gas emissions 60 to 80 percent by 2050 and pledges to contribute up to \$1.2 billion to a new multilateral fund that will help developing countries fight global warming.

June 10, 2008: Japanese frigate hits and sinks Taiwan fishing boat near Diaoyutai/Senkaku Islands; Taipei and Beijing protest the incident.

June 12, 2008: North Korea Foreign Ministry issues a statement denouncing terrorism and its support of efforts to create a mechanism to counter terrorism and sponsors of terrorism.

June 11-12, 2008: Representatives from Japan and North Korea meet in Beijing to discuss bilateral relations. Following the meeting, North Korea announces that it would reopen an investigation into the past abductions of Japanese citizens and Japan announces that it would lift some sanctions imposed on Pyongyang for its nuclear program.

June 12, 2008: Prime Minister Fukuda meets with Australian Prime Minister Kevin Rudd in Tokyo and the two governments issue a joint statement highlighting the security, strategic, and economic partnership between the two countries.

June 12, 2008: The Six-Party Talks Energy and Economic Assistance Working Group meets in Panmunjom in an effort to speed up delivery of energy assistance to North Korea.

June 14, 2008: The foreign ministers from South Korea, China, and Japan – Yu Myung-hwan, Yang Jiechi, and Masahiko Komura – meet in Japan and agree to build a formal channel for trilateral cooperation.

June 18, 2008: Secretary of State Rice restates U.S. willingness to remove Pyongyang from the terrorist-sponsor list if it submits a full declaration of its nuclear activities.

June 18, 2008: Japan and China announce an agreement to jointly develop a gas field in the East China Sea, resolving a protracted dispute over how to exploit resources in an area where their maritime border remains unsettled.

June 19, 2008: Nuclear negotiators from Japan, South Korea and the U.S. meet in Tokyo and reaffirm the need to push forward the Six-Party Talks to denuclearize the Korean Peninsula.

June 21, 2008: Japan ratifies a free trade accord with ASEAN. Under the deal, about 90 percent of trade between Japan and ASEAN will be tariff-free within 10 years.

June 21-30, 2008: Philippine President Gloria Macapagal-Arroyo visits the U.S. and meets President Bush in Washington DC to discuss bilateral cooperation on a broad range of areas including ASEAN, Burma, counterterrorism, defense reform, food security, and regional economic integration.

June 23, 2008: Top nuclear negotiators from the U.S. and South Korea separately meet Chinese Vice Foreign Minister Wu Dawei, the Chair of the Six-Party Talks.

June 23-26: Vietnamese Prime Minister Nguyen Tan Dung pays an official visit to the U.S. and meets President Bush.

June 24-28, 2008: The Japan Maritime Self-Defense Force destroyer *Sazanami*, carrying earthquake relief supplies, makes a port call in Zhanjiang, becoming the first Japanese warship to visit China since WWII.

June 25, 2008: China reopens Tibet to foreign tourists.

June 26, 2008: North Korea submits the declaration of its nuclear programs to China as the chair of the Six-Party Talks. In response, President Bush announces the lifting of the application of the Trading with the Enemy Act against North Korea, and notifies Congress of his intent to rescind North Korea's designation as a State Sponsor of Terrorism.

June 26, 2008: President Bush signs a National Emergency Declaration, which reinstates many of the TWEA restrictions due to continuing proliferation threat from North Korea.

June 26, 2008: U.S. resumes beef exports to South Korea despite intensified protests. South Korean quarantine inspections restart as well.

June 27, 2008: North Korea destroys the cooling tower of its nuclear reactor at Yongbyon in what is described as a symbolic gesture to show its commitment to denuclearization of the Korean Peninsula.

June 26-30, 2008: Secretary of State Rice visits Japan, South Korea, and China.

June 30, 2008: Violence breaks out in Ulan Bator after the Mongolian People's Revolutionary Party wins the majority of seats in Parliamentary elections.

June 30, 2008: The first shipment of U.S. food aid promised in mid-May arrives in North Korea.

June 30, 2008: North Korea and the World Food Program reach agreement on an extensive food aid distribution plan.

July 1, 2008: President Nambaryn Enkhbayar declares a state of emergency in Ulan Bator in response to violence following Parliamentary elections in Mongolia.



**U.S.-Japan Relations:
Looking toward Elections**

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The debate in the Japanese Diet remained contentious this quarter as opposition parties challenged the Fukuda government on several legislative issues including the gasoline tax, a new health insurance program for the elderly, and host nation support for U.S. forces. Fukuda's approval rating fell suddenly due to public dissatisfaction with his domestic policy agenda but later rebounded enough to quell rumors of a Cabinet reshuffle prior to the Hokkaido G8 Summit in July. The arrest in early April of a U.S. serviceman charged with murdering a taxi driver in Yokosuka brought negative publicity for U.S. forces.

Japanese anxieties also continued to mount as the U.S. prepared to lift terrorism-related sanctions on North Korea as part of the Six-Party Talks, despite earlier pledges that this would not be done without progress on the abductee issue. President Bush did announce his intention to lift those sanctions on June 26, but his strong reaffirmation of support for Japan on the abductee issue helped to assuage some of the concerns in Tokyo. It also helped that Secretary of State Condoleezza Rice stressed during the G8 foreign ministers meeting in Kyoto that the U.S. actions would be reversed if North Korea's claims could not be verified; a message of reassurance Bush would likely echo and broaden during his visit to Japan in July. All of this took place as the Japanese public paid close attention to the U.S. presidential race and as the candidates took their debate into the pages of Japanese newspapers. Speculation also persisted about possible dissolution of the Diet and new elections in Japan sometime in the next year.

Rancor in Japanese domestic politics

The opposition parties continued to exploit their majority in the Upper House to slow down the Fukuda government's legislative agenda. The ruling coalition had to utilize its super majority in the Lower House to reinstate a controversial gasoline tax in May after the opposition refused to extend related legislation citing wasteful spending (proceeds were typically earmarked for pork barrel spending in the form of road construction) and the need to provide relief for consumers. The opposition also refused to pass a special measures agreement renewing host nation support for U.S. forces in Japan, the first time an international agreement or treaty had been rejected by the Upper House under the current constitution. The government was able to pass the legislation by taking advantage of its two-thirds majority and a constitutional provision allowing the Lower House to override results in the weaker chamber.

Prime Minister Fukuda was then blamed for a confusing new health insurance program for the elderly instituted April 1 – even though the plan was proposed and passed under the Koizumi administration back in 2006 – and also came under fire repeatedly for his failure to address pension reform in the wake of a scandal that surfaced in 2007 during the Abe administration when the government acknowledged having lost 50 million pension records. The only hint at bipartisanship came in the form of the Basic Law for Space Activities, a bill authorizing the military use of space for defensive purposes which passed easily in both houses. The legislation dictates the creation of a new Cabinet post dedicated to space policy – placing policy planning directly under the control of the prime minister – and emphasizes a shift away from research and development toward utilization and defense, with a possible focus on communications satellites or support for missile defense systems. The government has already staffed the new space policy headquarters in the Prime Minister’s Office and expects to complete a draft master plan for development of new space systems by the end of the year.

Fukuda soldiers on

The Democratic Party of Japan (DPJ) pressured Prime Minister Fukuda relentlessly and generated momentum with victories in an April by-election in Yamaguchi Prefecture and in Okinawa Prefectural Assembly elections in June. (The Liberal Democratic Party (LDP) lost its majority in that chamber.) The DPJ then upped the ante by passing a largely symbolic censure motion against Fukuda in the Upper House, though the government ignored the nonbinding measure and got a boost from a subsequent vote of confidence in the Lower House. DPJ President Ozawa Ichiro continued his confident rhetoric in a June 1 interview with the *Financial Times*, stating that the “opposition party will take over power, which means the LDP will collapse and dissolve.” (Ozawa’s poll ratings are below Fukuda’s, but his party’s are higher.)

Fukuda stood firm despite an approval rating that dipped below 20 percent at one point but hovered around 25 percent at the end of the quarter based in large part on an ambitious diplomatic agenda that featured summit meetings with the leaders of South Korea, China, and Australia; trips to Europe for consultations with G8 member countries; the Tokyo International Conference on African Development, which included delegations from 51 African countries; and the upcoming G8 Summit where he hopes to gain consensus on climate change, rising commodity prices, development aid, and political issues including North Korea. In June, Fukuda publicly dismissed the notion of a snap election and vowed to press on. Speculation on the future persists but some pundits suggest that Fukuda could stay in power until constitutionally mandated elections in fall 2009, though a Cabinet reshuffle before the next Diet session in September is possible.

Concerns about the U.S.-Japan alliance but reassurance too

The arrest of a U.S. serviceman in April for allegedly murdering a taxi driver in Yokosuka renewed public concerns about the presence of the U.S. military in Japan and prompted the U.S. Navy to introduce a curfew at Yokosuka naval base and conduct background checks on all 20,000 personnel stationed in Japan. The U.S. Navy also published a comic book to ease concerns about the impending arrival of the *USS George Washington*, a nuclear-powered aircraft

carrier, in Yokosuka later this summer. Increased scrutiny of alliance matters also pertained to a 2006 agreement concerning the realignment of U.S. forces in Japan, designed to reduce the burden on the Japanese public but held up by disputes over cost and the desire of local governments to revise it. Former Deputy Under Secretary of Defense for Asia-Pacific Affairs Richard Lawless, in a May 22 interview with *Asahi Shimbun*, focused on the realignment issue to express concern about drift in the alliance. U.S. Ambassador to Japan Thomas Schieffer called on Japan to increase defense spending that same week in a speech to the Foreign Press Club in Tokyo, perhaps signaling consternation in Washington after the prolonged debate over host nation support. Defense Secretary Robert Gates and Defense Minister Ishiba Shigeru accentuated the positive in respective speeches at the Shangri-La Dialogue in Singapore at the end of May and confirmed in a meeting there that the two governments would work toward the steady implementation of the realignment plan. Gates also thanked Japan for its renewed participation in *Operation Enduring Freedom*, though the mission is scheduled to expire in January 2009 and could be a subject of heated debate in the Diet this fall.

The question of what Japan should do next on security quietly consumed officials in Tokyo this quarter. U.S. and coalition governments hope for a new Japanese contribution in Afghanistan that has operational and not just symbolic significance. That probably means helicopters or boots on the ground – both of which the coalition desperately needs even in noncombat roles that Japanese forces could constitutionally fill. However, the political impasse in Tokyo would make the necessary legislation for such a high risk deployment difficult at best. Some leading Japanese politicians hoped that it would be enough to transfer the *C-130s* now operating in Iraq to Afghanistan, but that would be seen as a net loss in capabilities by the coalition, since the transport need in Afghanistan is not for fixed wing aircraft. Nor is the expectations game likely to get any easier for Japan after the U.S. election, since both John McCain and Barack Obama have been clear about the need to increase overall efforts in Afghanistan. The Fukuda government appears ready to use its two-thirds majority again next year to reauthorize the deployment of refueling operations in the Indian Ocean in support of Operation Enduring Freedom, since the government succeeded in doing so this year. However, some political observers worry that the LDP's coalition partner Komeito (Clean Government Party) might lose its nerve since its members will be going into local elections in Tokyo next summer where the support of pacifist grass roots organizations is critical.

In the face of new doubts about Japanese political will, the Fukuda government did take some steps that show continued readiness to step up in international crises despite the political challenges at home. Japan dispatched disaster relief teams to Burma and China in response to natural disasters; announced it would consider sending Self Defense Force (SDF) troops to Afghanistan; and agreed to send SDF forces to Sudan later this year in support of UN peacekeeping efforts. Japan was also ready to send the SDF to China in response to the earthquake, but the Chinese side pulled back. (See the Japan-China section of this quarter's report for details.)

The wild card: North Korea policy

Much of the diplomacy between the two governments this quarter was dedicated to the Six-Party Talks on North Korea's nuclear programs. Assistant Secretary of State Christopher Hill, Under

Secretary of State for Political Affairs William Burns, Deputy Secretary of State John Negroponte, and Secretary of State Condoleezza Rice all visited Japan over the course of the quarter to engage in strategic dialogue on North Korea and reiterate concern about the fate of Japanese abductees. When North Korea finally delivered a declaration concerning its nuclear program on June 26, media coverage in Japan pointed largely to questions of U.S. credibility rather than a breakthrough in multilateral diplomacy. President Bush's decision to take steps toward removing North Korea from the list of state sponsors of terrorism and remove some sanctions under the spirit of "action for action" in the Six-Party Talks was viewed widely in Japan as a policy shift away from a commitment to Japan on the abductees in favor of a bad deal. The narrow focus on plutonium production and the exclusion of key factors including the number of nuclear weapons in North Korea's possession, details on the highly enriched uranium program, and information on proliferation activities were deemed worrisome in Japanese commentary on the decision.

The Japanese government's response was reserved, emphasizing the verification of North Korean claims and close coordination with the U.S. on the abduction issue. Japanese media editorials expressed a general sense of frustration with the deal ranging from factual to emotional; a *Nikkei Shimbun* editorial on June 27 declared a crisis that could possibly break the foundation of the U.S.-Japan alliance and also noted that without shared threat perception the bilateral security treaty is close to a scrap of paper. Secretary Rice tried to allay concerns by arguing repeatedly during her visit to Kyoto for the G8 foreign ministers meeting that the U.S. would reverse its decision if North Korean claims could not be verified, but it appeared President Bush would travel to Japan in July with his work cut out for him. Bush's press conference on the sanctions-lifting helped at least reassure the Japanese public of his strong personal commitment to standing with Japan on the abductee issue, particularly after his 2006 meeting in the Oval Office with the family of Megumi Yokota, the most famous of the innocent people taken by North Korea.

Looking toward elections

While various developments this quarter tested the two governments and raised public awareness of critical issues facing the alliance, persistent rumors of a snap election in Japan and an intensifying U.S. presidential election also focused attention on what might lie ahead. As noted above, Fukuda survived a barrage of attacks by the DPJ and vowed to stay in power beyond the G8 Summit in July. Talk of a snap election later this year has died down; a Cabinet reshuffle, perhaps with a new prime minister, might occur over the summer. It is equally likely that Fukuda will remain in office through next year to greet the new U.S. president. DPJ President Ozawa spoke frequently of the need for a more "equal" alliance, though the concept remained largely undefined.

A *Pew Global Attitudes* survey released in June found that 83 percent of the Japanese public was following the U.S. presidential campaign somewhat or very closely (compared to 82 percent of Americans!!). Sen. McCain and Sen. Joseph Lieberman articulated a vision for the U.S.-Japan alliance in a *Wall Street Journal* op-ed piece reprinted in the *Yomiuri Shimbun* on May 28 entitled, "Putting our Allies First." The article listed several priorities such as coordination on North Korea policy including the abduction issue, the North Korean ballistic missile program,

and its human rights record; continued engagement with China; support for free trade; and an alliance based on common values. The Obama campaign followed suit with an article by Richard Danzig and Joseph Nye entitled, “Barack Obama and U.S.-Japan Relations”, published in the *Asahi Shimbun* on June 28. This article also noted common values and interests and listed priorities including support for the reconstruction of Afghanistan; continued diplomacy with North Korea through the Six-Party Talks; cooperation in humanitarian relief efforts, climate change policy, and health issues such as avian flu; and bilateral and regional trade. Both candidates responded to the North Korean nuclear declaration with caution, citing the importance of verification and the need to re-impose sanctions should that process prove unsatisfactory.

The next three months

Prime Minister Fukuda will hope for a productive G8 Summit to bolster his leadership credentials, particularly in the area of climate change. The Bush-Fukuda meeting on the margins of the G8 Summit will prove important in light of Japanese concerns about North Korea policy and the potential for drift as the U.S. presidential campaign heats up in the coming months. Both governments will pay close attention to how China handles the Olympics in August. Acrimony in Japanese domestic politics should resurface in September as a special Diet session grapples with domestic policy and the fate of legislation authorizing Japan’s support for Operation Enduring Freedom. The Six-Party Talks will likely continue to top the diplomatic agenda for both governments.

Chronology of U.S.-Japan Relations April-June 2008

April 1, 2008: A new health insurance program for the elderly in Japan takes effect, requiring some senior citizens to pay higher premiums.

April 1, 2008: The Upper House of the Diet rejects a new bill covering host nation support for U.S. forces in Japan.

April 2, 2008: A *BBC World Service* poll, which surveyed over 17,000 people in 34 countries, indicates Japan is the second most positively viewed country behind Germany.

April 2, 2008: The U.S. Navy in Japan decides to impose a nighttime curfew in response to the alleged murder of a taxi driver by a U.S. sailor on March 19.

April 3, 2008: The Lower House of the Diet passes a new bill covering host nation support for U.S. forces in Japan.

April 3, 2008: The leaders of Japan’s three opposition parties meet separately with Chief Cabinet Secretary Machimura and Foreign Minister Komura to demand a revision of the Status of Forces Agreement with the United States.

April 3, 2008: U.S. Ambassador to Japan Thomas Schieffer and Rear Adm. James Kelly, commander of U.S. Naval Forces, Japan, apologize to the mayor of Yokosuka for a March 2008

incident in which a taxi driver was allegedly murdered by a U.S. serviceman. The suspect is arrested later in the day.

April 4, 2008: The Organization for Economic Cooperation and Development (OECD) reports that Japan ranks fifth in official development assistance.

April 8, 2008: A *Yomiuri Shimbun* poll reveals that 43.1 percent of the Japanese public is against revising the constitution, with 42.5 percent in favor.

April 8, 2008: U.S. Assistant Secretary of State Christopher Hill meets North Korean counterpart Kim Kye Gwan in Singapore to discuss the elements of an overdue declaration of the North's nuclear programs under the rubric of the Six-Party Talks.

April 9, 2008: Christopher Hill meets with his Japanese counterpart, Saiki Akitaka, in Beijing to explain the results of the April 8 meeting in Singapore.

April 9, 2008: Masaaki Shirakawa is appointed governor of the Bank of Japan after opposition parties rejected two other candidates put forth by the government.

April 9-10, 2008: Vice Minister for Foreign Affairs Yabunaka Mitoji meets Deputy Secretary of State John Negroponte, Deputy Secretary of Defense Gordon England, and other U.S. officials to discuss Tibet.

April 11, 2008: The Japanese government extends for six months economic sanctions first imposed on North Korea after it tested a nuclear weapon in 2006, citing the North's failure to produce a complete declaration of its nuclear programs and make progress on the abduction issue.

April 17, 2008: The Nagoya High Court rules that the dispatch of the Air Self-Defense Force (ASDF) to Iraq includes activities that violate Article 9 of the Constitution.

April 21, 2008: Prime Minister Fukuda Yasuo and South Korean President Lee Myung-bak hold a summit in Tokyo and agree to cooperate together with the U.S. on the North Korean nuclear issue, resume discussions on a bilateral Economic Partnership Agreement (EPA), and hold a trilateral meeting with China within this year.

April 21, 2008: A poll by *Asahi Shimbun* shows a 25 percent approval rating for the Fukuda Cabinet.

April 22, 2008: The Japanese government states in an annual report on the labor force that the working population will decrease by more than one-third by 2050, citing as causes a declining birth rate, an aging population, and a failure to increase the participation of women and the elderly in the work place.

April 23, 2008: Japanese government announces that backbone, which is one of the banned specified-risk materials (SRMs) said to increase the risk of BSE, or mad cow disease, was found in a beef shipment from the U.S.

April 24, 2008: U. S. government reveals North Korea's support for Syrian construction of a nuclear reactor.

April 25, 2008: New arrangement for host nation support is ruled out in an Upper House plenary session.

April 27, 2008: Democratic Party of Japan (DPJ) wins Lower House by-election in Yamaguchi Prefecture.

April 30, 2008: The U.S. Navy announces it will conduct background checks for the 20,000 U.S. Navy personnel stationed in Japan.

May 1, 2008: The Japanese government restores a gasoline tax of 25 yen per liter one month after previous legislation authorizing the tax had expired.

May 2, 2008: A group representing Japanese abductees meets with Christopher Hill in Washington to urge the U.S. not to delist North Korea until the abduction issue is resolved.

May 2, 2008: The Fukuda Cabinet's approval is 18 percent according to a *Mainichi Shimbun* poll.

May 4, 2008: The Japanese government releases a report stating that children's share of the general population was 13.5 percent, the lowest ever recorded.

May 5, 2008: A poll released by *Asahi Shimbun* shows that 66 percent of the Japanese public opposes the revision of Article 9 of the constitution, while 23 percent support it.

May 7, 2008: President Hu Jintao and PM Fukuda conclude the first Sino-Japanese summit in Japan in 10 years and issue a joint statement promoting a "mutually beneficial relationship based on common strategic interests."

May 9, 2008: Japan's Diet passes a bill that permits military use of outer space for defensive purposes.

May 16, 2008: A U.S. military court sentences a U.S. Marine to at least three years in prison for sexually abusing a 14-year-old Japanese girl, in a case that triggered mass protests in Okinawa.

May 19, 2008: Fukuda Cabinet's approval rating drops to 19 percent with a disapproval rating of 65 percent, according to a poll by *Asahi Shimbun*. Another poll issued by *Yomiuri Shimbun* indicates an approval rating of 26 percent.

May 19, 2008: The Japanese government announces that the Philippines requested the release of 200,000 tons of Japan's imported rice.

May 20, 2008: In a speech to the Foreign Press Club in Tokyo, U.S. Ambassador to Japan Thomas Schieffer calls on Japan to increase defense spending.

May 20, 2008: The U.S. Department of Agriculture announces a proposed rule to ban all non-ambulatory cattle from slaughter.

May 21, 2008: The Basic Law for Space Activities passes through the Upper House and becomes law.

May 22, 2008: In an interview published by *Asahi Shimbun*, Richard Lawless, former deputy under secretary of defense for Asia-Pacific affairs, expresses concern about drift in the U.S.-Japan alliance on the implementation of agreements concerning the relocation of Marine Corps Air Station Futenma on Okinawa and the transfer of U.S. Marines to Guam.

May 23, 2008: The Council on Economic and Fiscal Policy, an advisory panel, recommends an overhaul of the Government Pension Investment Fund to improve transparency and investment returns.

May 24, 2008: U.S. and Japanese officials meet in Washington and agree to the release of surplus rice imported from the U.S.

May 25, 2008: A poll by *Nikkei Shimbun* shows a 24 percent approval rating for the Fukuda Cabinet.

May 28, 2008: The *USS Kitty Hawk* aircraft carrier, stationed in Japan for nearly 10 years, departs Yokosuka to be decommissioned.

May 28-30, 2008: PM Fukuda hosts the Fourth Tokyo International Conference on African Development and pledges to double Japan's ODA to Africa by 2012; provide \$4 billion in loans for infrastructure development; and offer \$2.5 billion in support for an African investment facility managed by the Japan Bank for International Cooperation.

May 29, 2008: A Japanese medical team is dispatched to Burma to assist with cyclone relief efforts.

May 30, 2008: The Japanese government defers a decision on the dispatch of Self-Defense Forces to China and announces that civilian aircraft will be used to transport aid supplies for earthquake relief.

May 31, 2008: U.S. Defense Secretary Robert Gates, in an address at the Shangri-La dialogue in Singapore, states that the U.S. is a Pacific nation with an enduring role in Asia and that U.S. alliance relationships are the foundation of the U.S. security presence in the region.

May 31, 2008: Defense Minister Ishiba Shigeru, in an address at the Shangri-La Dialogue in Singapore, reaffirms the importance of the U.S.-Japan alliance and lists issues Japanese

parliamentarians should address in any future deliberations over a permanent law for the dispatch of the Self-Defense Forces and Japan's right to exercise collective self-defense.

June 1, 2008: PM Fukuda states that the dispatch of Ground Self-Defense Forces (GSDF) to Afghanistan is under consideration.

June 1, 2008: PM Fukuda departs for Europe for consultations with leaders of Germany, the UK, Italy and France.

June 1, 2008: In an interview in the *Financial Times*, Ozawa Ichiro, head of the Democratic Party of Japan (DPJ), expresses confidence in his party's ability to unseat the Liberal Democratic Party (LDP) and create a two-party system.

June 3, 2008: In an address to the United Nations Food and Agricultural Organization in Rome, PM Fukuda announces Japan's decision to release 300,000 tons of surplus rice.

June 6, 2008: The Upper House approves a bill to abolish by March 2009 the national health insurance system covering elderly 75 and over.

June 8, 2008: The LDP loses its majority in elections for the Okinawa Prefectural Assembly.

June 8, 2008: The U.S. Navy in Japan distributes the comic book "CVN 73", produced to allay public concerns about the impending arrival of the *USS George Washington*, a nuclear-powered aircraft carrier.

June 8, 2008: A team of Japanese government officials departs for Afghanistan to explore the possibility of dispatching SDF troops.

June 9, 2008: PM Fukuda announces initiative on climate change including emissions trading on a trial basis beginning fall 2008 and a pledge to cut Japan's greenhouse gas emissions 60-80 percent by 2050.

June 9, 2008: U.S. Under Secretary of State for Political Affairs William Burns and Deputy Minister for Foreign Affairs Sasae Kenichiro participate in a U.S.-Japan Strategic Dialogue in Tokyo. The two also participate in a U.S.-Japan-Australia Strategic Dialogue.

June 9, 2008: During a press conference, PM Fukuda dismisses calls for a snap election and vows to continue working on pressing policy issues.

June 11, 2008: The Upper House passes a censure motion against PM Fukuda, the first against a prime minister in postwar Japan.

June 11-12, 2008: Bilateral talks between Japan and DPRK are held in Beijing under the rubric of the Six-Party Talks.

June 12, 2008: Alexander Arvizu, deputy assistant secretary of state for East Asian and Pacific affairs, testifies on U.S.-Japan relations before the Subcommittee on Asia, the Pacific and the Global Environment of the House Foreign Affairs Committee.

June 12, 2008: PM Fukuda wins a confidence vote in the Lower House of the Diet.

June 12, 2008: PM Fukuda meets with Australian Prime Minister Kevin Rudd in Tokyo and the two governments issue a joint statement highlighting the security, strategic, and economic partnership between the two countries.

June 12, 2008: The government of Japan announces a plan to improve the health care system for the elderly and PM Fukuda apologizes to senior citizens for the confusion surrounding the new rules instituted on April 1.

June 13, 2008: Chief Cabinet Secretary Machimura Nobutaka announces that North Korea agreed to reopen an investigation into past abductions of Japanese citizens, and that Japan in turn agreed to a partial lifting of sanctions imposed after North Korea's nuclear test of 2006.

June 13, 2008: A poll by *Kyodo News* shows a 25 percent approval rating for Fukuda Cabinet.

June 13, 2008: Japanese Minister of Finance Nukaga and U.S. Secretary of Treasury Paulson meet in Osaka and agree to deal with the inflation caused by escalating food and oil prices.

June 14, 2008: An earthquake measuring 7.2 on the Richter scale inflicts heavy damage in Iwate and Miyagi Prefectures in northern Japan, leaving nine dead, eight missing and about 300 injured.

June 15, 2008: A poll released by *Asahi Shimbun* shows a 23 percent approval rating for the Fukuda Cabinet and a disapproval rating of 59 percent.

June 17, 2008: PM Fukuda states that an agreement at the G8 Summit regarding a medium-term greenhouse gas emissions target is unlikely. He also hints at an increase in the consumption tax.

June 17, 2008: *Mainichi Shimbun* poll shows public considers Fukuda a more favorable prime minister than Ozawa by 19 to 15 percent, while 57 percent says neither figure is favorable. When asked which party should win the next Lower House election, 46 percent supports the DPJ and 25 percent the LDP.

June 19, 2008: Christopher Hill confers in Tokyo with his Japanese counterpart Saiki Akitaka, director general of the Asian and Oceanian Affairs Bureau in the Ministry of Foreign Affairs, and South Korean chief nuclear negotiator Kim Sook regarding the Six-Party Talks.

June 23, 2008: PM Fukuda states that an increase in the consumption tax is unlikely in the near term.

June 23, 2008: At a ceremony marking the 63rd anniversary of the Battle of Okinawa, PM Fukuda pledges to reduce the burden of the U.S. troop presence on the residents of the island.

June 24, 2008: A government panel on national security submits to PM Fukuda a report recommending that the government reinterpret Article 9 of the constitution to allow Japan's self defense forces to exercise the right of collective self defense.

June 24, 2008: PM Fukuda says he welcomes the U.S. intention to take steps toward removing North Korea from the state sponsors of terrorism list if that will resolve the nuclear issue but also stresses the importance of the U.S. and Japan coordinating closely to resolve the abduction issue.

June 25, 2008: President Bush telephones PM Fukuda to discuss Six-Party Talks and the abductee issue.

June 26, 2008: North Korea submits a declaration concerning plutonium production pursuant to an October 2007 agreement in the Six-Party Talks.

June 26, 2008: President Bush announces U.S. steps to remove North Korea from a list of state sponsors of terrorism and remove some sanctions in response to North Korea's submission of the nuclear declaration.

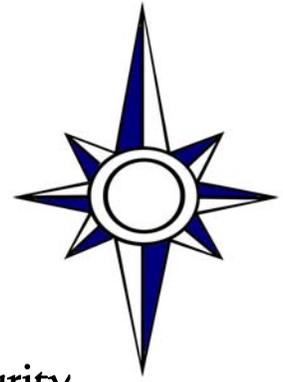
June 26, 2008: DPJ President Ozawa holds a press conference in Naha, Okinawa, and criticizes the U.S. actions on North Korea and the ruling LDP.

June 26-27, 2008: G8 foreign ministers convene in Kyoto, Japan, and issue separate joint statements on Zimbabwe and Afghanistan.

June 27, 2008: Foreign Minister Komura and U.S. Secretary of State Rice meet in Kyoto to discuss the way forward in the Six-Party Talks.

June 30, 2008: The Japanese government announces a decision to dispatch SDF personnel to Sudan as early as September to participate in UN peacekeeping operations.

June 30, 2008: The Fukuda Cabinet's approval rating rises to 26 percent with a disapproval rating of 63 percent, according to a poll by *Nikkei Shimbun*.



U.S.-China Relations:

Chock-full of Dialogue: SED, Human Rights and Security

Bonnie Glaser
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Major developments in Sino-U.S. relations took place on the economic, military, and political fronts this quarter. The fourth U.S.-China Strategic Economic Dialogue was held in Annapolis, Maryland, June 17-18, yielding a 10-year energy and environment cooperation framework. A telephone link was installed between the U.S. Department of Defense and China's Ministry of Defense and talks were launched on nuclear policy and strategy. The U.S. and China held a round of their bilateral dialogue on human rights after a hiatus of six years and vice-foreign minister level talks on security issues were held for the first time in four years. The U.S. provided assistance to China to ensure the security of the 2008 Olympic Games in Beijing. A massive 7.9 magnitude earthquake rocked China's southwestern Sichuan Province and the U.S., along with the rest of the international community, provided aid. Secretary of State Rice visited the quake-hit area and held talks in Beijing focused on North Korea.

The fourth U.S.-China Strategic Economic Dialogue

Treasury Secretary Henry Paulson and Chinese Vice Premier Wang Qishan co-chaired the fourth U.S.-China Strategic Economic Dialogue (SED) in Annapolis, Maryland June 17-18. Inaugurated in December 2006, the biannual meetings are the top high-level consultation mechanism on trade and economic issues between the U.S. and China. The fourth round focused on five key areas: managing financial and macroeconomic cycles, developing human capital, the benefits of trade and open markets, enhancing investment, and advancing joint opportunities for cooperation in energy and the environment. During the meetings, the parties exchanged views on the global economic and financial outlook, discussed the deepening of the bilateral trade relationship, and pledged cooperation on common energy and environmental concerns.

Commentators noted a "slight shift in power in China's favor" at the negotiation table as a result of the U.S. subprime crisis and depreciation of the dollar. In a new twist, the Chinese delegation reportedly criticized the U.S. for its contribution to global economic woes and advised the U.S. on the dangers of an open market. Special envoy for China and SED Ambassador Alan Holmer responded that Beijing should not use recent U.S. troubles as an excuse to block further access to its financial markets. At a separate briefing, he told reporters that "there would be significant costs to China if they were to slow down in their financial-sector liberalization." China also raised concerns about continued access to U.S. markets and Chinese investments in the U.S., and expressed hope for an easing of restrictions on high-technology exports to China.

Overall, U.S. and Chinese representatives publicly declared the SED a success, emphasizing positive outcomes in energy and environmental cooperation and bilateral investment. Following the discussions, Paulson and Wang signed a 10-year energy and environment cooperation framework focusing on the key areas of power generation, transportation, greenhouse gases, water and air pollution, and conservation of wetlands and forest resources. Paulson anticipated that the agreement would involve U.S. and China businesses, academics, and research institutes sharing knowledge and commercialization of alternative energy and environmental technologies.

The agreement to work toward a bilateral investment treaty (BIT) aims to facilitate foreign direct investment and reduce economic barriers. This was positively received by U.S. companies as it would increase access to Chinese markets and ensure greater security for investments. Chinese companies also welcomed the prospect of easing the challenges faced by Chinese companies in securing business licenses to operate in the U.S. It is expected to require at least a year before negotiations on a BIT can be completed, thus placing it out of the term of the current administration. The new Congress could block the treaty's ratification as several members have already expressed reservations about it.

Despite progress in areas of energy and environmental protection, uncertainties over the future of the SED following the elections may have prevented the talks from reaching their full potential in the other key areas. Some speculate that China is holding off serious discussions until after the November elections. Nevertheless, the Chinese media emphasized the success that the SED has had in building mutual confidence. *Xinhua* reported Vice Premier Wang Qishan at the opening ceremony saying that holding the SED at a time when both countries are facing many challenges has "especially important significance" for promoting "strategic mutual trust" between the two countries. This was echoed in a Chinese editorial in Hong Kong's *Ta Kung Pao Online*, which considered "consolidating the foundation for long-term cooperation" as the major achievement of the discussions.

Beijing is clearly eager for the SED to survive the change in U.S. administrations. *Xinhua* declared that the SED is of "important significance to the whole world" and will have a positive impact on "world economic growth" and "global stability and security." At the opening ceremony, Wang Qishan maintained that "no matter what," it is "necessary" for China and the U.S. to "continue to make good use of this "important platform."

The meetings have produced significant cooperation in the last two years, notably in areas of intellectual property rights (IPR) and food safety. During the second SED, the U.S. and China signed an agreement on enforcement of IPR laws. China has recently established an Outline of National Intellectual Property Rights, acceded to international conventions, and implemented domestic enforcement and protection mechanisms as well as punitive measures against violators. Food safety issues were raised at the third SED following public concerns and recalls of consumer products in the U.S. Recently, it was announced that the two countries will exchange food and drug inspectors by the end of the year, and the first China-U.S. food safety testing facility has begun operations in Guangdong Province. Other achievements have included the gradual opening of Chinese financial markets, technical assistance with the Chinese sulfur dioxide emissions trading scheme, and an aviation agreement on increasing direct flights between the two countries. Although it is difficult to assess whether the outcomes would have

been achieved without the process, the SED has played a significant role in facilitating and expediting discussions and results.

Critics of the SED have pointed to the unresolved issue of Chinese currency valuation and the expanding trade imbalance as indicative of its shortcomings. At the past three SED meetings, Paulson has encouraged China to increase the value of the *yuan* against the dollar. From the Chinese perspective, “fruitful” progress has been made regarding the exchange rates and trade deficits. Since 2006, the *yuan* has gained 20 percent against the dollar and growth in the trade gap has narrowed as U.S. exports to China have grown faster than Chinese exports to the U.S. Chinese commentators oppose accelerating the *yuan*’s appreciation, claiming that this would slow domestic GDP growth and undermine the U.S.’s strong dollar policy. As was evident at the conclusion of four SED meetings, the countries remain “far apart” on this contentious issue.

Another criticism of the SED is the lack of tangible achievements as the two sides often agree to disagree on issues of conflict and end up “listening politely but ultimately going their own ways,” as noted by *Forbes* magazine. However, Secretary Paulson has consistently argued that the purpose of the dialogue is not necessarily to negotiate specific issues, but rather to engage in discussions of broad topics. Paulson has maintained that the SED is valuable even if it achieves marginal progress and that sustaining the dialogue is an important accomplishment in itself.

An issue that the parties do agree on is the value of the SED in bolstering the overall bilateral relationship. Charles Freeman, a former U.S. trade negotiator, graded the SED at a “solid B” but nonetheless commented on the necessity of “senior-to-senior” economic dialogue as “you can’t litigate your problems with China, and you can’t ignore China.” Therefore, the SED provides “a platform for both sides to increase mutual trust, dispel misgivings, conduct negotiations and consultations, and pragmatically resolve conflicts and disputes in the economic and trade fields” as described by Hong Kong’s *Wen Wei Po* newspaper. The SED also serves as a constructive forum for the discussion of “emerging hot issues of mutual concern” such as energy and the environment.

Officials from both sides are urging that the new U.S. administration continue the dialogue. Those involved in the SED on the U.S. side contend that the dialogue has produced enough progress to merit continuation while PRC officials’ statements and media commentary focus on the value of the dialogue to long term bilateral ties. The above-cited article in *Wen Wei Po* urged U.S. policymakers to “earnestly protect and promote this effective communication and exchange mechanism so that it will contribute to the stability of bilateral relations as well as regional and international stability and prosperity.” Beijing’s support for the SED is also evident in its cooperation and action following the negotiations. The signing of a 10-year energy and environment framework is indicative of a long-term commitment both to the dialogue process and to the future of U.S.-China cooperation. The successes from the fourth SED demonstrate the flexibility of the process to address matters outside traditional trade issues. This lays the foundation for a persuasive case for the continuation of the SED.

Developments in military-to-military ties

The quarter opened with a visit by Marine Corps Commandant Gen. James Conway to China's South Sea Fleet in Guangdong province. Highlights of the visit included going aboard a Chinese amphibious ship that was built in 2004, a recently constructed missile destroyer, and China's version of the expeditionary fighting vehicle (EFV). Conway told *Newsweek* that he was "really encouraged because they were fairly open . . . I got to see some things that had just not been divulged before."

In discussions with Guangzhou Regional Commander Lt. Gen. Zhang Qinsheng, Conway proposed closer cooperation in disaster relief, including exercises that provide opportunities to share techniques and procedures. In the interview with *Newsweek*, Conway maintained that it is "fitting" that China has a "substantial" military, but also expressed concerns about China's unwillingness to be more transparent about its long-term strategy. Conway's host, PLA Navy Commander Vice Adm. Wu Shengli, was invited to visit the U.S. at a mutually convenient time.

In early April, the defense telephone link (DTL) between the U.S. Department of Defense and Chinese Ministry of Defense became operational and was inaugurated by a phone call placed by Secretary of Defense Robert Gates to Defense Minister Liang Guanglie on April 10. The call, which lasted about 30 minutes, focused mostly on Taiwan. Gates urged China to work with Taiwan's newly elected President Ma Ying-jeou. Liang called for an end to U.S. arms sales and military ties with Taiwan, according to Xinhua. Both Gates and Liang lauded the creation of the communication link. Gates described the hotline as an "important step forward in enhancing communications between our ministries," and Liang said the direct telephone link was "an important step that served both countries' long-term strategic interests." The hotline was first proposed in Feb. 2004 by Douglas Feith, then undersecretary of defense for policy. A formal agreement was not signed until four years later, on Feb. 29.

The link was used again less than two weeks later by Gen. Conway who phoned Adm. Wu Shengli to express his gratitude for the hospitality during his visit to China. According to the *PLA Daily*, Conway expressed his hope that the contacts between the U.S. Marine Corps and its Chinese counterpart will be further strengthened and will contribute to better mutual understanding and trust between the two armed forces. Wu said China was "ready to join hands with the U.S. side in the effort of further building up the mutual confidence, enhancing cooperation, and promoting the healthy and steady development" of the two militaries.

A professor at China's National Defense University, writing in the PRC-owned Hong Kong newspaper *Wen Wei Po*, pointedly distinguished the defense hotline from the hotlines between the U.S. and Japan and the U.S. and Taiwan. The main purpose of the Sino-U.S. hotline is to "increase trust and dispel doubt" to reduce risks, resolve crises, and prevent incidents, the professor wrote. By contrast, he said the hotlines that the U.S. has with Japan and Taiwan are intended to "convey information and intelligence" to enable "actions in complete coordination."

Two years after Presidents Bush and Hu Jintao agreed to launch a dialogue between their militaries on nuclear matters, talks on nuclear policy and strategy got underway at the Pentagon in April. China's delegation was headed by Maj. Gen. Huang Xing, director general of research

at the Academy of Military Sciences and included officers from the PLA Second Artillery, which is in charge of China's nuclear and conventional missile forces. The U.S. side was led by Brian Green, deputy assistant secretary of defense for strategic capabilities. The two delegations exchanged views on the international security environment and their respective nuclear strategies and doctrines. At the close of the talks, the two sides agreed in principle to hold the next round in Beijing, but no date has been set.

The Shangri-La Dialogue, an annual meeting of defense ministers from the Asia-Pacific region, was held in Singapore May 30-June 1. Secretary of Defense Gates outlined U.S. strategy toward Asia. He described the U.S. as a "resident power" in the region that will continue to base its approach to Asia on the "time-tested principles" of strategic access, freedom of commerce and navigation, and freedom from domination by any hegemonic force or coalition. Gates also underscored U.S. support for strategic dialogue and multilateral arrangements. His criticism of China was muted; Gates opted instead to point to China's "valued cooperation" in tempering North Korea's ambitions and noted that the U.S. and China had begun a series of dialogues on strategic issues "to help us understand one another better, and to avoid possible misunderstanding."

PLA Deputy Chief of Staff Ma Xiaotian also delivered a speech that emphasized China's commitment to adhere to a path of peaceful development while preserving the country's territorial integrity and protecting its maritime interests. Alluding to recent protests in Tibet, Ma raised concerns about "ethnic and religious disputes" which, he said, have led to regional tension and confrontation. In addition, Ma cited "three forces" as posing severe threats: the expansion of military alliances, the development and expansion of missile defense systems, and space weaponization. Gates and Gen. Ma had an opportunity to exchange views on security issues in a meeting on the sidelines of the meeting.

Several port calls during the quarter involved U.S. ship visits to Chinese ports. In early April, the *USS Nimitz* arrived in Hong Kong, marking the first aircraft carrier to make a port call there since the Chinese denied access to the *USS Kitty Hawk* in November 2007. A few days later, the U.S. Navy destroyer *USS Lassen*, with a crew of 382, began a four-day port call in Shanghai. On June 19, the aircraft carrier *USS Ronald Reagan* made its third port call in Hong Kong in two years.

Human rights dialogue resumes

After a hiatus of six years, the U.S. and China held a round of their bilateral dialogue on human rights from May 24 to 28. This was the 14th round of the dialogue since it was launched in 1990. The 13th round was held in Beijing in 2002. The dialogue was formally suspended by Beijing in 2004 when the U.S. introduced a motion condemning China's human rights practices at the 60th session of the UN Commission on Human Rights. David Kramer, assistant secretary of state for democracy, human rights and labor, and Wu Hailong, director general of the department for international organizations and conferences of the Chinese foreign ministry, headed the U.S. and Chinese delegations respectively. During the five-day dialogue, the two sides briefed each other on the progress they have achieved in the human rights field, and held extensive and in-depth

discussions on such issues as freedom of speech, religious freedom, anti-racial discrimination, and United Nations human rights cooperation.

Kramer characterized the talks as “constructive and positive.” He said that the Bush administration did not seek to hold another round of the human rights dialogue after 2002 “because we were concerned it was becoming dialogue for the sake of dialogue and not producing the results that both sides expected to see.” Foreign Minister Yang Jiechi and Secretary of State Condoleezza Rice agreed to resume the dialogue during Rice’s visit to Beijing in February. In what was likely a precondition for the resumption of the talks, the U.S. removed China from its list of top human rights abusers two weeks after Rice’s trip. Kramer indicated that the Bush administration sought to resume the talks because after substantial changes in the past six years, the basis might now exist for tangible progress to be made. *Xinhua* reported that the dialogue was “candid, open, and constructive; that it helped enhance mutual understanding and reduce differences; and that it was conducive to promoting the sustained, healthy, and stable development of Sino-U.S. ties.”

Kramer said he raised U.S. concerns on a number of human rights issues during the talks, including imprisonment of dissidents and journalists, restrictions on religious activities, and suppression of nationalist activists in Tibet and Xinjiang. He also voiced satisfaction at Beijing’s willingness to hold talks with the representatives of the Dalai Lama. Kramer told the press that the Olympic Games present a good opportunity for China to show progress on human rights.

China’s foreign ministry spokesman noted that Wu Hailong emphasized the “principle of equality and mutual respect” in conducting the human rights dialogue and called for differences to be dealt with constructively, rather than through the application of “double standards,” “staging confrontation,” or “interfering with other countries’ internal affairs under the pretext of human rights.”

The U.S. delegation met separately with Foreign Minister Yang and Assistant Minister Liu Jieyi. They also visited the United Front Work Department of the CCP Central Committee, the Ministry of Justice, the Bureau of Religious Affairs, the State Nationalities Affairs Commission, the State Council Information Office, and the China National Center for Tibetan Studies. The delegation also had informal discussions with the faculty members and students of the Foreign Affairs University. Another round of the talks is scheduled to be held before the end of the year.

Security talks recommence

Another official dialogue mechanism was restored this quarter when John Rood, acting undersecretary for arms control and international security at the U.S. Department of State, led a delegation to Beijing for talks on strategic security, non-proliferation, arms control, and international and regional security issues. Assistant Minister He Yafei headed the Chinese delegation. The vice ministerial-level talks, newly dubbed the U.S.-China Security Dialogue, were last held in February 2004. Both sides included diplomatic and military representatives.

On some topics the U.S. and China found common ground, such as how to expand cooperation in countering the threat of nuclear proliferation. However, there was discordance on other

issues. The U.S. pressed China to be more transparent about its nuclear weapons modernization and its space plans, but was not satisfied with China's responses. "China clearly has large-scale efforts in the nuclear area. This is something that we've sought a greater dialogue with our Chinese colleagues about," Rood told a news conference. The U.S. reiterated concerns about the anti-satellite test China conducted in January 2007 when it used a missile to destroy a defunct weather satellite. The Chinese raised its concerns about the U.S. military buildup at Guam and U.S. cooperation with its Asian allies to deploy missile defense systems in the region. "We think our missile defense cooperation with Japan is not threatening to China. This is a purely defensive capability," Rood told the press, and presumably the Chinese.

After the one-day U.S.-China Security Dialogue, which was held somewhat unseemly on June 4 – the anniversary of the 1989 massacre at Tiananmen Square – Rood held separate meetings with Foreign Minister Yang and Deputy Chief of Staff of the PLA Ma Xiaotian. *Xinhua* quoted Yang as telling Rood that "China and the United States have increasing mutual benefit and a sphere of cooperation on issues such as international security, arms control, and non-proliferation." He added that consultations on security issues are "conducive to enhancing mutual trust and cooperation" and to improving "the sound and stable development of the China-U.S. constructive and cooperative partnership."

The Wenchuan earthquake and the U.S. response

A massive 7.9 magnitude earthquake rocked China's southwestern Sichuan Province and neighboring regions in mid-afternoon on May 12. The epicenter of the quake was in Wenchuan County, 159 km. northwest of Chengdu, the Provincial capital. As of June 29, the death toll had risen to 69,185 with 374,177 injured and 18,404 people reported still missing. The number of quake survivors that were rescued was approximately 1.43 million. Hospitals had treated 96,362 individuals, of whom 85,211 had been discharged. An estimated 5 million people were left homeless and approximately 15 million people were displaced.

A steady stream of relief supplies poured into the quake zone, including about 1.5 million tents, 4.9 million quilts, 14.1 million garments, 1.5 million tons of fuel oil, and 2.6 million tons of coal. Relief workers built 215,600 temporary houses and were installing an additional 42,100 houses. The government disaster relief fund reached 54.22 billion *yuan* (\$7.75 billion). Of the 49.55 billion *yuan* from the central budget, 19.6 billion *yuan* was allocated for disaster relief and 30 billion *yuan* for reconstruction. Domestic and foreign donations reached 55 billion *yuan* in cash and goods, with 19.6 billion *yuan* forwarded so far to the quake-hit areas.

The day after the quake, President Bush phoned President Hu Jintao to express his condolences to the victims. A week later Bush and his wife Laura visited the Chinese Embassy in Washington DC to pay their respect to the victims. The president told Chinese Ambassador Zhou Wenzhong that "Our country stands ready to assist in any manner that China deems helpful." Laura wrote in the book of condolence, "And with love and sympathy to the people of China from the people of the United States."

On May 16, Treasury Secretary Henry Paulson talked by phone to Chinese Vice Premier Wang Qishan, describing the Chinese government's quick response to the quake as "very impressive."

Paulson offered U.S. assistance for material relief and post-disaster reconstruction. A day later, Secretary Rice also expressed U.S. readiness to provide additional relief support in a phone call to Foreign Minister Yang Jiechi. Ma Xiaotian, deputy chief of the General Staff of the PLA, and Timothy Keating, commander of U.S. Pacific Command (USPACOM), also spoke by phone about quake relief strategies. The State Department announced that in response to a request from China, the U.S. National Geospatial-Intelligence Agency was providing satellite imagery to China to aid earthquake damage assessments.

Two days after the earthquake, the U.S. pledged initial aid of \$500,000. On May 18, two U.S. Air Force *C-17 Globemaster* cargo planes delivered relief supplies to Chengdu. The cargo included food, blankets, electrical generators, and hand tools from U.S. disaster relief stocks in Hawaii and Guam as well as 15,000 ready-to-eat meals, 655 tents, and 2,592 lanterns. A nine-person USAID team of specialists was also dispatched to train local rescue workers on the use of specialized search, rescue, and recovery equipment. On May 29, the U.S. airlifted 153 medium-sized tents, valued at nearly \$940,000 including transport to Chengdu. DOD assistance to date totals more than \$2.2 million.

In a June 6 meeting at the American Red Cross, attended by President Bush, Secretary Rice, and Secretary Paulson, USAID Administrator Henrietta H. Fore noted that the U.S. private sector has provided more than \$102 million in cash and in-kind contributions to Chinese response efforts. In his remarks, President Bush praised the Chinese government's firm response to the earthquake and conveyed the deep concern of the American people for the people of China.

Cooperation on Olympic security

As the 29th Olympic Games draw near, China is partnering with foreign governments to ensure the highest possible security for the visiting dignitaries, the athletes, and the spectators. U.S. federal agencies working with Chinese officials include the Departments of State and Energy. The Energy Department's National Nuclear Security Administration provided radiological detection equipment and training to Chinese customs and other agents to detect nuclear material or radiological bombs. Similar knowledge sharing is taking place between other U.S. agencies and their Chinese counterparts, drawing on extensive experience in major event security from past Olympics in the U.S., most recently in the Salt Lake City Winter Games of 2002, and abroad, such as the 2004 Athens Olympics.

The FBI, Secret Service, and other U.S. security agencies are working with China's Public Security Ministry and elements of the People's Liberation Army to help them respond to any terrorist attack at the Olympics. This includes assisting China to develop sensitive counterterrorism coordination techniques, such as creating joint security operations and intelligence centers, according to *The Washington Times*. In addition, export-controlled equipment has been licensed for sale to China for the Olympics including explosives-detection equipment, X-ray scanners, building access control systems, radiation detection gear, and fire and rescue equipment, *The Times* reported.

Homeland Security spokesman Russ Knocke said that while security will primarily be handled by Chinese authorities, the department will provide specialists from several agencies. The U.S. Secret Service will provide protection for dignitaries; the Transportation Security Administration will help the Chinese coordinate with local authorities and airlines for Federal Air Marshals

coverage on various flights; U.S. Customs and Border Protection and U.S. Immigration and Customs Enforcement attachés will have a presence; and the U.S. Coast Guard will have a liaison officer in Beijing to provide assistance and expertise if requested by local authorities.

Patrick Donovan, acting director of the State Department's Diplomatic Security Service, said, "As host nation to the 2008 Olympic Games, Chinese authorities will have ultimate responsibility for security during the Games themselves." "That said," he added, "ensuring a safe and secure Olympics [is] in everyone's interest, and the United States stands ready to offer our support as needed."

Rice visits earthquake zone and Beijing

After attending the G8 ministerial in Kyoto and stopping in Seoul for consultations, Secretary Rice traveled to Sichuan on June 29 to observe the earthquake devastation and China's relief efforts before proceeding to Beijing for meetings. In her four-hour tour of the earthquake-hit areas, Rice visited the debris of the Tengda sports club in Dujianyan, one of the cities that was hit worst by the quake. She also visited a temporary shelter housing 8,000 people displaced by the earthquake. Rice offered the deep condolences of the American people. She contrasted the willingness of the Chinese government to accept the help of the international community and the uncooperative response of the Burmese authorities to offers by many nations to provide aid after Cyclone *Nargis* left more than 130,000 people dead or missing.

In Beijing, Secretary Rice met counterpart Foreign Minister Yang Jiechi, as well as President Hu Jintao, Prime Minister Wen Jiabao, and State Councilor Dai Bingguo. Topics discussed included North Korea, Tibet, Burma, Iran, Zimbabwe, the upcoming meeting between Presidents Hu and Bush on the margins of the G8 summit, and human rights. Although the Chinese shared Rice's concern about the situation in Zimbabwe following the rigged re-election of President Robert Mugabe, Yang Jiechi maintained that the African countries should assume the lead in resolving the crisis, rather than the UN Security Council.

Rice lauded Beijing's decision to hold another round of talks with the Dalai Lama's envoys and expressed her hope for "positive developments and some momentum behind the talks." She also discussed Chinese restrictions on internet use and raised U.S. concerns about several dissidents who have been jailed. In a joint press conference with Foreign Minister Yang, Rice was upbeat about the overall bilateral relationship. Although the U.S. and China hold different views on some issues, she said, "those differences have not obscured a very important fact . . . that the United States and China simply must work together if we are going to resolve the many challenges that we face in the international community. . ."

Looking ahead

Next quarter Presidents Bush and Hu Jintao will meet on the sidelines of the G8 meeting in Hokkaido, July 7-9. On Aug. 8, at 8 minutes after 8 PM, President Bush will be present for the commencement of the opening ceremonies of the 29th Olympic Games in Beijing. While in Beijing, President Bush will also be opening the new U.S. Embassy. The two U.S. and Chinese presidents will meet one last time before President Bush leaves office when the two leaders attend the APEC summit in Lima, Peru in November. Military exchanges will continue apace

with planned visits to the U.S. by Lt. Gen. Zhang Qingsheng, commander of the Guangzhou Military Region, and Lt. Gen. Xu Caihou, vice chairman of the Central Military Commission.

Now that the presidential candidates of the Republican and Democratic parties have been decided, Beijing will closely observe the election campaign and assess the implications for U.S.-China relations of a McCain vs. an Obama presidency. Generally speaking, Beijing is confident that whoever is elected the next U.S. president will attach special importance to U.S.-China ties and seek to have a cooperative bilateral relationship. Nevertheless, there is some angst about whether the close rapport and the high level of credibility that existed between Hu and Bush can be established under a new U.S. president.

For China, the exceptional personal relationship between Hu and Bush has been especially important in managing the challenge of Taiwan independence. Even though Chen Shui-bian has left power and his successor Ma Ying-jeou has embarked on a policy of easing cross-Strait tensions, the Chinese worry about the U.S. factor in Mainland-Taiwan relations and hope to continue to coordinate with Washington on this sensitive issue. There is also concern about the possibility of U.S. trade policy taking a more protectionist tack under a Democrat.

Chronology of U.S.-China Relations April-June 2008*

April 1, 2008: The Olympic Torch relay begins its four-month journey around the world.

April 1-2, 2008: U.S. Marine Corps Commander Gen. James Conway visits the South China Sea Fleet in Zhanjiang, Guangdong province.

April 2-3, 2008: Treasury Secretary Henry Paulson visits China in preparation for the Strategic Economic Dialogue in June. Paulson meets Vice Premier Wang Qishan, Premier Wen Jiabao, and President Hu Jintao.

April 4, 2008: The *USS Nimitz* arrives in Hong Kong, the first aircraft carrier to make a port call in Chinese territory since the *USS Kitty Hawk* incident in November of 2007.

April 8, 2008: The Navy destroyer *USS Lassen*, with crew of 382, arrives in Shanghai for a four-day port call.

April 8, 2008: The White House reaffirms Bush's attendance at the Beijing Olympics in response to calls within the U.S. to boycott the event.

April 9, 2008: The Olympic torch arrives at its only U.S. destination, San Francisco, and is met by hundreds of peaceful protesters.

* Chronology by CSIS interns Arthur Kaneko and Tiffany Ma

April 10, 2008: The International Monetary Fund calculates that China's quarterly trade surplus declined for the first time in three years. The *yuan* rises past seven *yuan* to the dollar for the first time after the semi-float.

April 10, 2008: Chinese Defense Minister Liang Guanglie holds a phone conversation with U.S. Secretary of Defense Robert Gates. The call marks the establishment of a hotline between the heads of the two defense ministries.

April 11, 2008: The Chinese Foreign Ministry calls the U.S. House of Representatives resolution concerning Tibet "a rude interference into China's internal affairs" that "seriously hurt the feelings of the Chinese people."

April 14, 2008: Sally Collins, U.S. Forest Service associate chief, visits the Chinese State Forestry Administration and praises the joint Forest Health Pilot Project that helps preserve China's forest resources with the help of the U.S.

April 15, 2008: The Food and Drug Administration announces that it will open an office in China in May to more aggressively monitor and regulate products exported to the U.S.

April 16, 2008: A study released by the University of California shows that China surpassed the U.S. as the largest emitter of greenhouse gas in 2006.

April 16, 2008: Foreign Minister Yang Jiechi and Secretary of State Condoleezza Rice hold a telephone conversation on bilateral relations.

April 16, 2008: The political directors from Foreign Ministries of China, the U.S., Germany, Russia, Britain, France, and directors of the European Council on Foreign Relations meet in Shanghai to discuss a plan for restarting talks on the Iranian nuclear issue.

April 21, 2008: U.S. officials express concern over the alleged toxicity of the drug Herapin manufactured in China.

April 21, 2008: Undersecretary of State Paula Dobriansky meets the Dalai Lama in Michigan.

April 21-22, 2008: The U.S. and China initiate talks on nuclear policy and strategy. China sends a delegation to the Pentagon that includes military researchers from the PLA Academy of Military Sciences and Second Artillery officers.

April 22, 2008: Chinese officials criticize the meeting between Undersecretary Dobriansky and the Dalai Lama.

April 22, 2008: Adm. Wu Shengli, a member of the Central Military Commission and commander of the PLA Navy, holds a phone conversation with U.S. Marine Corps commander Gen. James Conway on the newly established defense hotline.

April 24, 2008: The Department of State urges China to halt arms shipments to Zimbabwe.

April 24, 2008: A report released by the Ministry of Information Industry says that China now has more internet users than the U.S.

April 25, 2008: The U.S. welcomes an announcement by the Chinese government that it will meet with the private representatives of the Dalai Lama.

April 26, 2008: The U.S. Trade Representative's office releases a report naming China and Russia as the top offenders of international copyright laws.

April 28, 2008: The *USS Kitty Hawk* makes a final port call in Hong Kong before its planned decommissioning later this year.

April 30, 2008: The FDA suggests during a House subcommittee hearing that Heparin exported from China may have been contaminated deliberately.

May 1, 2008: 54 U.S. Congressmen write to President Hu Jintao asking China to stop repatriating North Korean refugees.

May 6, 2008: The Chinese Foreign Ministry objects to a report by the U.S. Commission on International Religious Freedom that criticized China's lack of religious freedom.

May 8, 2008: U.S. Commerce Department announces it will impose anti-dumping duties on Chinese paper used to print receipts. It also requests that China adopt international technological standards.

May 8, 2008: In an interview with *Voice of America*, USPACOM Commander Adm. Timothy Keating urges China to relinquish "high-end military options" such as the submarine base in Hainan in favor of cooperation with the U.S.

May 10, 2008: The Steering Committee of the United States-China Collaborative Program on Emerging and Re-Emerging Infectious Diseases holds its annual meeting.

May 11, 2008: Deputy Secretary of State John Negroponte meets Politburo Standing Committee member Xi Jinping, PLA Deputy Chief of the General Staff Ma Xiaotian, Foreign Minister Yang Jiechi and other MFA officials during a one-day visit to Beijing to discuss North Korea and the possibility of establishing a Northeast Asia peace and security mechanism.

May 12, 2008: Adm. Keating says Chinese submarine base in Hainan is worrisome for the U.S.

May 12-19, 2008: Health and Human Services Secretary Michael Leavitt visits China to discuss export product safety, contagious diseases, and preparations for the Olympics.

May 12, 2008: A massive earthquake strikes Wenchuan country in Sichuan Province.

May 13, 2008: President Bush extends his condolences to the victims of the Sichuan earthquake to President Hu Jintao during a phone call.

May 14, 2008: The U.S. pledges initial aid of \$500,000 in response to the Sichuan earthquake.

May 14-15, 2008: Commerce Secretary Carlos M. Gutierrez travels to Beijing to hold high-level bilateral trade talks.

May 15, 2008: Deputy Secretary Negroponte calls China's military build-up "unnecessary and counterproductive" during a Senate Foreign Relations Committee hearing.

May 16, 2008: The State Department announces that the U.S. provided satellite imagery to China to help with earthquake relief.

May 17, 2008: Secretary of State Rice has a phone conversation with Chinese counterpart Yang Jiechi about the Sichuan earthquake.

May 18, 2008: Ma Xiaotian, deputy chief of the General Staff of the PLA, and Adm. Keating speak on the phone about quake relief strategies.

May 18, 2008: U.S. Air Force *C-17* cargo planes deliver relief supplies to Chengdu.

May 19, 2008: The Senate passes a resolution extending condolences to quake victims in China.

May 20, 2008: President Bush and his wife Laura visit the Chinese Embassy to express condolences to the Sichuan Quake victims.

May 20, 2008: House of Representatives passes resolution supporting relief efforts in Sichuan.

May 20, 2008: Army Brig. Gen. Jeffrey Horne of the U.S. Strategic Command speaks to the U.S.-China Economic and Security Review Commission about China's cyber and space threat. Patricia McNerney, principal deputy assistant secretary, international security and nonproliferation, delivers a statement on China's nonproliferation practices.

May 22, 2008: U.S. aid valued at \$815,000 arrives in Chengdu.

May 24, 2008: President Hu Jintao and Russian President Dmitry Medvedev voice objections to U.S. plans to establish missile defense systems in Eastern Europe.

May 24-28, 2008: For the first time since 2002, China and the U.S. hold a session of the human rights dialogue.

May 27, 2008: Representatives from China and the U.S. meet in Beijing with Six-Party Talks counterparts to restart negotiations.

May 28, 2008: A Chinese woman pleads guilty on a spying case involving former analyst Gregg Bergersen stealing arms export secrets from the Department of Defense.

May 31, 2008: Secretary Gates and Deputy Chief of the PLA General Staff Lt. Gen. Ma Xiaotian speak at separate plenary sessions of the 2008 Shangri-La Dialogue in Singapore.

June 2, 2008: China criticizes the Department of State's recent assessment of its democracy and human rights record as "unreasonable" and claims it overlooks China's achievements.

June 4, 2008: In a congressional hearing on China's relations with Africa, Deputy Assistant Secretary of State for East Asian and Pacific Affairs Thomas Christensen urges China to allow Taiwan a "full role" in international organizations.

June 4, 2008: Acting Under Secretary for Arms Control and International Security John Rood visits Beijing to hold the U.S.-China Security Talks with Assistant Minister He Yafei.

June 5, 2008: Defense Minister Liang Guanglie meets U.S. Foreign Policy Council delegation in Beijing. Liang thanks the U.S. for aid following the earthquake and declares it a sign of "friendship" between China and U.S. militaries.

June 5, 2008: The Department of Commerce signs an agreement with China to allow greater numbers of Chinese travelers to the U.S. commencing mid-June.

June 6, 2008: President Bush, Secretary Rice, Secretary Paulson, China's Ambassador to the U.S. Zhou Wenzhong, and 30 leaders from the U.S. business community and the nongovernmental sector attend an American Red Cross meeting to discuss China earthquake relief efforts.

June 9, 2008: China's Ambassador to the World Trade Organization Sun Zhenyu urges the U.S. to reduce farm subsidies to end the deadlock at the Doha Round trade negotiations. The ambassador also says that U.S. protectionism may threaten the multilateral trading system.

June 11, 2008: U.S. Rep. Christopher H. Smith accuses Chinese hackers of accessing Congress computers in search of information on Chinese dissidents. An alleged victim, Rep. Frank R. Wolf said that an FBI inquiry confirmed the cyber intrusions.

June 11, 2008: Secretary Paulson praises the positive economic relationship between China and the U.S. in a speech at the Carnegie Endowment in Washington D.C.

June 16, 2008: Greg Schulte, U.S. ambassador to the International Atomic Energy Agency, arrives in Beijing for talks on Iran's nuclear program.

June 17, 2008: Chinese and U.S. companies announce business deals valued at \$14 billion, ahead of the upcoming Strategic Economic Dialogue. This includes \$6 billion of U.S. and \$8 billion of Chinese investments and purchases.

June 17, 2008: The fourth round of the U.S.–China SED commences in Annapolis, Maryland. The meeting is co-chaired by Vice Premier Wang Qishan and Secretary Paulson.

June 17, 2008: U.S. delays banking licenses for two Chinese banks over concerns that their largest shareholder is controlled by China’s sovereign wealth fund.

June 17, 2008: The first group of 250 Chinese tourists arrives in the U.S. under the auspices of a memorandum to facilitate travel from China to the U.S.

June 18, 2008: The first China-U.S. food safety testing facility begins operation in Zhuhai, Guangdong province. The center will adhere to standards acceptable to both the U.S. FDA and the Chinese authorities for subsidiary agricultural products.

June 19, 2008: President Bush meets Vice Premier Wang Qishan in the White House and commends the outcome of the fourth SED.

June 19, 2008: Vice Premier Wang Qishan meets with prominent senators and representatives in Washington D.C. to discuss the U.S.–China bilateral relationship.

June 19, 2008: Aircraft carrier *USS Ronald Reagan* makes port call in Hong Kong; its third in two years.

June 19, 2008: Speaking to U.S. business and financial leaders in New York, Vice Premier Wang Qishan praises “constructive” and “cooperative” ties with the U.S. if differences can be resolved through dialogue.

June 19, 2008: The U.S. lifts sanctions on the China Great Wall Industry Corporation in acknowledgement of the company’s cooperation. The sanctions were imposed on the commercial space launch provider due to engagement in proliferation activities.

June 20, 2008: The U.S. International Trade Commission passes a ruling that Chinese competition is hurting domestic steel pipe makers. The decision will lead to tariffs of more than 100 percent on imports to compensate for subsidies received by the Chinese competitors.

June 24, 2008: Allegations are made that the U.S. Ambassador to Albania assisted in the illegal transfer of Chinese-made ammunition to Afghan security forces. The ammunition, purchased by a Pentagon contractor, was disguised as originating from a U.S. company.

June 29-30, 2008: Secretary of State Rice tours the earthquake-struck regions of Sichuan and has meetings in Beijing.



**U.S.-Korea Relations:
What's the Beef About?**

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The quarter started off well with the first meeting of Presidents George W. Bush and Lee Myung-bak at Camp David in April. The two leaders emphasized common values and the global scope of the alliance. They reached an agreement to maintain current U.S. troop levels on the Peninsula, which appeared to be an attempt by conservatives in Seoul to reverse the unfortunate trend they saw during the Roh-Rumsfeld era where each side was perceived as whittling away at the foundations of the alliance for disparate reasons. An important but understated accomplishment was Bush's public support of Lee's request to upgrade the ROK's foreign military sales status. Should this request be approved by the Congress, it would amount to a substantial upgrading of the bilateral alliance relationship as it would give Seoul access to a wider range of U.S. military technologies similar to what NATO and other allies like Australia enjoy. Finally, the two governments inked a memorandum of understanding on security improvements necessary to enable the ROK's entry to the U.S. visa waiver program.

Early Success

The White House decision to offer Camp David to President Lee Myung-bak (the first time for a South Korean president) was a clear and early signal of the desire to establish a personal chemistry in the alliance that had long been missing. The commonalities were clear: two former businessmen, Christian and conservative, one an ex-mayor and one an ex-governor. The chemistry matters because it colors the way the whole government views the bilateral relationship. In the past, President Bush may have had to call the ROK leader about issues. Now he will *want* to do so. The two proclaimed a new global vision for the alliance, which frankly has been the aspiration of alliance-crafters going back to Clinton-Kim Young-sam and was certainly emphasized during the Roh Moo-hyun administration. What is arguably new is a sense that Korea's new global commitment is no longer viewed in the Blue House as a quid pro quo for U.S. engagement with North Korea. Discussions of a larger ROK role in Afghanistan or an enhanced status as an Overseas Development Assistance provider derives from Lee's personal view that the ROK needs to do this as one of the world's largest economies and vibrant democracies. That sort of thinking resonated well with Bush. White House attention to the visa waiver program as a summit-level issue dating back to the Roh administration is unprecedented and demonstrates the commitment to improve people-to-people exchanges for the younger generation of Koreans. Lee also did well to endear himself to the general public at both his Korea Society dinner in New York and Chamber of Commerce dinner in Washington using humor and personal stories to captivate his audience. Lee left his highly successful visit to

Washington for Tokyo where he met with Prime Minister Fukuda Yasuo for the second time in three months demonstrating not only improved Japan-ROK relations, but also reinvigorating trilateral US-Japan-ROK relations.

What's the beef?

So what happened? How did Lee go from this fairly auspicious start to the state of mass hysteria that has gripped Seoul with 80,000 protestors flooding the streets of downtown Seoul, below-20 percent approval ratings, the reshuffling of his Blue House staff, and strikes by the Korean Confederation of Trade Unions which have lost the South Korean economy billions of dollars? No South Korean president has gone from the largest margin of victory in a presidential election to a complete loss of public confidence in four months. To say the honeymoon is over would be about the biggest understatement in modern Korean political history.

The ostensible cause of Korea's crisis has been Lee's decision, prior to Camp David, to lift the import ban on U.S. beef. The decision to reopen the South Korean market was by far the most important deliverable of the summit. The market had been closed to U.S. beef since 2003. Prior to that, South Korea annually consumed \$815 million worth of the product making it the third largest overseas market for U.S. beef. The ban took effect after a cow in the state of Washington that was imported from Canada was diagnosed with bovine spongiform encephalopathy (BSE) or mad cow disease. After appropriate safeguards were instituted, most countries that had similar bans on U.S. beef reopened their markets with the exception of Korea, Japan and a few other countries. Lee probably calculated that his decision to lift the ban was not only important for the Free Trade Agreement (key members of the Congress including finance committee chair Max Baucus made it clear that the beef import ban had to be lifted before Congress would consider the FTA) but for the overall alliance relationship. Many pundits claim that "trust" is what was needed under Lee to consolidate the bilateral alliance after the difficult Roh Moo-hyun years. But trust is an overemphasized element. States don't operate based on trust, but based on national interest. For Lee, one of the critical ways to improve the bilateral relationship with the U.S. is to diversify it with the FTA, which potentially gives an entirely new dimension to the relationship. It is the way the U.S.-Australia and U.S.-Singapore relationships were taken to a new level of closeness. Though much-criticized by politicians and interest groups in both countries, the KORUS FTA is a "gold standard" of FTAs and will become the standard by which all future trade agreements in Asia, if not the world, will be measured.

The snap decision to re-open the market – a commitment that was made by the Roh government but left uncompleted – was befitting of Lee's "get-things-done" nickname, the "bulldozer." However, it was apparently troubling to those who felt that the new president was governing in a nonconsensual manner. Rumors and blatantly false stories started spreading like wildfire across Korea's well-connected internet society that Lee was sacrificing Korean health and safety for his "CEO" relationship with President Bush. The level of misinformation about the safety of U.S. beef (which meets the safety standards of the authoritative France-based World Organization for Animal Health) was astounding. Young Korean mothers were out in the streets at candlelight vigils demanding that their government renegotiate to ban cows older than 30 months from Korean markets. Rumors spread that mad cow-diseased U.S. beef was being secretly ground into lunch meals served at their children's schools. The U.S. beef industry, in response to the

crisis, offered to label the beef according to age categories (30 months or younger slaughtered cattle), and then allow the Korean consumer to make their choice. What got lost in the hysteria was the fact that the most dangerous source of Creutzfeldt-Jakob disease, the brain-wasting ailment that comes from BSE-infected cows, is the ingesting of the brains and spinal cords. Koreans do not purchase or eat this part of the beef imported from the United States. The demonstrations continued, however, and ROK trade officials came to Washington in mid-June to seek a renegotiation of the beef agreement. After eleventh hour talks U.S. Trade Representative Susan Schwab announced a revision of the agreement in which the U.S. Department of Agriculture would work with the U.S. beef industry to set up a monitoring system to allow only for beef younger than 30 months to be shipped to Korea “until consumer confidence improves.” In the interim, Koreans continued to consume copious quantities of Australian beef (which is statistically not less prone to BSE than U.S. beef), and U.S. pork exports to Korea have risen.

The political Left’s battle

The morphing of the demonstrations into strikes by truckers’ and construction workers’ unions and protests by teachers’ unions represented a snowballing of criticism against the government that forced Lee to accept the resignations of several key officials. Demonstrators called for Lee’s resignation and complained of his leadership style – even though he has not been in office long enough to implement any lasting policy shifts. While the trigger for Korea’s self-paralyzing demonstrations were concerns about beef, it is increasingly apparent that the ideological Left in Korea, pushed out of power after over one decade in the seat of the presidency and in control of the national legislature – and with no major election scheduled for another four years – have taken their politics to the streets in an effort to subvert the first conservative Korean government in a decade. The liberal opposition lawmakers, voted out of the majority in the April national elections, refused to open the new National Assembly in June, leaving President Lee unable to make his state of the union address to the legislature. This is not about lofty notions of a new Korean nationalism, but about the primitive struggle for political power long a part of politics on the Peninsula.

One also has to wonder whether the issue really is Lee’s “management style.” After all, he was a rather effective and popular mayor of Seoul. Instead, the demonstrations show the degree to which domestic political struggle for power in Korea can damage a nation. The Left has turned the “candlelight vigil” into an effective political weapon and is on the verge of destroying the Korean economy. Perhaps it is because there is no crisis with North Korea, no major dispute with Japan, and no major bout of anti-Americanism that Koreans can afford the current political chaos. But the costs are real. The Commerce Ministry as of mid-June estimated that total lost business from the disruptions cost almost \$6 billion. The credit rating agency Moody’s assessed in late-June that the protests could impact Korea’s long-term economic performance from the view of international investors because of the likely delays in the Lee government’s ability to privatize state-owned financial institutions.

Free trade woes

Seoul is not the only place where domestic politics have colored political logic. In Washington, the U.S.-Korea FTA remains “dead in the water” as House Speaker Nancy Pelosi and Senate

Majority Leader Harry Reid have called for a “strategic pause” on all free trade agreements negotiated by the Bush administration, ostensibly because such agreements cost U.S. jobs. Yet, the economic arguments are clear. The FTA will increase trade volume in goods and services by \$80-90 billion annually. It will provide the service sector – where the U.S. runs a surplus with the rest of the world, and accounts for \$8.5 trillion or 80 percent of U.S. GDP and about 80 percent of the private sector workforce – with access to Korea in financial services, express delivery, telecom, and IT services. A non-vote of America’s single largest bilateral free trade agreement by the current Congress, moreover, would send a clear but bad signal about U.S. leadership in Asia. It will be recorded by historians as the data point from which the U.S. ceded its predominant position to China (which is proliferating low-quality FTAs around Asia). So Lee has been the victim of domestic politics not only in his own country, but also in the United States. Caving on beef and yet not achieving Congressional support for the FTA has been a source of the weak presidency thus far.

North Korea

With North Korea’s much anticipated nuclear declaration and the circus-like televising of the collapse of the cooling tower at the Yongbyon facility on June 26, the Bush administration potentially opened a new chapter in U.S. relations on the Korean Peninsula. As a parallel action to DPRK’s implementation of its declaration and disablement obligations under the Six-Party Talks, President Bush announced his intent to remove North Korea from the list of state sponsors of terrorism and to begin the process of terminating application of the Trading with the Enemy Act (TWEA) on the country. It was apparent how carefully choreographed the series of steps that led to June 26 were. One can imagine that the North wanted every assurance that the U.S. would follow through on its commitments once a declaration was submitted to the Chinese. Hence, Secretary of State Condoleezza Rice gave a public speech on June 18 previewing the administration’s intent. She also authored an opinion piece in the *Wall Street Journal* on the day of the declaration, thereby putting in writing a commitment by the U.S. to keep its commitment.

Rice’s speech at the Heritage Foundation clearly previewed that the priority of the U.S. will be on the ensuing verification process. The 45-day period of advance notification to Congress of the Bush administration’s intent to remove the DPRK from the state sponsors of terrorism list was set out by Rice as the timeline for the DPRK to demonstrate its bona fides on verification. Any belief that Pyongyang might have that it can merely submit the declaration, win political rewards, and dispense with any verification process would be badly mistaken. Existing U.S. law still maintains the majority of sanctions on the DPRK even with termination of TWEA. Further, President Bush’s “National Emergency Declaration,” which was also issued on June 26, reinstated other sanctions given the existence of the continuing proliferation threat from North Korea, so there is little tangible reward for the North. One can anticipate an intense period of negotiations to nail down a verification process that will be difficult, to say the least, as the five parties seek deeper access into the North’s nuclear programs. Critics may claim that the declaration’s exclusion of nuclear weapons, warheads, triggers, etc. is a deficiency of the agreement. But the distinction here is between what is ideal and what is real. Ideally, any negotiator would want Pyongyang to give up its weapons immediately. But the reality is that the small stockpile of weapons will be the last and hardest negotiation, now left for the next phase of the Six-Party Talks, which will in all likelihood outlast the Bush administration’s term in office.

Physical disablement of the North's only known plutonium-based nuclear facility puts a permanent cap on its ability to make more weapons. That is an accomplishment that one should not take lightly.

Chronology of U.S.-Korea Relations* **April – June 2008**

April 1, 2008: U.S. Assistant Secretary of State for East Asian and Pacific Affairs Christopher Hill holds bilateral consultations with ROK counterpart Chun Young-woo in Seoul and meets other senior officials, including Unification Minister Kim Ha-joong, Vice Foreign Minister Kwon Jong-rak and Deputy Foreign Minister Lee Yong-joon.

April 1, 2008: The ROK government pleads with local assemblymen to pass the Korea-U.S. (KORUS) Free Trade Agreement.

April 2, 2008: The DPRK's Worker's Party Newspaper, *Rodong Shinmun*, criticizes President Lee Myung-Bak, calling him a "sycophant" a "confrontational maniac" and a "traitor".

April 2, 2008: Chairman of the Joint Chiefs of Staff Gen. Kim Tae-young, states to the National Assembly that the ROK would consider a preemptive military strike on nuclear facilities in North Korea if it believed the DPRK was about to launch a nuclear assault.

April 3, 2008: Lt. General Walter J. Sharp, nominated to be the commander of U.S. and UN forces in Korea, informed the Senate Armed Service Committee that the ROK should upgrade its anti-missile defense system to the PAC-3 Patriot missile defense system.

April 3, 2008: Pyongyang announces that it will take unspecified "military countermeasures" if the ROK does not apologize for Gen. Kim Tae-young's comment regarding a preemptive strike.

April 5, 2008: The DPRK's *Tongil Shinmun* denounces the ROK's possible membership in the U.S.-led ballistic missile defense system, condemning it as a preemptive strike on the DPRK.

April 7, 2008: The *Rodong Shinmun* attacks the U.S. for transferring nuclear technology to other countries including the ROK. It said "The United States is not entitled to say anything about the "nuclear issue" of others."

April 8, 2008: Assistant Secretary Hill and DPRK Vice Foreign Minister Kim Gye-Gwan meet in Singapore. Press reports indicate that an agreement is reached in which the DPRK would acknowledge U.S. concerns regarding DPRK proliferation activities and concerns on uranium enrichment. Both negotiators express satisfaction in the main outcome of the meeting.

April 9, 2008: President Lee Myung-bak's Grand National Party wins a majority in the parliamentary elections by securing 153 of the 299 seats. The results are a blow to the United Democratic Party headed by minority leader Park Geun-hye.

* Compiled by Jeremy Lee

April 9, 2008: Top negotiators of North Korea, China, U.S., South Korea, and Japan meet separately in Beijing. Secretary Hill states that he has good discussions with all his counterparts but much work remains. Vice Minister of Foreign Affairs and lead Chinese negotiator Wu Dawei states that he expects a resolution in the fall.

April 9, 2008: In confirmation hearings, U.S. Ambassador-designate to South Korea Kathleen Stephens expresses hope that the ROK will deploy troops to Afghanistan and that the issue will be discussed at upcoming talks between Presidents Bush and Lee at Camp David.

April 14, 2008: South Korea's *Yonhap News* reports that after gaining a majority in the National Assembly, the GNP is pushing to open a parliamentary session next month to resolve several issues including the KORUS FTA. Spokesperson for the GNP Cho Yoon-sun, states, "We must open a May assembly session and vote on the ROK-US free trade agreement and other bills."

April 14, 2008: ROK Foreign Ministry names Kim Sook, former North American Bureau director, to be the top ROK negotiator to the Six-Party Talks replacing Chun Young-woo.

April 17, 2008: A coalition of 500 U.S. businesses and state and local chambers of commerce present a joint statement calling for speedy ratification of the ROK-U.S. FTA to President Lee at the end of a meeting organized by the Chamber of Commerce in Washington DC.

April 18, 2008: President Lee arrives at Camp David for his summit with President Bush.

April 18, 2008: Presidential spokesman Lee Dong-kwan confirms that Cheong Wa Dae has decided to send at least ten police officers to train Afghan police cadets.

April 21, 2008: President Lee holds summit with Prime Minister Fukuda Yasuo in Japan. The leaders reach an agreement to strengthen U.S., ROK, and Japan relations, which includes a three-way dialogue to discuss the DPRK's nuclear program.

April 22, 2008: Team of U.S. officials and nuclear experts led by Sung Kim, director of Korean Affairs at the Department of State meet Kim Gye-Gwan and others in Pyongyang to discuss the details of the North Korean nuclear declaration.

April 23, 2008: U.S. Department of Defense announces a plan to extend the assignment period from one year to three years for U.S. military stationed in South Korea.

April 23, 2008: CIA and White House officials brief key lawmakers on evidence of a DPRK-Syria nuclear technology transfer. The CIA describes the capabilities of a plutonium-based nuclear reactor to create nuclear weapons.

April 24, 2008: Agreement is reached between the DPRK and the U.S. that the DPRK will give thousands of pages of documentation on nuclear activity at Yongbyon.

April 24, 2008: U.S. intelligence officials show U.S. lawmakers a videotape of a remote nuclear reactor site in Syria that links the activity to North Korea.

April 29, 2008: The ROK Defense Ministry reports that they were not notified when the U.S. relocated a Korea-based *AH-64D Apache Longbow* helicopter squadron to Afghanistan.

May 1, 2008: House Foreign Affairs Committee passes legislation to allow the DPRK denuclearization process to be funded by Department of Energy. The U.S. plans to give \$50 million in the fiscal year 2008 and up to \$360 million in fiscal year 2009. Committee also approves a bill that requires a “complete and correct declaration” of all nuclear programs before North Korea can be removed from the state sponsors of terror list.

May 2, 2008: Presidential Spokesperson Lee Dong-kwan states that the Lee administration is trying to alleviate the public panic surrounding mad cow disease, or bovine spongiform encephalopathy (BSE).

May 5, 2008: ROK Agriculture Ministry official confirms to *Agence France-Presse* plans to resume imports of beef from U.S. in late May.

May 10, 2008: U.S. team headed by Sung Kim returns from the DPRK with 18,000 pages of documents on DPRK nuclear activities at Yongbyon.

May 11, 2008: South Korea’s *Yonhap News Agency* reports that the ROK government will send \$9.6 million in humanitarian aid to the DPRK to mitigate the effects of famine.

May 16, 2008: South Korea delays U.S. beef importation for up to 10 days due to public unrest. U.S. Secretary of Commerce Carlos Gutierrez says the event is "unfortunate."

May 18-19, 2008: Secretary Hill meets counterparts Kim Sook of South Korea and Akitaka Saiki of Japan in Washington, DC.

May 22, 2008: An unidentified South Korean official confirms to *Yonhap News Agency* that the ROK plans to buy DPRK fuel rods in an attempt to speed up the denuclearization process.

May 27, 2008: Secretary Hill meets Minister Kim Gye-Gwan in Beijing to discuss the aid that the DPRK will receive if it fully denuclearizes and the possibility of removing the DPRK off the US list of state sponsors of terror.

May 29, 2008: The Unification Ministry states that if the DPRK completely denuclearizes the ROK has agreed to send 1,000 tons of copper as economic aid.

May 29, 2008: Papers report that the DPRK attempted to export a GPS jamming device to Iran and Syria. The device can interfere with the signal needed by GPS guided bombs and missiles.

June 2, 2008: Defense Minister Lee Sang-hee and Secretary of Defense Robert Gates meet in Seoul to discuss mutual military interests. During the meeting, Gates endorses extended tours for US troops in South Korea. They also agree to maintain current U.S. troop strength at 28,500.

June 3, 2008: Gen. Walter Sharp assumes command of United Nations Command/Combined Forces Command/U.S. Forces Korea.

June 8 2008: In a televised statement South Korean Justice Minister Kim Kyung-han vows to take action against protestors against U.S. beef in order restore order.

June 18, 2008: Secretary Rice speech at Heritage Foundation expresses support for the six party process and previews the U.S. steps in conjunction with North Korea's declaration.

June 19, 2008: Trilateral talks among Six-Party Talks negotiators from U.S. South Korea, and Japan. Japan expresses concern over U.S. plans to remove the DPRK from its state sponsors of terrorism list.

June 20, 2008: Secretary Hill meets Chinese counterpart Wu Dawei to discuss North Korea's denuclearization declaration.

June 20, 2008: After a week of negotiations in Washington, DC, U.S. Trade Representative Susan Schwab and South Korean Trade Minister Kim Jong-hoon reach a revised agreement on U.S. beef exports to Korea.

June 25, 2008: President Bush telephones Japanese Prime Minister Fukuda ahead of an anticipated nuclear declaration from North Korea to indicate support for Japan's ongoing claims against North Korea over the abduction issue.

June 26, 2008: Secretary Rice authors opinion article in the *Wall Street Journal* supporting the negotiation process with North Korea and confirming the intent to remove the DPRK from the terrorism list and TWEA with submission of its nuclear declaration to China.

June 26, 2008: North Korea submits long-awaited nuclear declaration to China as the Chair of the Six-Party Talks. In exchange the U.S. agrees to lift key Trading with the Enemy Act sanctions and remove North Korea from its terrorism list.

June 26, 2008: President Bush signs a National Emergency Declaration, which reinstates many of the TWEA restrictions due to continuing proliferation threat from North Korea.

June 26, 2008: U.S. resumes beef exports to South Korea despite intensified protests. South Korean quarantine inspections restart as well.

June 27, 2008: North Korea demolishes a cooling tower at its Yongbyon reactor.

June 28, 2008: On a tour through Asia, Secretary Rice meets ROK Foreign Minister Yu Myung-hwan in Seoul.



**U.S.-Russia Relations:
Is it Interests or Values?**

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At the conclusion of the final summit meeting between Presidents George Bush and Vladimir Putin at the Russian resort of Sochi in early April, relations between Moscow and Washington appeared to have righted themselves. The cordial meeting between the outgoing presidents left a sense of optimism in both Moscow and in the West that U.S.-Russia relations would improve until at least the fall presidential elections in the United States. Things have quieted down between the two nations over the last quarter, as the leadership of both countries has gone about business at home and has lessened (though not ceased) the often-negative rhetoric. But when the summer concludes, Russia will again loom large in U.S. political debates, and the big questions of U.S. foreign policy – whether they revolve around Iran, Iraq, Afghanistan, Northeast Asia, or even Venezuela – will necessarily include Russia policy. And as President Dmitry Medvedev unveils his own version of “sovereign democracy,” U.S. foreign policymakers will be forced to address the fundamental question of whether U.S. policy toward Moscow is centered on its strategic interests, or on democratic values.

The aftermath of Bucharest and Sochi

As mentioned in this column last quarter, the NATO Bucharest summit of April 3-4 and the subsequent Bush visit to Sochi at Putin’s invitation transpired without a hitch and in an atmosphere of cordiality. This is not to say that the meetings were a great success, but the fact that the two sides refrained from hurling barbed criticisms at one another was refreshing. Russia managed to convince both France and Germany that NATO membership for Georgia and Ukraine would be a mistake. Washington achieved a small victory in view of the fact that a roadmap to membership for the two nations was laid out and it appears that it is only a matter of time, especially in the case of Georgia. At Sochi, Bush and Putin discussed this issue and the other controversial issue of a European-based missile defense system, for which Washington proposes to install elements in Poland and the Czech Republic. On the missile defense issue, the two leaders were unable to reach any sort of agreement as they appeared to be kicking the can down the road for the next set of leaders – although it is clear that Putin is going nowhere and will be consulted by Medvedev on all issues of strategic importance for at least the next year, if not longer. But most analysts applauded the two sides for sitting down and rationally discussing these divisive issues, rather than criticizing the other side in interviews and speeches.

An issue that was also discussed at the two meetings – and perhaps overlooked by some – that is of greater consequence in the near-term than either NATO expansion or the European missile

defense system, is Afghanistan. At the Bucharest meeting representatives from both Russia and Uzbekistan (under the Partnerships for Peace initiative) gave tacit assurances that ISAF (NATO's International Security Assistance Force) operating in Afghanistan would be accorded certain forms of access through their territory. On April 4, Russia and NATO signed an agreement allowing a humanitarian land corridor through Russian territory, providing non-military support to ISAF. Uzbek President Islam Karimov offered a similar agreement, utilizing an existing bilateral Uzbek-German agreement for the transit of humanitarian supplies through his nation, thus also facilitating Russia's promises. He also gave assurances that Uzbekistan would cooperate in defense and security areas. Similarly, both Kazakhstan and Kyrgyzstan have joined Russia and Uzbekistan in extending overflight and (in Kyrgyzstan's case) basing rights to ISAF in connection with the stabilization and pacification of Afghanistan. These nations are understandably concerned about the worsening situation in Afghanistan and do not wish to see violence there again threatening Central Asia. Keep in mind that it was this very concern that prompted President Putin in late 2001 to give tacit approval for U.S. and NATO forces to operate in Afghanistan through Central Asia.

The waiting game

Since the back-to-back April summit meetings there have been no top-level visits or meetings this spring. This has not deterred the Russian leadership from launching occasional jabs at the U.S., but for the most part it has been a quiet quarter for the bilateral relationship. NATO expansion has brought in two more members, Albania and Croatia, but the more controversial issue of membership for Georgia and Ukraine has been put off. There has also been little action regarding Russia's concerns about the planned missile defense system, parts of which will be constructed in Poland and the Czech Republic. Iran has also been a blank spot in terms of concerted dialogue or action by Moscow and Washington (or the international community, for that matter). The fact is, the leadership of the two nations is taking a wait and see approach. Washington wants to get a further gauge on Medvedev and how much power Putin will retain. Moscow wants to see whether they will be dealing with a Republican or Democratic administration. At least one Russian analyst laments this situation, insisting that a number of issues need serious attention: "[as] U.S.-Russian relations slide into a period of disengagement and strategic inaction, [the situation is one] the world at large can ill afford."

The two governments have in fact been consulting about nuclear energy and arms control. In early May RosAtom (Russian Atomic Energy Agency) head Sergei Kiriyenko and U.S. Ambassador in Russia William Burns signed an inter-governmental agreement on nuclear energy cooperation. The so-called 123 agreement calls for the removal of barriers to cooperation between nuclear power companies in both countries. U.S. companies are eager to have their uranium enriched in Russia, which can then be used to produce electricity. Russia also hopes to establish an international enrichment center, in order to re-export material to other nations with nuclear energy programs. The agreement also allows for the exchange of coveted nuclear technology. The Bush administration argues that the establishment of an international enrichment center in Russia will allow nations to peacefully pursue nuclear power programs without developing indigenous nuclear fuel cycle facilities that could be used for covert purposes (like in North Korea). U.S. and Russian companies look forward to technology exchanges that will benefit both sides. Nevertheless, bi-partisan opposition to the 123 agreement has already

been strongly voiced in Congress, and both the House and the Senate have threatened to pass a resolution to defeat the agreement. They have 90 days (from May 7) to do so, although opponents appear to lack a two-thirds majority to overturn a presidential veto. Members of Congress remain suspicious of Russian-Iranian nuclear cooperation. It has been speculated by some in Russia that the U.S. agreed to the nuclear cooperation in return for Putin agreeing to sign off on UN-proposed sanctions against Iran (UNSC Resolution 1803). This was one of Putin's last actions before leaving office in May. Meanwhile both nations continue to fulfill their START obligations.

In late June, Secretary of Treasury Henry Paulson traveled to Moscow to meet Russian leaders about economic issues, including the status of Russia's membership in the World Trade Organization (WTO). In Moscow, Paulson met not only Finance Minister Alexei Kudrin, but was also granted meetings with President Medvedev and Prime Minister Putin (as well as rising star and Deputy Prime Minister Igor Shuvalov). Of more interest was Paulson's alleged lobbying for more Russian investment into the U.S. through Russia's National Welfare Fund (NWF), a fund created with Russia's oil windfalls. Ironically almost 10 years ago to the month after Russia's economic collapse in August 1998, the U.S. government sends an emissary to ask for Russian investment in the United States. The day after Paulson left, President Medvedev chastised the U.S. (the second time in the last month) for its economic and national "egoism," and referred to U.S. economic problems as "essentially a depression." He suggested that the U.S. should get its own house in order before ordering others around. Meanwhile, oil prices hover near \$150 a barrel, further emboldening (and enriching) Russia and further pounding the U.S. economy and U.S. consumers.

Leaders in Washington (and potential future leaders) must decide whether Washington should focus on strategic interests (which must include economic issues) or shared values (or lack thereof) with Moscow. In 2000-2002 it appeared that the Bush administration was set on carrying out an almost exclusively strategic dialogue with Moscow. The events of 9/11 and the subsequent war in Afghanistan made this "strategic partnership" even more vital during this period. But after 2003 (and more specifically the launching of the Iraq War) the dialogue became much more critical on both sides. While the Russian government openly criticized heavy-handed U.S. actions in the Mideast and elsewhere, U.S. leaders and pundits stepped up their criticism of the evolution of Russia's version of democracy. Ironically, U.S. leaders began questioning Russia's judicial and human rights practices just as the worst of the scandals involving the prison detainees at Guantanamo Bay and Abu Ghraib were breaking, giving Russian leaders plenty of opportunity to toss around the word "hypocrisy." As the situation spiraled down over the next few years, both sides seemed to lose sight of the larger strategic issues that bound the two so tightly in the first years of the 21st century. However, it must be noted that both Presidents Bush and Putin understood the importance of keeping channels open, and strove to maintain an amiable relationship, a practice often criticized by Western observers.

Now the time has come for both John McCain and Barack Obama to decide where they stand when it comes to relations with Russia. McCain is on the record criticizing Russia for its lack of democracy. One need only reference his "looking into Putin eyes and seeing KGB" and his "kick Russia out of the G-8" comments. He is seen in Russia as one who relishes the idea of bringing back a Cold War atmosphere to the relationship. Recently, however, McCain has made

positive comments about opening a strategic dialogue with Moscow centering on arms control. Obama, on the other hand, is viewed more favorably in Moscow, although he has made few definitive statements about his proposed Russia policy. It should be noted that one of Obama's top Russia advisors has been highly critical in the international press of Putin and Russia's democratic experiment. But given Obama's promise to extend dialogue to even the most bitter enemies (Cuba, Iran, North Korea, et al), it is not hard to imagine an Obama administration extending a hand toward Moscow in hopes to reestablishing a cooperative relationship.

Many foreign governments are apt to view Democratic administrations with more distrust for their supposed penchant to harp on values and democratic norms, while Republican administrations are perceived to focus on strategic issues and to overlook domestic political improprieties. Of course, the last two administrations seem to have reversed these supposed tendencies, particularly with regard to Russia. Henry Kissinger, one centrist in the U.S. possessing the ultimate in realist credentials, argued in a July 1 op-ed in the *International Herald Tribune* that Russia is not headed for fascism, and that the current and incoming U.S. administrations should abandon the "policy of assertive intrusion" into Russian domestic politics, while stepping up the strategic dialogue. So again, the question will come to either candidate when the time comes: is it interests or values that define our relationship with Russia? Any candidate (or president) will insist that you can have both; Russian leaders, however, tend to think this is not the case.

East Asia

The nuclear declaration documents handed over recently by North Korea are still being sifted through in Washington, and since it appears that critical information is still missing, it is not clear how successful the next phase of the agreement can be. No matter what happens in Korea, it is clear by now that Russia is playing little to no political role, which I suppose is better than playing a spoiler's role, as many accuse them of doing in Iran. The Kremlin's inability to gain a larger role has surely vexed them, but the process of the Six-Party Talks now seems almost bilateral (also to Japan and South Korea's chagrin). Russia, however, will continue (as indicated by Medvedev) to supply fuel oil to North Korea and will eagerly take up any role that would give them a larger voice in Korean Peninsula affairs.

Something that barely registered on the radar this past quarter was the quiet April visit to Moscow of Japanese Prime Minister Fukuda Yasuo. Fukuda traveled there to pay court, so it seems, to both Putin and Medvedev. Fukuda hoped to re-energize the so-called "strategic dialogue" that was instituted between the two nations in early 2007, focusing on the signing of a peace treaty, and hence resolving the decades-old territorial dispute. Although the strategic dialogue seems to be going nowhere fast, Japanese-Russian economic ties have blossomed in recent months. The two-way trade figure for 2007 was \$21 billion, an all-time high. Japanese automaker Toyota has opened an assembly plant in St. Petersburg, and in June of this past quarter the Japan Bank for International Cooperation (JBIC) agreed to a \$5.3 billion financing deal with the Sakhalin Energy consortium, the operator of the Sakhalin II oil and gas development project in Russian Far East. Mitsui and Mitsubishi are minority shareholders in this consortium along with Shell.

Looking Ahead

Japan, Russia, and the U.S. all look forward to the G8 Summit scheduled to take place starting July 7 in a resort town on the northern island of Hokkaido. Within the next two months Congress will have to decide whether it will accept or reject the 123 agreement on nuclear cooperation. Of course, everyone awaits the upcoming U.S. presidential elections. As for the bilateral relationship, the summer is a waiting period. The fall should bring much more attention to the status of U.S.-Russian relations.

Chronology of U.S.-Russia Relations April-June 2008

April 1, 2008: President George Bush travels to Kyiv, Ukraine for meetings with President Viktor Yushchenko and Prime Minister Yulia Tymoshenko.

April 4, 2008: President Bush meets outgoing Russian President Vladimir Putin at the NATO summit meeting in Bucharest, Romania.

April 5-6, 2008: President Bush travels to Sochi, the Russian resort on the Black Sea, at the invitation of Vladimir Putin. The two discuss strategic issues. This is their last meeting as presidents of their respective countries.

April 16, 2008: U.S. Department of Justice approves an \$810 million deal allowing Russian steel producer Severstal to purchase the Sparrows Point steel mill in Maryland from ArcelorMittal.

April 17, 2008: U.S. Republican presidential candidate John McCain accuses the Russian government of attempting a “de facto annexation” of Georgian territory, and calls on all nations to condemn Moscow’s actions.

April 22, 2008: A Russian diplomat is expelled from the U.S. for security reasons.

April 25-26, 2008: Japanese Prime Minister Fukuda Yasuo visits Moscow and meets Vladimir Putin and President-elect Dmitry Medvedev.

May 5, 2008: The Pentagon begins inter-service military maneuvers in Alaska called the *Northern Edge 2008* exercise. The Russian military leadership criticizes the exercises, claiming that they pose a threat to Russian interests in the Northern Pacific and the Arctic.

May 6, 2008: Russian Federal Atomic Agency (RosAtom) chief Sergei Kiriyenko and U.S. Ambassador to Russia William Burns sign an inter-governmental agreement on the civilian applications of nuclear energy. It is commonly known as the 123 Agreement.

May 7, 2008: Dmitry Medvedev inaugurated as the third president of the Russian Federation. He quickly appoints Vladimir Putin as prime minister.

May 8, 2008: The Russian government orders two U.S. military attaches to leave the country in retaliation for the expulsion of a Russian diplomat from the U.S. in April.

May 29, 2008: Republican presidential candidate John McCain suggests that the U.S. engage Russia in strategic arms talks. This is seen as a strategy to distance himself from President Bush.

May 31, 2008: In a state visit to France, Vladimir Putin, now Russia's prime minister, compares the U.S. to a "frightening monster" and urges France to conduct an independent foreign policy from its American ally.

June 7, 2008: President Medvedev delivers a critical indictment of U.S. economic and political policies at the St. Petersburg Economic Forum in Russia.

June 29, 2008: Secretary of Treasury Henry Paulson arrives in Moscow to meet Russia's top leadership and to discuss bilateral investment and trade issues. Paulson meets, among others, both Medvedev and Putin.



U.S.-Southeast Asia Relations:

U.S. Frustrated as Burma Obstructs Cyclone Relief

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Cyclone *Nargis*, which devastated Burma's Irrawaddy delta in early May killing tens of thousand and leaving 1.5 million homeless, was met with international concern and the offer of large-scale U.S. assistance via navy ships in the vicinity for the annual *Cobra Gold* exercise. Burma's junta, however, obstructed international humanitarian assistance, fearing that Western powers would use the opportunity to overthrow the generals. So, in contrast to the massive aid effort for Indonesia in the December 2004 tsunami aftermath, assistance has only trickled into Burma, and mostly controlled by the Burmese military. ASEAN, in collaboration with the UN, appealed to Burmese authorities to open the country to aid providers, but the most it has been able to accomplish is to insert 250 assessment teams into some of the hardest hit areas to survey the population's needs. U.S. aid has been limited to more than 100 *C-130* flights out of Thailand whose cargos are delivered into the hands of the Burmese military.

Cyclone *Nargis*

On May 3, Cyclone *Nargis* whipped through Burma's Irrawaddy delta packing 155 mph winds, the worst natural disaster to strike Southeast Asia since the December 2004 tsunami. However, in contrast to the Indonesian government at that time, which immediately welcomed international assistance for the devastated Sumatran province of Aceh, Burma's military junta denied qualified aid workers access to the stricken region for several days. Subsequently, they permitted a small number to provide emergency supplies mainly via Burma's military, which, in turn, distributed the aid to only a fraction of the 1.5 million people in need. Whereas in the aftermath of the Indonesian tsunami, the U.S. and a number of Asian donors were immediately on the scene with life-saving food, shelter, and medical attention, the Burmese authorities refused access to several U.S. Navy ships as well as a British and a French vessel with helicopters and supplies that could have been deployed to the hardest hit areas.

ASEAN Secretary General Surin Pitsuwan, overcoming the Association's noninterference principle, urged the junta to grant immediate access to international relief teams as did several ASEAN political leaders and UN Secretary General Ban Ki-moon. These pleas had little effect until May 19, when the government agreed to allow foreign assistance from ASEAN on a case-by-case basis. The junta's refusal to permit military humanitarian assistance is based on its fear that the U.S. and Great Britain would use their forces to invade Burma and overthrow its leadership – a reflection of the latter's insecurity and paranoia. In a futile attempt to reassure Burma's leaders, U.S. Secretary of State Condoleezza Rice on May 8 insisted that, "It should be a simple matter. It's not a matter of politics. It's a matter of a humanitarian crisis." Directors of

international aid organizations already in Burma when the cyclone struck reported that some of the foreign aid that arrived in Rangoon was being stolen, diverted, or warehoused by the Army. By early June, Adm. Timothy Keating, U.S. Pacific Command (USPACOM) commander, said the U.S. made “at least 15 attempts to convince the Burmese government to allow our ships, helicopters, and landing craft to provide additional disaster relief for the people of Burma.” Thai Prime Minister Samak Sundaravej told U.S. Defense Secretary Robert Gates that the junta rejected foreign military help because “it feared it could be seen as an invasion.” Moreover, accepting large-scale Western assistance could be seen as an admission that the regime cannot deal with the country’s problems. Any green light for the U.S., given its support for dissident monks in last September’s anti-government protests, could further what the junta believes is a plot to overthrow the government.

U.S. aid efforts

In the aftermath of the May 3 cyclone, the U.S. Navy redeployed three amphibious ships from the *Cobra Gold* exercise in Thailand equipped with 90 tons of necessities to help at least 600,000 people per day. Washington also offered to send search-and-rescue teams and disaster relief experts. The proffered assistance included water-making and purification capability. However, U.S. *C-130s* flown to Rangoon from Bangkok constituted the only source of U.S. aid permitted by Burmese authorities, and after the first one landed on May 13, Burma’s Vice Adm. Soe Thein delivered the only formal expression of thanks given by the junta for U.S. assistance in the several weeks following the disaster.

Burma’s resistance to international aid led Washington and some of its European allies to consider requesting UN authorization for a relief mission even without the approval of the junta. This plan was dropped when it became clear that China would veto any UN Security Council resolution calling for “humanitarian intervention.” Even discussions about imposing new UN sanctions on the junta were put on hold because Western aid givers did not want to further complicate efforts to convince the regime to permit more aid.

In mid-May, the junta gave the chief of the U.S. mission in Burma, Shari Villarosa, a helicopter tour of parts of the delta accompanied by Burma’s Foreign Minister Nyon Win. Villarosa subsequently told the *Associated Press*: “It was a show. That’s what they wanted me to see.” As for her offer of more U.S. aid, the junta’s newspaper, *The New Light of Myanmar* on May 21 stated it was not acceptable because Washington wants to overthrow the government and seize the country’s oil. In a U.S. Congressional hearing on May 20, the new U.S. Ambassador for ASEAN Affairs Scott Marciel stated that if the junta did not accept large-scale assistance, it would be responsible for “a second catastrophe” of further death.

In late May, in the midst of negotiations over how much foreign aid and from whom the junta would admit, Burmese authorities extended democratic opposition leader and Nobel Prize winner Aung San Suu Kyi’s house arrest for another year. State Department spokesman Sean McCormack issued a mild rebuke, saying: “It’s a sad statement about the state of political freedom in Burma.” Nevertheless, he hastened to add that Suu Kyi’s house arrest and the provision of aid to cyclone victims were separate issues and that humanitarian assistance was a high priority “in this time of extreme need in Burma.”

Frustrated by Rangoon's refusal to permit large-scale U.S. assistance, the Pacific Command pulled its four ship *USS Essex* group away from Burma's coast on June 5. However, Adm. Keating said the ships would be close enough so that they could still offer assistance "should the Burmese rulers have a change of heart." Keating also noted that several *C-130s* would remain in Thailand to assist UN and ASEAN relief efforts. By June these aircraft had completed well over 100 airlift missions to Rangoon.

Washington's continued condemnation of Burmese authorities

The day before Cyclone *Nargis* struck, President Bush ordered the Treasury Department to add to a long list of sanctions already imposed on Burma. This time assets of state-owned firms were frozen "that are major sources of funds that prop up the junta." Critics have argued, however, that there is no indication that the sanctions have had any noticeable effect on the junta's behavior. At a May 5 press conference, First Lady Laura Bush excoriated the junta for allegedly failing to provide timely warning of the approaching storm, calling it "a friendless regime" that "should step aside." A day later, President Bush signed legislation awarding the Congressional Gold Medal, the top U.S. civilian honor, to Aung San Suu Kyi. These actions probably served to convince Burma's junta that offers of U.S. aid would come with political strings. By May 9, the U.S. Senate passed a unanimous resolution demanding that Burma's rulers lift restrictions on the delivery of foreign relief.

At the late May annual Shangri-La Dialogue of Asia-Pacific defense ministers in Singapore, Secretary of Defense Gates said that Burmese authorities were guilty of "criminal neglect" for blocking large-scale international aid and that as a result, more Burmese civilians would perish. Gates also said there were no plans to use force to enter Burma for aid distribution. Without the cooperation of Burmese authorities, it would be impossible to deliver aid effectively.

Other concerns roiled Washington's relations with Burma as well. The Bush administration and Congress condemned the junta for holding its constitutional referendum on May 10 despite the cyclone's devastation and National Security Council spokesman Gordon Johndroe dismissed the reported 92.4 percent approval. In late May, President Bush alongside global leaders from Europe and ASEAN expressed outrage and disappointment at the junta's extension of Aung San Suu Kyi's house arrest. A month later Secretary of State Rice slammed the junta for backtracking on the "modest steps" it had taken – naming a liaison to meet with the Nobel Prize recipient and permission for her to meet with her National League for Democracy colleagues.

Junta reactions to the cyclone

In the immediate aftermath of Cyclone *Nargis*, Burma's military rulers underplayed its destruction and the dire straits for up to 2 million of the country's citizens. The regime was more concerned about its constitutional referendum that formalized military control than providing for its beleaguered population. Refugees were forced to leave schools and temples so that these structures could be used as polling stations. Allegations by aid personnel in Burma when the cyclone hit included that names of foreign donors were removed from supplies and replaced by

those of the junta's leaders. Some aid was actually pilfered by the military and high-energy biscuits were reportedly taken by the army and substituted with low-quality cookies.

By the end of May, the junta was claiming that the emergency relief phase of the disaster was over and that the country had enough rice – clearly untrue; hundreds of thousands had still not been reached. Instead, the government appealed for \$11 billion in reconstruction aid. Donor countries ignored this outrageous request and insisted that the more than \$150 million they offered would be contingent on greater access to the populations in need. The junta responded by criticizing countries for maintaining sanctions on the regime despite the devastation. *The New Light of Myanmar* asked sarcastically: “Do such countries really have humanitarian spirit?”

In June, as international aid workers began to receive visas, they found they could only travel with the permission of military liaison officers, who gave conflicting signals on what was permissible, thus obstructing coordinated assistance. The junta fears losing control over foreign aid activities because the public would see it as an admission that the government cannot solve the problem. By mid-June, ASEAN stated that it had over 250 assessment teams in the delta and around Rangoon that were scheduled to report to an ASEAN roundtable in Rangoon on June 24.

ASEAN's role

The cyclone devastation of a member became a test of ASEAN's ability to assist one of its own and to mediate between the xenophobic junta and external aid givers. New ASEAN Secretary General Surin Pitsuwan seized the moment by ignoring the organization's non-interference principle and urging the junta to grant immediate access to international relief teams. Singapore and Thailand were among the first countries permitted by the junta to provide aid. In fact, ASEAN had created a regional agreement in 2005 after the Indian Ocean tsunami on disaster management and emergency response.

On May 12, the ASEAN Secretariat, the World Bank, and the UN Office for the Coordination of Humanitarian Affairs met to discuss relief efforts and how best to support the ASEAN-led “Coalition of Mercy.” Burmese authorities agreed to an ASEAN Emergency Rapid Assessment Team to determine the critical needs of the population, though its scheduled full report for mid-July suggests it is somewhat less than critical or rapid. A pledging conference took place in Rangoon on May 25, though the junta made clear that only medical teams exclusively from ASEAN states would be given preferential access. However, ASEAN's capacity to provide urgent medical aid and prevent a public health catastrophe is questionable.

Secretary General Surin acknowledged a gap between what the donor countries believed to be a continued need for emergency aid and access to the most devastated region in the delta and the regime's insistence that the emergency phase of cyclone relief was over and that the donors should focus on providing billions of dollars for reconstruction – to be given, of course, directly to the junta. Scott Marciel, the U.S. envoy for ASEAN, stated the U.S. was ready to significantly increase its relief aid but only when the junta improved access to the worst hit areas.

At the Shangri-La Dialogue in Singapore, Malaysian Deputy Prime Minister Najib Razak insisted that the militaries of ASEAN countries would be the most effective purveyors of

humanitarian aid and that Burma should be assured “that our involvement is strictly humanitarian in nature and there is no other agenda we have in mind when we sent our military into the various disaster-stricken areas in other countries in the past.” One ASEAN official interviewed in Rangoon was asked whether Burma’s military was cooperating fully with the aid effort. His reply was “How can I fully answer that without hurting the mission?”

A spin-off from this experience and the growing frequency and severity of natural disasters has been the creation of an interim ASEAN Coordinating Center for Humanitarian Assistance on Disaster Management in Jakarta. Operations are scheduled to begin by the end of 2008.

U.S. security activities

High-level U.S. defense officials’ visits and the annual multinational *Cobra Gold* exercise characterized this quarter’s security affairs in Southeast Asia. *Cobra Gold* in Thailand directly involved armed forces from Thailand, the U.S., Japan, Indonesia, and Singapore with observers from China, India, Laos, Malaysia, Nepal, Pakistan, South Korea, and Vietnam. This year’s exercise from May 8-21 simulated operations in support of humanitarian and disaster relief efforts. In addition to the command post portion of the exercise, for the first time Indonesian and Singaporean forces also participated in the field-training component. In recent years, *Cobra Gold* exercise scenarios have focused on humanitarian interventions rather than military confrontation. These themes have attracted more Asian participants and observers.

Defense Secretary Gates and PACOM Commander Adm. Keating visited the region in April and May. At the Singapore Shangri-La Dialogue, Secretary Gates reassured Asian defense leaders that regardless of who prevails in the upcoming U.S. elections, “the United States remains a nation with strong and enduring interests in the region.” He also expressed U.S. interest in discussions on “new security architecture” in Asia that would lead to “various forums to deal with region-specific problems...” As for Burma’s recalcitrance in permitting foreign aid for Cyclone *Nargis* victims, Secretary Gates contrasted Indonesia’s openness after the December 2004 tsunami and expressed hope that ASEAN would develop “a mechanism that can help international assistance reach those who need it.” Gates reiterated the need for the peaceful resolution of competing South China Sea territorial claims that avoid “pressure tactics” – a veiled reference to China’s claims.

Adm. Keating visited Southeast Asia in April. In Brunei and Indonesia he stressed the importance of multilateral exercises and counterterrorism intelligence cooperation. He also expressed concern about China’s growing military capabilities to Indonesian President Susilo Bambang Yudhoyono. U.S. officials are generally pleased at the progress Southeast Asia has made in containing militant Islamic terrorism. The Pentagon recently awarded the Philippines, Malaysia, and Indonesia \$27 million for coastal surveillance stations equipped with radar, heat-detecting cameras, and computers to disrupt terrorists plying the Sulawesi sea-lanes. In collaboration with the Australian Federal Police, the FBI is enhancing Indonesian police monitoring capabilities and U.S. specialists are helping to train Indonesian lawyers, prosecutors, and judges.

U.S. ambassador for ASEAN affairs

In mid-April, the U.S. became the first country external to ASEAN to appoint an ambassador for ASEAN affairs – Deputy Assistant Secretary of State for East Asia and the Pacific Scott Marciel, who will remain resident in Washington. ASEAN Secretary General Surin, who praised the move as recognition that ASEAN is the premier regional organization in Southeast Asia, welcomed the announcement. Marciel pledged continued U.S. support for capacity building in the ASEAN Secretariat to assist in the increased workload that will come when (and if) ASEAN's new Charter is ratified. Under the Charter, all ASEAN members will appoint permanent representatives to form a Committee of Permanent Representatives in Jakarta.

Aid and controversy in Philippine-U.S. relations

U.S. economic and military aid this quarter continued to focus on the southern Philippines. In mid-June, U.S. Agency for International Development pledged \$2.5 million for the construction of new classrooms and rehabilitation of old school buildings in Mindanao. Two weeks earlier the U.S. Department of Defense pledged \$15.5 million to fund a Philippine Navy plan to install high-frequency radio equipment along the country's southern maritime borders of the Sulu and Sulawesi Seas to monitor shipping lanes and fishing areas that are also home to private gangs and radical Islamists who move between Indonesia and the southern Philippines. In fiscal 2007, the U.S. allocated about \$60 million to help the Philippines, Indonesia, and Malaysia tighten their borders against movement of weapons, contraband, and militants. In early June 2008, Adm. Mike Mullen, chairman of the U.S. Joint Chiefs of Staff, visited Mindanao and promised continued assistance to the Philippine military in its anti-terrorist campaign. Currently, approximately 300 U.S. troops are in the southern Philippines to train local forces in their quest to hunt down the Abu Sayyaf. The U.S. troops have also provided unaccompanied aerial vehicles and satellite imagery to track southern militants.

The annual State Department Report on Freedom and Democracy once again gave the Philippines a mixed assessment. Released in early June, the report stated the Philippine government "generally respected human rights of its citizens." Nevertheless, "there continued to be serious problems in certain areas, particularly extrajudicial killings and forced disappearances. Moreover, the country remains vulnerable to political turmoil, recurring extra-constitutional attempts to resolve leadership crises, and concerns about the credibility of elections. Added to these are continued corruption and weak rule of law. On the positive side, the report acknowledged generally free elections, high voter turnout, and efforts by the central government to reduce extrajudicial killings and disappearances.

On June 13, in an unusual case, the U.S. Supreme Court ruled against Philippine human rights victims of the Marcos era in a dispute over \$35 million held in a U.S. brokerage account by the late dictator. Overturning a U.S. Court of Appeals decision awarding the sum to the victims, the decision was a victory for the Philippine government, which insisted that the U.S. courts were an improper venue for the disposition of the money and that the claims should be settled in Philippine courts. (Marcos and his family have been accused of stealing up to \$10 billion from the Philippines.) In arguing the case, the Philippine government claimed sovereign immunity, a doctrine that bars a legal proceeding against a government without its consent. The U.S.

Supreme Court agreed with Manila. President Arroyo said the government would use the funds to finance its rural anti-poverty program to help poor farmers acquire their own land. Lawyers for the claimants warned that Washington was turning the money over to a government notorious for corruption.

On the anti-terrorism front, the State Department on June 17 added another Philippine group to its list of terrorist organizations: the Rajah Solamin Movement (RSM). Following a similar UN Security Council designation made on June 4 that the RSM is linked to Al Qaeda, the State Department accused the group formed in 2002 of involvement in a number of bombings in the Philippines and linkages to Abu Sayyaf and Jemaah Islamiya. RSM members were involved in the Philippines' worst terrorist incident, the Feb. 2004 bombing of Super Ferry 14, resulting in the loss of 116 lives.

Militant activity cut short the humanitarian visit of the *USNS Mercy* hospital ship to the southern Philippines. On June 9, while on a routine flight supporting its medical mission, one of the ship's helicopters was fired on. The ship subsequently left Mindanao early and sailed to Samar Province in the central Philippines to continue its mission.

Finally, on a 10-day late June state visit to the U.S., President Gloria Macapagal-Arroyo met presidential candidates John McCain and Barack Obama. In talks with President Bush, she expressed hope for U.S. implementation of a Philippine veterans equity bill that passed the U.S. Senate 96-1, giving pension benefits to 18,000 Filipino soldiers who fought alongside U.S. forces in World War II. The legislation is currently before the U.S. House of Representatives.

U.S. supports Indonesia's military

In a major Asia policy address on June 18 at The Heritage Foundation, Indonesia was the only Southeast Asian country mentioned by Secretary of State Rice when she referred to it as an emerging democratic power with which the U.S. has "new, deeper relations." On April 10, USPACOM Commander Adm. Keating on a visit to Jakarta praised the Indonesian military's (TNI) respect for human rights and its performance as part of the UN peacekeeping mission in Lebanon. Adm. Keating noted that under a 2007 cooperation agreement, Washington has offered 138 programs in Indonesia for the TNI divided into training and exercises, logistics, communications and intelligence, high level visits, and education. He stressed that USPACOM particularly wanted to help the Indonesian Navy build capacity to monitor its territorial waters.

Although Secretary of Defense Gates had offered to sell *F-16s* to Indonesia when he visited in February, Defense Minister Juwono Sudharsono told Adm. Keating that the TNI did not have sufficient funds to make the purchase. Left unstated is Indonesia's questioning of Washington's reliability as a defense equipment supplier since for many years it had embargoed military sales because of Indonesian armed forces human rights violations.

In conflict over constitutionally enshrined freedom of religion, the radical hard-line Islamic Defenders Front attacked a June 1 rally of moderate Indonesians advocating protection for the minority Ahmadiyah Islamic sect. President Yudhoyono condemned the violence, and the U.S. Embassy in Indonesia urged the government to "continue to uphold freedom of religion for all its

citizens...” Communal violence sporadically occurs in eastern Indonesia, including Papua, although until the recent anti-Ahmadiyah riot, Jakarta has been relatively calm.

Economic relations and human rights concerns in Vietnam

Vietnam and the U.S. hold an annual human rights dialogue. On May 30 in Hanoi, U.S. Assistant Secretary of State for Human Rights David Kramer raised the arrest of two Vietnamese journalists who reported on a major corruption scandal. Kramer emphasized that journalists needed to be able to report without concern for their safety or “for being arrested every time they report on a sensitive matter” – in this case officials embezzling funds in the Transport Ministry.

Despite continued human rights violations, overall U.S.-Vietnam relations have been positive. From June 23-26, Prime Minister Nguyen Tan Dung paid an official visit to Washington DC that celebrated burgeoning economic relations. The U.S. has become Vietnam’s largest export market and its fifth largest investor with an accumulated \$5.5 billion. Cooperation agreements have been signed on education, science and technology, health care, and labor. Washington has granted scholarships to college-bound students coming to the U.S. for science and technology. The Bush administration is interested in helping to improve Vietnam’s administrative practices as a way of encouraging additional U.S. investment.

The U.S. hospital ship *USNS Mercy* docked near Cam Ranh Bay on June 20, planning to treat hundreds of patients during a 10-day stay. The U.S. Deputy Chief of Mission John Alose described the medical ship’s visit as part of a U.S. effort “to build capacity to perhaps be able to respond to a natural disaster in the future...” As part of a medical aid project, Cindy McCain, wife of the Republican presidential candidate, came to Vietnam to visit the charity Operation Smile, which performs reconstructive surgery on children with facial deformities. Mrs. McCain is a board member of the charity.

Looking forward: Is the Burma cyclone the test for ASEAN?

Has ASEAN finally come of age in its efforts to provide aid in the wake of Cyclone *Nargis*? Washington expressed confidence in the Association’s future when in April it became the first external country to appoint an ambassador for ASEAN affairs. Despite the Burmese junta’s roadblocks preventing foreign aid from reaching those in need, ASEAN in collaboration with the UN was able to insert 250 assessment teams into the south to begin a village-by-village survey to determine how much food, water, and shelter are needed. Nevertheless, despite ASEAN’s promise to create an arrangement prepared to provide emergency aid in the event of national disasters following the December 2004 tsunami, in fact, no such arrangement exists. ASEAN was not prepared to send experts or equipment when the cyclone struck. Individual countries such as Thailand and Singapore were the first ASEAN states to proffer support. Those on site who were prepared to provide massive assistance via navy ships – the U.S., the UK, and France – were refused access by the junta.

ASEAN is scheduled to present a detailed report on Burma’s situation in mid-July, more than two months after the cyclone and when its aftermath will have already taken a devastating toll on life, health, and future rice crops. ASEAN Secretary General Surin placed the best possible face

on all of this: “We have been able to establish a space, a humanitarian space, however small to engage with the Myanmar authorities.” At a more recent one-day ASEAN workshop, he said that ASEAN has shown it is up to the responsibility placed on it, that the new ASEAN was “baptized by Cyclone *Nargis*.” Critics are less sanguine: the junta has returned to its old oppressive ways, and some say that ASEAN allowed itself to be used by the generals to provide the semblance of a positive response to the international community in order to escape international condemnation.

Washington should stand by its commitment to help the ASEAN Secretariat enhance its administrative capabilities. If the new ASEAN Charter is ratified and the ASEAN social, economic, and security communities follow, Washington will be in a position to contribute to the development of Southeast Asia’s next organizational generation – an important foreign policy opportunity for the forthcoming U.S. administration.

Chronology of U.S.-Southeast Asian Relations April - June 2008

April 1, 2008: A State Department spokesman accuses Burma’s ruling military junta of continuing “a climate of fear and repression” in arresting opposition activists.

April 6-7, 2008: Secretary Hill visits East Timor and praises the fledgling state’s ability to cope with the recent assassination attempts on President Jose Ramos-Horta and Prime Minister Xanana Gusmao.

April 8, 2008: Secretary Hill meets with his North Korean counterpart in Singapore.

April 8-9, 2008: U.S. Pacific Command (USPACOM) Commander Adm. Timothy Keating visits Brunei and discusses anti-terrorist cooperation.

April 9, 2008: U.S. Ambassador to the Philippines Kristie Kenney pledges U.S. rice exports to the Philippines to ensure supplies amid soaring commodity prices.

April 10, 2008: USPACOM Commander Adm. Keating visits Indonesia and praises the latter’s military peacekeepers in the Lebanon UN force.

April 11, 2008: Singapore Senior Minister Goh Chok Tong meets President Bush in the White House. The president describes Singapore as “a very strong ally” on the global war on terror.

April 11, 2008: The U.S. appoints Scott Marciel as the first U.S. ambassador for ASEAN affairs. He also serves as deputy assistant secretary of state for East Asia and the Pacific.

April 24, 2008: The U.S. Senate votes to award Aung San Suu Kyi the Congressional Gold Medal. The bill, which was approved by the House of Representatives December 2007, is passed unopposed in the Senate.

April 28, 2008: The Vietnamese government announces that it will end an adoption agreement with the U.S. amid accusations of corruption. A recent report from the U.S. embassy in Hanoi cited cases in which children had allegedly been sold and families pressured to give up their babies. Vietnam dismisses the claims as unfair.

April 29, 2008: President Bush issues executive order that instructs the Treasury to freeze the assets of Burmese “state-owned companies that are major sources of funds that prop up the junta.” The sanctions target companies and industries that produce timber, pearls, and gems.

May 3, 2008: Tropical Cyclone *Nargis* strikes Burma, devastating much of the fertile Irrawaddy River delta and the nation’s major city, Rangoon.

May 3, 2008: ASEAN trade ministers agree to help each other during the global food crisis and to take measures to maintain the stability of rice prices and boost production.

May 8, 2008: U.S. Secretary of State Rice says that Burma should consider foreign disaster relief as humanitarian and not political intervention.

May 8, 2008: After a two-day delay, Burma allows the first aircraft load of UN-sponsored relief goods for victims of Cyclone *Nargis* into the country. However, workers from several international aid agencies are still not given visas to enter the country.

May 8-21: U.S. and Thai troops stage *Cobra Gold*. This year’s annual joint military exercise takes place in northern Thailand, emphasizing peacekeeping and includes over 5,000 Thai and 6,000 U.S. forces plus small contingents from Singapore, Indonesia, and Japan.

May 9, 2008: The U.S. head of mission in Burma says the country’s death toll could go to 100,000 from the cyclone and its aftermath.

May 9, 2008: Secretary of State Rice urges Burma’s military government to admit disaster assistance from the international community.

May 10, 2008: Burma’s junta opens the polls for a referendum on a new constitution, which it says will pave the way for democratic elections in 2010. Pro-democracy campaigners say the ballot will be rigged and accuse the generals of trying to prolong their reign.

May 10, 2008: The U.S. Ambassador to Thailand says that a U.S. disaster relief team is waiting in Thailand for visas to Burma.

May 12, 2008: The White House announces an additional \$13 million in aid to Burma for food and logistical assistance as cyclone relief.

May 12, 2008: State Department officials state they are concerned that international relief goods are being sold by the junta on the local black market.

May 12-13, 2008: Adm. Keating is on board the first U.S. relief flight to Rangoon, the first time in years a USPACOM commander has entered Burma. On the 13th, two more U.S. relief flights are permitted to land in Rangoon.

May 14, 2008: U.S. National Security Council spokesman Gordon Johndroe dismisses the Burmese constitution referendum, which the regime claims received a 92.4 percent approval.

May 16, 2008: An additional four *C-130* cargo planes land in Burma, the Rangoon authorities now permitting daily relief flights, but still no visas for relief agency personnel.

May 17, 2008: Shari Villarosa, chief of the U.S. mission in Rangoon, flies over the Irrawaddy delta with Burma's foreign minister by helicopter and states: "It was a show."

May 21, 2008: U.S. ASEAN envoy Marciel tells a Congressional hearing that swift aid access to cyclone-devastated areas in Burma is more important than the fundraising conference requested by the ruling junta.

May 21, 2008: Burma's government mouthpiece, *The New Light of Myanmar*, states that foreign donors are a greater threat than the cyclone and that the U.S. ships could be used to overthrow the government.

May 23, 2008: Fifty U.S. military cargo flights have landed in Rangoon by this date. No other locations have been served.

May 24, 2008: Burma's military rulers say foreign aid workers will be given visas to deliver assistance, but foreign military equipment and personnel are still prohibited. Only 25 percent of those in need have received any aid.

May 25, 2008: U.S. Ambassador to ASEAN Marciel states the U.S. is prepared to offer more than the \$20.5 million in aid already donated, contingent on access to the worst hit areas.

May 27, 2008: President Bush expresses outrage at Burma's military junta's decision to extend Nobel Prize winner Aung San Suu Kyi's house arrest for another year.

May 29, 2008: U.S. chairman of the Joint Chiefs of Staff in an Indonesian visit offers to resume joint exercises between the two countries' special forces that had been halted for several years.

May 30, 2008: The U.S. Navy hospital ship *USNS Mercy* begins a humanitarian medical service deployment in Indonesia.

May 31, 2008: At the Singapore Shangri-La Dialogue, U.S. Defense Secretary Robert Gates obliquely warns China not to pressure Southeast Asian claimants to South China Sea resources in Beijing's quest for energy and says the U.S. will play an "enduring role" in Asia. Gates accuses Burma's junta of "criminal neglect" in blocking large-scale international aid for cyclone victims and praises Malaysia for its role in protecting the Malacca Strait from piracy and terrorism.

June 2, 2008: In Bangkok, Secretary Gates expresses U.S. support for Thailand's democratically elected government and says Washington would frown on any military coup attempt.

June 2, 2008: Chairman of the Joint Chiefs of Staff Adm. Mike Mullen visits Mindanao for the *Balikitan* exercises and meets Philippine Chief of Staff, Lt. Gen. Alexander Yano.

June 2, 2008: Restoring military aid to Cambodia after a 10-year hiatus, the U.S. gives 31 used trucks to the country's military.

June 3, 2008: The U.S. agrees to provide the Philippines with \$15.5 million to help guard its southern maritime border against pirates, smugglers, and terrorists.

June 5, 2008: U.S. Navy ships loaded with food, water, and medical supplies, after weeks of waiting, leave the area after the Burma government refused to permit them access.

June 5, 2008: U.S. *C-130s* have delivered more than 2 million pounds of emergency relief supplies from Thailand to Rangoon by this date.

June 9, 2008: U.S. Attorney General Michael Mukasey in Jakarta offers Washington's support for the establishment of an Indonesian anti-corruption task force.

June 11, 2008: A U.S. Navy helicopter from the medical ship *USNS Mercy* is hit by gunfire while on a humanitarian mission in Mindanao. Subsequently, the *Mercy* curtails its humanitarian mission and leaves for its next stop in the central part of the island country.

June 11, 2008: The U.S. State Department backs the conclusion of a UN Human Rights Monitor that Burma's draft constitution vote was far from credible and that political prisoners were being held in "appalling" conditions.

June 13, 2008: The U.S. Supreme Court blocks the recovery of \$35 million held by a U.S. brokerage firm for over 9,500 human rights victims of the Marcos era in the Philippines.

June 17, 2008: The U.S. State Department declares the Philippine's Rajah Solamin Movement to be a terrorist group linked to Abu Sayyaf and Jemaah Islamiya.

June 19, 2008: Secretary of State Rice accuses the Burmese junta of backtracking on even the "modest steps" it had promised to meet regularly with Aung San Suu Kyi and to permit her to meet with her NLD colleagues.

June 20-30, 2008: The U.S. hospital ship *USNS Mercy* visits Cam Ranh Bay Vietnam for a 10-day stay, treating hundreds of patients.

June 21-30, 2008: Philippine President Gloria Macapagal-Arroyo visits the U.S. In addition to President Bush, she meets presidential candidates McCain and Obama.

June 23-26: Vietnam Prime Minister Nguyen Tan Dung visits U.S. and meets President Bush.

Comparative Connections

A Quarterly E-Journal on East Asian Bilateral Relations



China-Southeast Asia Relations: Cyclone, Earthquake Put Spotlight on China

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Cyclone *Nargis* briefly put China in the international spotlight as Asian and world leaders sought help from Myanmar's main international backer in order to persuade the junta to be more open in accepting international assistance. The massive Sichuan earthquake of May 12 abruptly shifted international focus to China's exemplary relief efforts and smooth cooperation with international donors. Chinese leadership attention to Southeast Asia this quarter followed established lines. Consultations with Chinese officials showed some apparent slippage in China's previous emphasis on ASEAN playing the leading role in Asian multilateral groups.

Impact of cyclone, earthquake

The resistance of the junta in Myanmar to international relief efforts for victims of Cyclone *Nargis* that hit the country on May 3 placed China, the main international supporter of the regime, in an awkward position. In a display of goodwill, China initially contributed \$1 million of emergency aid and sent a medical team of 50 physicians to provide medical assistance and equipment. Beijing subsequently announced that it would provide another \$4.3 million. At the international pledging conference organized by the UN and ASEAN on May 26, China announced that it would step up its contribution with an additional \$10 million, bringing China's total assistance to a little over \$15 million.

China's assistance was widely trumpeted in the media at home, but its contributions pale in comparison to assistance from other countries. It also points to China's steep learning curve and limited capacity to provide and coordinate humanitarian relief efforts and its limited influence over the military junta. According to the U.S. Agency for International Development (USAID), humanitarian assistance from the U.S. government amounted to nearly \$38 million, including the deployment of an inter-agency rapid assessment team to the Irrawaddy delta region, flying *C-130* sorties providing relief commodities, and coordinating with the UN and World Food Program (WFP) to organize post-*Nargis* joint assessment teams. The junta, however, prevented U.S. and other navies from assisting, and restricted other international aid. This resulted in greater pressure from concerned media, interest groups, and other international opinion for China to do more to persuade the regime to end the restrictions. Official Chinese media duly reported the dire situation in Myanmar in the aftermath of the cyclone, but Beijing adhered to the longstanding support for Myanmar's sovereignty and independence in the crisis situation. The *Washington Post* reported on May 10 that President Bush was considering calling his Chinese counterpart to

urge that China use its influence to get the Myanmar administration to open more to outside help. That China was indeed privately urging Myanmar to open up seemed evident when U.S. Deputy Secretary of State John Negroponte told the Senate Foreign Relations Committee on May 15 that “we appreciate China’s willingness to press the Burmese regime to cooperate with the international community’s efforts to provide humanitarian assistance to the people of Burma.”

The importance of the Myanmar crisis for China seemed to end on May 12 when a massive earthquake hit China’s Sichuan Province. China’s rapid response and openness to international relief pouring into the country was widely cheered at home and abroad. The Chinese leadership’s diligence and attentiveness to the tens of thousands of dead and wounded and the millions displaced stood in stark contrast to the Myanmar junta’s defensive and seemingly insensitive reactions to Cyclone *Nargis*.

Hu Jintao at Boao Forum

President Hu Jintao traveled close to Southeast Asia to deliver the opening speech and consult with visiting leaders at the annual Boao Forum for Asia in Hainan Province in April. Hu’s address reiterated China’s good neighbor policy emphasizing building mutual trust, economic cooperation and openness, and non-exclusive cooperation among numerous Asian regional and sub-regional organizations which he said were playing “an increasingly important role” in regional affairs. Hu’s reported activities gave short shrift to Southeast Asia. They were overshadowed by his consultations with visiting Taiwan Vice President-elect Vincent Siew and Australian Prime Minister Kevin Rudd, which received prominent attention in Chinese media.

Wen Jiabao in Laos

Premier Wen Jiabao visited Laos to participate in the third Greater Mekong Subregion (GMS) Summit on March 31 and to sign seven Chinese agreements with Laos during a “half-day working visit” to the country. The premier made a package of proposals on boosting cooperation among members of the GMS (China, Laos, Myanmar, Thailand, Cambodia, and Vietnam). They focused on infrastructure development. Wen said the GMS should step up building transportation corridors and a highway network linking all members of the region. Chinese media said that two crossing corridors are being completed in the region. The “north-south corridor” – a 2,000 km highway linking Kunming in China’s Yunnan Province and Bangkok via Laos, and the “east-west corridor” – a 1,500 km highway stretching from Vietnam’s Da Nang through Laos and Thailand to Myanmar. The *New York Times* on March 31 explained how new roads as well as upgraded ports and removal of rapids along the Mekong River have improved surface transportation to previously isolated areas of Southeast Asia and improved living standards. The development also has prompted some reports of environmental damage and concerns about the independence of smaller Southeast Asian countries bordering China in the face of commercial entrepreneurs from the north.

Wen also said China is ready to work closely with Thailand and the Asian Development Bank to expedite the building of the Houayxay-Chiang Khong International Bridge along the Kunming-Bangkok Highway with the aim to link all sections of the north-south corridor by 2011. He called for greater efforts to integrate regional power grids, to construct an information

superhighway throughout the area, and pledged some financial support for completing a missing section of a planned eastern route of a Singapore-Kunming rail link. As the road, rail, river, electric power linkages develop, Wen urged GMS members to take further steps to facilitate cross-border transportation of people and goods.

Wen's visit to Laos saw the signing of agreements dealing with trade, investment and infrastructure. The agreements involved trade and aid to help Laos with road construction, power generation, and e-government. The China Export and Import Bank also offered \$100 million in export buyer's credit for projects concerning the purchase of helicopters and vehicles.

Vietnam party leader visits China

Vietnam's Communist Party leader Nong Duc Manh arrived in Beijing in late May for a four-day visit. Official Chinese media highlighted the relief supplies he brought for Chinese earthquake victims, which elicited warm appreciation from Hu Jintao when he met Manh on May 30. A main focus of Manh's visit was advancing border demarcation. Manh said the two sides will finish erecting markers along the land border by the end of 2008. Regarding the often contentious Sino-Vietnamese relationship over disputed maritime claims, a joint statement issued on June 1 said the two countries agreed to build on agreements reached in 2004 demarcating claims and fishery rights in Beibu Bay, a part of the South China Sea that separates southern China and northern Vietnam. They notably pledged to start a joint survey in the waters outside the mouth of Beibu Bay. They also agreed to continue joint inspections and navy patrols of fishing in Beibu Bay.

Olympic torch relays

The passage of the Olympic torch through the region in April was marked by less controversy than its trips through Europe and the U.S., but did little to improve China's relations with important regional governments and China's overall image in the region. Local media coverage of the tight security surrounding the torch relays in Thailand, Indonesia, and Australia conveyed grim scenes of heightened police protection, restricted routes, and conflicting demonstrations that seemed far from the "one world" theme China seeks to promote for the August 2008 games.

Naval base, submarine deployment in Hainan Island

Using high-resolution commercially available satellite imagery, *Jane's* reported in April the development of "a major underground nuclear submarine base" near Sanya, on China's Hainan Island. Published imagery showed a Chinese *Type 094* second-generation nuclear ballistic missile submarine (SSBN) berthed at the base. The disclosure prompted a flurry of negative commentary in the U.S., India, and elsewhere warning particularly of the implications of such a Chinese base for the sea lines of communications passing through Southeast Asia. The base apparently has been in existence for many years and several commentaries said that it could support many more submarines. Amid reports regarding the Chinese base and reported Chinese interest in building aircraft carriers, U.S. Pacific Command (USPACOM) Commander Adm. Timothy Keating told a *Voice of America* interviewer in early May that he has called on China to

give up any plans to develop such “high-end military options,” and said the U.S. has no intention of abandoning its position as the leading military power in Asia.

Defense Secretary Gates, Gen. Ma Xiaotian at Shangri-La Dialogue

Though *The New York Times* endeavored to interpret Secretary Robert Gates remarks at the annual meeting of defense ministers in late May as critical of China, other observers saw little criticism. The secretary’s focus appeared to be directed at reassuring regional governments of U.S. resolve and engagement in the Asia-Pacific. The leader of the Chinese delegation, Lt. Gen. Ma Xiaotian, tried to rebut international criticism of China’s rising defense efforts. He asserted that the Chinese buildup is a logical development consistent with its economic growth and increasing interests, and that China poses no threat to its neighbors or others.

East Timor, Rudd’s “bias” for Beijing, Chiang Mai Initiative

Australian media reported with some concern in April that China signed a \$28 million deal selling two advanced patrol boats to East Timor. The agreement underlined China’s growing profile in the struggling and impoverished state. China recently completed a large foreign ministry office building and reportedly is involved in oil and gas exploration and a geological survey of the country.

Australian and U.S. media also noted negative reaction to Australian Prime Minister Kevin Rudd’s reported favoritism of China among regional governments. Reports indicated that U.S. leaders have been reassured by strong pro-U.S. statements made by Rudd, but “strategic leaders” in India, Japan, and Southeast Asia believe that the Rudd government is “listing” toward China in ways detrimental to their interests and broader regional stability.

Xinhua reported on May 4 that the finance ministers of the ASEAN Plus Three partners (the 10 ASEAN members plus China, Japan, and South Korea) agreed on a minimum scale to a regional reserve swap that would be valued at \$80 billion. This marked the latest advance in the emerging regional swap arrangement referred to as the Chiang Mai Initiative that began after the Asian economic crisis as a mainly evolving series of bilateral swap arrangements designed to deal with speculative attacks on the currencies of member economies. It remains unclear what rules, if any, have been established on a regional multilateral basis to insure repayment and reforms on the part of ailing regional economies aided by the swaps.

Signs of adjustment in China’s view of ASEAN and Asian multilateralism

Deliberations at the annual Asia-Pacific Roundtable in Kuala Lumpur and in-depth consultations with senior Chinese foreign policy makers in Beijing during June 2008 showed signs of adjustment in China’s view of ASEAN and its leadership role in Asian multilateralism. As in the past, Chinese officials at the Asia-Pacific Roundtable and in Beijing duly registered their support for ASEAN taking the lead in Asian multilateral organizations supported by China such as the ASEAN Regional Forum (ARF) and the ASEAN Plus Three. Chinese officials in Kuala Lumpur and Beijing acknowledged the need for ASEAN to be in the lead in part as a way to reduce the tendency toward competition for leadership of Asian multilateral groups, notably by China and

Japan. Japanese officials and representatives at the Asia-Pacific Roundtable also registered continued support for ASEAN leadership in Asian multilateralism.

However, the deliberations in Kuala Lumpur and Beijing showed a convergence of two trends that was leading to a perceived decline in Chinese emphasis on ASEAN leadership in Asian multilateralism. On the one hand, ASEAN weaknesses and perceived inability to lead were highlighted at the Malaysian meeting and acknowledged by Chinese officials during the consultations in Beijing. The ASEAN shortcomings were seen in the following areas:

- The least-common-denominator decision making that led to an ASEAN Charter that disappointed ASEAN members seeking tighter regional rules and resulted in continuing debate among ASEAN members over ratification of the Charter;
- new internal weaknesses among ASEAN's leading powers, Thailand and Malaysia, adding to ongoing governance difficulties in the Philippines and Indonesia and an overall preoccupation of most ASEAN governments with internal difficulties;
- the painfully protracted and less than satisfactory ASEAN effort to nudge Myanmar to accept cyclone relief; and
- the inability of the ARF to get beyond existing confidence building and other techniques in order to deal more effectively with regional problems.

On the other hand, there were new opportunities for non ASEAN-led regional multilateral cooperation brought about by the progress toward a multilateral security mechanism in northeast Asia as part of the Six-Party Talks, the improvement of China's relations with Japan (President Hu Jintao gave top priority in foreign affairs to his extended trip to Japan this quarter), as well as improvement in Japan's relations with South Korea. The progress and improvements opened the way for the "plus three" powers to cooperate and coordinate more closely in the Six-Party Talks and to arrange meetings separate from the ASEAN Plus Three gatherings.

The signs of Chinese adjustment showed no indication of a change in China's support for state sovereignty and independence and consensus decision making in ASEAN. There are many perceived advantages for China in the existing ASEAN decision making. But Beijing has shown greater willingness to pursue multilateral initiatives in Northeast Asia and with Japan and South Korea that play down or ignore ASEAN's leadership role.

Assessing China's rise and U.S. implications

Several articles by foreign specialists this quarter argued strongly that China's rise is displacing the U.S. leadership position in Southeast Asia. Fu-kuo Liu from Taiwan's Institute of International Relations warned in May that China is leading "a new wave of regional cooperation in Southeast Asia" and "China-driven mechanisms for regional cooperation look set to overwhelm all possible areas of economic and political cooperation." Against this background, the former Brookings Institution scholar said that China has come to so dominate the Southeast

Asian area that “the United States may not have a substantial role to play,” especially regarding trade and economic development issues important to Southeast Asian governments.

Matthew Daley, a former Southeast Asia policy maker in the State Department and currently president of the US-ASEAN Business Council, argued in April that “the challenges the United States faces today in maintaining its influence in the face of a resurgent China are significantly greater, and its influence has, in relative terms, diminished noticeably.” He urged the U.S. to adopt a more active and accommodating regional posture, including signing the ASEAN-sponsored Treaty of Amity and Cooperation.

Such assessments of U.S. decline as China rises in Southeast Asia have been offset by what appears to be a more prevalent recent trend of foreign and Chinese specialists offering more balanced views of China’s rise and what it means for U.S. leadership in the region. Some of these articles have been written by U.S. specialists who previously associated themselves with warnings of U.S. decline as China rises, but who now view the situation as less adverse for U.S. interests. Thus, specialists at the U.S. National Defense University’s Institute for National Strategic Studies (INSS) added important caveats to earlier INSS assessments of China’s growing influence in Asia and the implications for U.S. policy. The key findings in an April 2008 study notably started with an assertion reassuring that “The balance of power in East Asia is stable and favors the United States.” The study went on to note however that what it called “the balance of influence” in the region “is tipping toward Beijing.” It judged that if the U.S. failed to take action to buttress its influence in Asia, China’s abilities to translate economic, diplomatic, and military power into influence in East Asia could “undermine U.S. interests.”

The specialists at the Congressional Research Service also seemed to pull back from earlier warnings in a variety of CRS publications of the implications of China’s rise for what was often depicted as declining U.S. influence and leadership. A book-length study published by the Senate Foreign Relations Committee in April assessed the power and influence of China in the developing world. As Committee Chairman Joseph Biden noted in the introduction, “CRS finds that China’s success has been mixed and its influence remains modest.” The chapter on Southeast Asia was more positive about China’s influence than the other chapters. It noted that China is edging out the U.S. as Southeast Asia’s leading trading partner. It highlighted the views of some observers regarding China’s growing influence at a time of perceived decline in U.S. interest and involvement in Southeast Asia, though it also acknowledged other views that China’s “capabilities often are exaggerated, its soft power is limited, tensions in its relations with the region remain, and its friendships are transient.”

Australian specialist Carlyle Thayer in April published an assessment of Indonesian, Thai, and Philippine reactions to China’s policies that highlighted the successes of China’s recent approach to Southeast Asia. Thayer judged China has proven quite adroit in spreading economic, military, and cultural influence. He provided balance in noting that regional anxieties linger over China’s future use of its growing military, impact on the environment, harmful trade practices, and socialization into the ASEAN community. Thayer suggested that Indonesia, Thailand, and the Philippines, to varying degrees, will continue to draw China into webs of interdependence. This integration will be both bilateral and ASEAN-centered. The three countries also are seen as

likely to hedge against China not only by encouraging the U.S. to stay engaged in the region but also by prompting Japan and India to take more active security roles.

Singapore-based specialist Ian Storey published two articles this quarter showing weaknesses in China's approach to Vietnam and the Philippines. In his judgment, despite growing influence, Beijing has been unable to resolve contentious sovereignty issues in the South China Sea, leading to defensive reactions unfavorable to China on the part of Hanoi and Manila.

Meanwhile, the *Foreign Affairs Journal*, a publication associated with the Chinese Foreign Ministry, published this quarter a comprehensive assessment of the debate among Chinese specialists regarding how far China is advancing in power relative to the U.S. in Asian and world affairs. The author criticized those Chinese specialists who saw the U.S. in decline relative to China as a result of U.S. preoccupations and weaknesses at home and abroad. He reviewed four earlier episodes of perceived U.S. decline since World War II when China judged wrongly that U.S. difficulties were leading to a power shift against the U.S. He judged that U.S. economic, military, scientific and other power meant that it would remain "the sole superpower" in Asian and world affairs "for a fairly long period of time."

Looking ahead

Relief and reconstruction after the Sichuan earthquake and the Olympic Games in Beijing in August seem likely to preoccupy Chinese leaders and leave little room for significant initiatives regarding Southeast Asia. China's overall satisfaction with the Southeast Asian situation seems likely to continue as Chinese officials follow established lines in advancing Chinese interests.

Chronology of China-Southeast Asia Relations April-June 2008

April 1, 2008: Chinese Premier Wen Jiabao joins counterparts from Thailand and Laos to open the new "R3 Highway" in Vientiane, Laos. The highway will provide a direct passageway from Jinghong in southern China to Singapore through the northern parts of Thailand and Laos.

April 1, 2008: Senior military leaders from China and Myanmar meet in Laiza, a town in Myanmar that is controlled by the Kachin Independence Army (KIA). The delegations discuss border security, combating illicit cross-border drug trade, and repatriation issues.

April 7, 2008: Wang Zhaoguo, vice chairperson of the Chinese National People's Congress (NPC) Standing Committee, meets Vo Van Thuong, head of the Ho Chi Minh Communist Youth Union delegation from Vietnam. The two sides agree to increase exchanges between the two communist youth leagues as a trust-building mechanism for the younger generation.

April 14-15, 2008: Vice President Xi Jinping meets Thai Foreign Minister Noppadon Pattama in Beijing. In his welcoming remarks, Xi indicates that China is ready to further deepen strategic cooperation with Thailand. Pattama also meets other senior Chinese officials and policymakers.

April 15-17, 2008: Defense Minister Liang Guanglie and Malaysian Air Force Chief Tan Sri Dato' Sri Azizan Bin Ariffin meet in Beijing to discuss the state of bilateral military relations. Ariffin also meets his Chinese counterpart, Xu Qiliang, member of the Central Military Commission and commander of the PLA Air Force. They agree to increase personnel exchanges and advance cooperation and training between the two air forces.

April 30, 2008: Berna Romulo Puyat, undersecretary for agriculture of the Philippines, announces that 36 agreements between China and the Philippines on agriculture and fisheries have been suspended. The agreements set aside more than 1 million hectares of land for hybrid rice and corn production, agri-business projects, sugar cane, and cassava for renewable fuels with most of the end products exported to China. Manila has seen increasing pressure from opposition groups to reexamine and suspend these agreements with Beijing.

May 2, 2008: Vice Foreign Minister Wang Yi meets Myanmar Ambassador to China U Thein Lwin to discuss the situation in Myanmar after the cyclone. Wang announces that Beijing will offer disaster relief assistance, providing \$1 million emergency aid in the immediate aftermath of the cyclone and will contribute an additional \$4.3 million to help with the reconstruction.

May 17, 2008: Following the earthquake in Sichuan, Foreign Minister Yang Jiechi meets the Singaporean and Indonesian foreign ministers in Beijing to thank them for their countries' relief support and assistance, including rescue personnel and disaster relief equipment and materials.

May 22, 2008: In Phnom Penh, nearly \$70,000 worth of transportation vehicles, computers, and other office equipment arrives from China as part of a support package and donation to the Cambodian Ministry of Relations with Parliament and Inspection. This year marks the 50th anniversary of the formal establishment of diplomatic ties between China and Cambodia.

May 26, 2008: Foreign Minister Yang Jiechi attends an international pledging conference in Yangon organized by the UN and ASEAN for the cyclone disaster in Myanmar. Yang announces China's commitment to donate another \$10 million of emergency aid, which would bring China's total assistance to \$15.3 million. He also calls for the international community to continue to provide humanitarian assistance to Myanmar and indicates that China supports the constructive role of such multilateral institutions as the UN and ASEAN to coordinate relief and rescue efforts as well as the post-disaster reconstruction.

May 27, 2008: He Guoqiang, member of the Standing Committee of the Political Bureau of the Communist Party Central Committee and secretary of the Central Commission for Discipline Inspection, meets Laotian Vice Prime Minister Asang Laoly in Beijing. He provides a briefing on the earthquake reconstruction efforts and expresses his appreciation for Lao's support and assistance in these efforts. The two leaders also discuss the prospects for strengthening exchanges between the two parties.

May 28, 2008: Two Chinese and two Vietnamese guided-missile ships conduct the fifth bilateral joint maritime patrol exercise in the Gulf of Tonkin. During the patrol, both navies engage in training in establishing communications, alternating formations, and alternating

command. Under the Agreement for Joint Patrol of the Gulf of Tonkin signed in October 2005, China and Vietnam agreed to carry out joint patrols in May and December of each year.

May 31-June 1, 2008: President Hu Jintao and Premier Wen Jiabao meet Nong Duc Manh, general secretary of Vietnam's Communist Party Central Committee, who is on an official four-day visit to Beijing and Jiangsu Province. They agree to expand bilateral ties, establish a comprehensive strategic partnership, and to continue talks on demarcation in maritime zones in the area of the mouth of the Gulf of Tonkin/Beibu Bay. In a joint statement, they announce that they will establish a hotline between the two heads of state.

June 4, 2008: China's Ministry of Public Security and professors from the Public Security Maritime Police Academy host a two-week maritime law enforcement workshop for 42 senior maritime officials from 24 Asian and African countries. The workshop discusses ways to deepen multilateral maritime law enforcement cooperation and includes visits to Chinese maritime law enforcement agencies in Zhejiang and neighboring Shanghai.

June 6, 2008: Chinese Commerce Minister Chen Deming attends an international conference in Kunming, Yunnan with senior representatives from five other countries in the Greater Mekong Subregion (GMS). They agree to set up the GMS Economic Corridors Forum to increase multilateral collaboration in the areas of transportation and infrastructure development, energy security, telecommunications, tourism, agriculture, trade, and the environment

June 10, 2008: China hosts the second ASEAN Plus Three workshop on disaster relief. Senior representatives from the region's armed forces discuss ways to enhance regional collaboration on disaster relief, focusing their discussion on the prospects for setting up a more cohesive regional coordination mechanism and a standard operating procedure.

June 17, 2008: Wang Zhongtang, deputy director of the China National Nuclear Safety Administration, leads a delegation to attend the ASEAN Plus Three forum on nuclear safety in Bangkok. Southeast Asian countries express interest in alternative energy sources, including nuclear energy, and are turning to China, Japan, and South Korea for experience and technological capacity. Wang announces that China would be willing to increase exchanges and cooperation with ASEAN members.

June 25, 2008: The Chinese government announces at a press conference in Beijing that it has provided \$100 million in recent years to help cut down poppy production in Myanmar and converting the poppy fields to other cash crops.

June 30, 2008: Samak Sundaravej, prime minister of Thailand, arrives in Beijing for an official four-day visit in China and is scheduled to meet President Hu Jintao and Premier Wen Jiabao to discuss cross-border transportation links and infrastructure development, expanding economic ties, and cooperation between the two militaries.



**China-Taiwan Relations:
Dialogue Resumes in Relaxed Atmosphere**

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Events in cross-Strait relations have unfolded rapidly since Ma Ying-jeou's election in March. After a nine-year hiatus, formal dialogue between Beijing's Association for Relations Across the Taiwan Strait (ARATS) and Taipei's Straits Exchange Foundation (SEF) resumed on June 12 in Beijing. These two nominally unofficial associations reached agreements on weekend charter flights and Chinese tourism. The atmosphere of cross-Strait relations in this honeymoon period is so relaxed and consultative that it is hard to remember the bitter tensions that poisoned relations just a few months ago. However, political constraints on Presidents Hu Jintao and Ma Ying-jeou will make progress difficult, particularly on the international relations and security issues that are crucial to a lasting relaxation of tensions.

Setting the stage

Since Ma's election in March, cross-Strait rhetoric has calmed with both Beijing and Taipei utilizing opportunities to improve the tenor of relations. No time was lost, even during the two-month hiatus pending Ma's inauguration. In early April, Vice President-elect Vincent Siew announced that he would attend the Boao Forum for Asia, as he has for several years, in his capacity as chairman of the Cross-Strait Common Market Foundation. At the forum, Beijing arranged for Siew to meet CCP General Secretary Hu Jintao on April 12. While each was present in a nominally nongovernmental capacity, both sides saw benefit in what was the first meeting between a PRC president and a vice president-elect from Taipei. In this ice-breaking encounter, Hu was quoted by *Xinhua* as saying that the occasion required each side to think deeply about how to improve cross-Strait relations in these new circumstances.

The following day, Siew and PRC Commerce Minister Chen Deming presided over a roundtable discussion with Chinese business leaders in which the Chinese expressed interest in investing in Taiwan, including in Ma's program of 12 infrastructure projects. The Commerce Ministry's report of the meeting stated that both sides looked forward to resuming dialogue "under the one China principle." When Siew protested this inaccurate report, the Commerce Ministry retracted it and reissued the report without the reference. That Beijing moved so quickly to deal with the issue was a sign of the party leadership's determination to establish positive dealings with the Ma administration.

Two weeks later on April 28, Ma announced his intention to appoint Lai Shin-yuan as the new Mainland Affairs Council (MAC) chairperson. Lai has been an outspoken Taiwan Solidarity Union (TSU) legislator and close to former President Lee Teng-hui. This appointment was

criticized by many in the KMT and raised concerns in Beijing. Lai and Premier-designate Liu Chao-shiuan moved quickly to give assurances both publicly and privately that Lai supported Ma's cross-Strait policies. The belief in Taipei was that Ma had appointed Lai as a form of reassurance to opposition critics who feared he would sacrifice Taiwan's interests in pursuing improved relations with the mainland. While perplexed by Ma's choice, Beijing kept its cool, heard the assurances, and chose not to comment on the choice.

The following day, Hu Jintao received KMT Honorary Chairman Lien Chan in Beijing in his second important meeting with an emissary from Taipei. Hu used the occasion to lay out his broad principles for cross-Strait relations. He said publicly, what he had said privately earlier, that cross-Strait relations should be resumed on the basis of the 1992 consensus without defining what that consensus was in order to allow Taipei room to assert its own views on its meaning. He also coined a 16-character guideline for cross-Strait relations saying the two sides should "build mutual trust, lay aside differences, seek consensus while shelving differences, and create a win-win situation." Hu also reaffirmed that both sides should implement the five-point program in the Hu-Lien 2005 press statement. In a sign that he understood the importance of international space to Ma Ying-jeou, Hu reiterated to Lien the point in their 2005 agreement that Taiwan's international activities could be discussed once dialogue was resumed. A few days later in a May 1 interview with *Phoenix TV*, Ma agreed that dialogue could be resumed on the basis of the 1992 consensus, which he described as both sides supporting one China but with their respective interpretations of its meaning. Beijing remained silent on this. Ma also welcomed Hu's 16-character guideline for cross-Strait relations.

On May 12, the catastrophic earthquake in Sichuan Province occurred, providing an unwelcome catalyst for more cross-Strait goodwill. There was an outpouring of sympathy and support from all sectors in Taiwan. The SEF sent a formal message of sympathy. ARATS responded by formally thanking the SEF, and *Xinhua* took the unusual step of reporting the exchange. Ma Ying-jeou called on the government and private sector to provide assistance. The PRC quickly authorized flights to bring aid offered by the Taiwan Red Cross and the Tzu Chi Foundation. A few days later, when Beijing was still reluctant to allow foreign aid groups in, Beijing accepted assistance from a Taiwan Red Cross rescue team. By late June, the Tzu Chi Foundation had raised \$26.7 million for earthquake relief.

Ma's inauguration

On May 20, Ma took office as the 12th term President of the Republic of China. While speaking frequently of the "Republic of China," Ma emphasized his Taiwan upbringing, thanked the people for "accepting and nurturing this post-war immigrant" and promised to protect Taiwan. On cross-Strait relations, Ma said Taipei was ready to resume dialogue and to reach agreements on weekend charters and tourism as first steps for promoting cross-Strait prosperity and peace. He went on to say that consultations would also be held on international space and a peace accord. Ma noted "Mr. Hu Jintao's" remarks on cross-Strait relations and his 16-character guideline and said, "His views are very much in line with our own." At the same time, Ma expressed the hope that the mainland would continue to move toward freedom, democracy, and prosperity as that would pave the way for long-term peace in cross-Strait relations. Taiwan Affairs Office (TAO) Minister Chen Yunlin publicly welcomed Ma's remarks.

The inauguration was followed quickly by Kuomintang (KMT) Chairman Wu Poh-hsiung's visit to the mainland at General Secretary Hu Jintao's invitation. Wu met Hu on May 28 and according to *Xinhua's* extensive report, Hu said more than once that opposition to Taiwan independence and support for the 1992 consensus were the essential basis for building mutual trust. He acknowledged that issues left over from history would not be easy to resolve and, in this context, repeated that Taiwan's international space could be discussed after dialogue resumed. He avoided mentioning the one China principle, choosing instead to talk about the sons and daughters of China (*chunghua ernu*) and the Chinese nationality (*chunghua mintzu*). Whether these words are significant remains to be seen.

Wu's visit was the capstone of rapid preparation for the resumption of formal dialogue. Immediately after Ma's inauguration, Chiang Pin-kung was sworn in as SEF chairman, and MAC Chairperson Lai officially authorized SEF to open dialogue. On the Chinese side, Wang Yi was sworn in as the new TAO minister and Chen Yunlin was appointed to fill the long-term vacancy as ARATS chairman. These selections mean that two men who have considerable experience working with each other – Chen Yunlin and Chiang Pin-kung – will be the principal interlocutors in cross-Strait relations. Hu Jintao's selection of Wang Yi puts a Foreign Ministry vice minister and former ambassador in charge of cross-Strait relations. Whether this will contribute to better coordination between two elements of PRC policy – the TAO's pursuit of cross-Strait reconciliation and the Foreign Ministry's efforts to limit Taiwan international space – remains to be seen.

Dialogue resumed

Formal dialogue between ARATS and SEF resumed June 12 after a nine-year hiatus. In two days of talks, the delegations led by Chen Yunlin and Chiang Pin-kung reached agreement on implementing weekend passenger charter flights beginning July 4 and on initiating group tourism from the mainland beginning July 18. In a sign of Beijing's more flexible attitude, the two delegations included officials from both sides serving as unofficial advisors. Chen accepted an invitation to visit Taiwan, in essence reciprocating the visit the late SEF Chairman Koo Chen-fu made to the mainland in 1998. Chen Yunlin proposed that ARATS and SEF establish reciprocal offices. After first seeming to accept this, Chiang subsequently stated that he would take the proposal to Taipei, as he had no formal instructions on it.

On June 13, Chiang met Hu Jintao, who hailed the ARATS-SEF meeting and the two agreements as a good beginning and said that the opportunity to improve cross-Strait relations should be seized. Chiang, in this first meeting as an unofficial but authorized spokesman for Taiwan, used the opportunity to explain again Taiwan's desire to have a dignified profile in the international community. In a sign of the continuing sensitivity of this issue in Beijing, *Xinhua's* report of the meeting did not mention Chiang's remarks on international space.

Subsequently, both sides have rapidly announced the specific flights that will inaugurate weekend charter service in July. A large Chinese tourism delegation has visited Taiwan and Ma's administration has taken steps to ensure that things go smoothly when the first tourism groups arrive in July. Opposition politicians have criticized the arrangements because only one

of the initial weekend flights will serve southern Taiwan. Others have criticized the tourism arrangements because the stringent controls on mainland tourism groups seem inappropriate and counter-productive in Taiwan's free and open society.

International space

While these early and easy steps were being taken and created a new positive tone in cross-Strait relations, the issue of international space has been lurking in the background. As noted, President Hu Jintao has acknowledged the issue in meetings with Taiwan emissaries. However, Beijing insiders have indicated that the leadership in Beijing has not yet decided how to deal with either the diplomatic relations or international organization aspects of the issue. In the meantime, Beijing appears to be handling issues that arise with care.

The World Health Assembly (WHA) meeting that was held in mid-May just before Ma's inauguration was not a test of Beijing's future approaches. In one of his last international acts, former President Chen Shui-bian reapplied to both for World Health Organization (WHO) membership and for observer status with the WHA using the name "Taiwan." Under Beijing's urging, the WHO Secretariat and WHA membership turned down both applications as they had done a year earlier. Shortly after Ma's inauguration, the annual meeting of the World Animal Health Organization (OIE) took place. Taipei did not press for changes in its status, which had been an issue a year earlier, and reported that Beijing did not exhibit any "hostility" toward Taiwan at the meeting. The Ma administration is now considering what steps to take at the UN General Assembly this fall, the occasion for unsuccessful bids by Taiwan for the past 15 years. Taipei has consulted Washington but not yet indicated how it will approach the issue this fall.

Sources from Beijing indicate that Beijing is not actively encouraging Taipei's remaining diplomatic allies to switch relations. Beijing recognizes that this would not be an opportune moment for a switch to occur, but mainland commentators uniformly point out that Beijing cannot prevent countries from doing so. In April, Paraguay elected a new president who had campaigned on a platform calling for recognition of Beijing. The new president's inauguration in August will present a test case.

U.S. arms sales

With Chen Shui-bian's exit, U.S. arms sales to Taiwan have again become a focus of attention. A variety of procurement projects are in the works, but the Bush administration has made no notifications to Congress of new sales this year and the U.S. continues to hold up Taiwan's long-pending request for *F-16C/D* aircraft. The press has speculated about a U.S. freeze on arms sales. President Ma has made it clear that he intends to invest in Taiwan's defense and continue with reasonable arms procurements. Taipei's new defense minister, Chen Chao-min, said on assuming office that Taiwan needs the new aircraft. Beijing, for its part, has been urging Washington not to approve the sale, arguing that this would damage U.S.-China relations and be inappropriate at a time when a budding cross-Strait dialogue is reducing the threat to Taiwan.

Just why the Bush administration is not prepared to move ahead with notifications and the *F-16* project is not entirely clear. Press reports indicate that both State Department and Defense

Department support moving ahead with arms sales. On June 25, DOD Assistant Secretary James Shinn, in congressional testimony, commented that despite the improved atmosphere of cross-Strait relations, the military balance was continuing to shift in the mainland's favor and that this shift is increasing the danger facing Taiwan. It is widely believed that the arms sales hold-up comes from President Bush. Whether and on what conditions he might be persuaded to move ahead remains a matter of speculation. Meanwhile, although Beijing's rhetoric and actions are less threatening, the PLA modernization programs continue.

Trade and investment issues

More productive cross-Strait economic relations are a core element in the Ma administration's policy for strengthening Taiwan's economy. The high-profile agreements on weekend charter flights and tourism from the mainland are only the most prominent steps being taken. At the Boao Forum, mainland business leaders expressed interest in investing in Taiwan. Premier Liu Chao-shiuan has stated that Taipei would welcome PRC investment, including in the 12 infrastructure projects that Ma Ying-jeou made the centerpiece of his economic platform.

A variety of unilateral decisions are being taken by both sides to expand economic ties. In April, Beijing authorized overseas subsidiaries of Taiwan banks to invest in mainland banks. It subsequently approved Fubon Bank's Hong Kong Branch to invest 19.9 percent in Xiamen Commercial Bank. In mid-May, the outgoing Chen administration approved 20 mainland investment projects totaling \$722 million. The new Ma administration has approved regulations for initial *Renminbi*-NT\$ currency exchange in Taiwan. In late June, Taipei liberalized its regulations governing cross-Strait securities investments. The changes ease restrictions on investments by Taiwan funds in the mainland and for the first time allow limited indirect investments in Taiwan securities by mainland interests. Taipei's Minister of Economic Affairs Yiin Chii-min has announced that the ceiling on Taiwan firms' investments in the mainland would be lifted by August. In late June, President Ma said the two sides should work toward an economic cooperation agreement.

Looking ahead

Cross-Strait relations are in a honeymoon period. The progress made is the result of efforts by both sides, and has been accomplished without U.S. involvement. There is much that can be done unilaterally and bilaterally by the two sides to keep relations moving forward positively in the months ahead. Most of these potential steps involve the economic relationship; others involve educational, cultural, social and symbolic measures. There is every reason to believe progress will continue.

However, without progress on international relations and security issues, which have damaged relations in the past, a lasting relaxation of cross-Strait relations will not be possible. The international space issue cannot be ducked for long. Beijing's handling of relations with a new government that takes office in Paraguay in August and Taipei's decisions on its approach to the UN in September are specific pending issues. In Taipei, Ma needs progress on international space if he is to sustain public support for his cross-Strait policies. The opposition is complaining, until now ineffectually, about some specifics in the weekend charter arrangement,

and tensions have emerged between the Legislative Yuan, particularly Speaker Wang Jin-pyng, and the Executive Yuan over negotiating further cross-Strait agreements. However, if Beijing is to compromise significantly on international space and diplomatic relations, Hu Jintao needs political assurance that his compromises will somehow lead toward progress on the long-term goal of unification, which Ma has said he will not discuss during his term in office. Both leaders have domestic imperatives. These are not easy issues.

U.S. arms sales to Taiwan are the only aspect of the sensitive trilateral security relationship that has been in focus recently. Both Hu Jintao and Ma Ying-jeou have spoken ambitiously about a cross-Strait peace agreement, but neither has done much to define what such an agreement might entail. Striking a balance between Beijing's desire for firm assurance against future moves toward independence and Taiwan's desire for a renunciation of force by Beijing may be possible but certainly not easy. A more promising approach would be to pursue gradual cross-Strait military confidence building measures – an approach that would be consistent with both leaders emphasis on the need to gradually build trust. Some unilateral adjustment of the PLA missiles aimed at Taiwan would be a good first step.

Having held up congressional notifications on pending arms sales, Washington now faces the sensitive task of choosing an appropriate time to resume those notifications. As usual, there is no good time for such decisions, which is the argument for making notifications as routine as possible. Because maintaining credible air defense is the highest security priority for Taiwan, the *F-16C/D* aircraft are essential to Taipei's efforts to counter the modernization of PLA air capabilities. With a government in Taipei that is moving as Washington has long wished to pursue constructive cross-Strait relations, President Bush should approve this sale so that Taiwan can sustain the confidence in its own security needed to negotiate core issues with the mainland.

Chronology of China-Taiwan Relations April-June 2008

April 4, 2008: President-elect Ma Ying-jeou hopes for weekend charter flights by July.

April 4, 2008: President-elect Ma favors applying for World Health Organization (WHO) observership as “Chinese Taipei.”

April 7, 2008: Vice President-elect Vincent Siew says he will attend Boao Forum.

April 9, 2008: President-elect Ma's *Financial Times* interview.

April 10, 2008: President Chen decides to reapply for WHO membership as “Taiwan.”

April 10, 2008: PRC defense minister urges Secretary of Defense Gates to end U.S. arms sales to Taiwan.

April 10, 2008: PRC bank regulator (CBRC) authorizes Taiwan branch banks on the mainland.

April 12, 2008: General Secretary Hu Jintao meets Vincent Siew at Boao Forum.

April 13, 2008: Vincent Siew attends seminar with PRC economic leaders who express interest in investing in Taiwan infrastructure.

April 13, 2008: PRC Commerce Ministry reports then retracts statement that Vincent Siew accepts “one China principle.”

April 14, 2008: Chiang Pin-kung chosen as new Straits Exchange Foundation (SEF) chairman.

April 16, 2008: Taiwan Affairs Office (TAO) spokesman expects progress on charter flights and tourism and announces Taiwanese may take PRC bar exams.

April 20, 2008: Paraguay elects first leftist pro-China president.

April 21, 2008: Group of Chinese real estate tycoons arrives in Taipei.

April 23, 2008: SEF Chair-designate Chiang predicts weekend charters to begin July 4.

April 23, 2008: Deputy Secretary of State John Negroponte says U.S. will engage with Ma only after inauguration.

April 23, 2008: President Chen’s letter to WHO returned to Taiwan.

April 28, 2008: Lai Shin-yuan chosen as new Mainland Affairs Council (MAC) Chairwoman.

April 29, 2008: General Secretary Hu receives Kuomintang (KMT) Honorary Chairman Lien Chan; Hu proposes 16-character guideline for cross-Strait relations.

April 30, 2008: TAO avoids commenting on Lai’s appointment as MAC chairwoman.

May 1, 2008: President-elect Ma’s interview with *Phoenix TV*.

May 1, 2008: Premier-designate Liu Hsiu-chuan welcomes Chinese investment in Taiwan infrastructure projects.

May 3, 2008: President-elect Ma welcomes Hu’s 16-character guideline.

May 6, 2008: Vice Premier Chiou I-jen and others resign over Papua New Guinea scandal.

May 8, 2008: Singapore’s Lee Kwan Yew says a Singapore-Taiwan free trade agreement hinges on better cross-Strait relations.

May 10, 2008: President-elect Ma reiterates call for a diplomatic truce with China.

May 12, 2008: Earthquake in Sichuan Province; Taiwan offers aid.

May 13, 2008: ARATS thanks SEF for concern and aid; TAO publishes text.

May 15, 2008: Humanitarian charter flight takes Red Cross & Tzu Chi aid to Sichuan.

May 15, 2008: President Ma tells *Associated Press* that unification unlikely “in our lifetimes.”

May 15, 2008: Taiwan’s Investment Commission approves 20 mainland investments.

May 17, 2008: TAO announces Chairman Hu’s invitation to KMT Chairman Wu Poh-hsiung.

May 19, 2008: WHA again rejects “Taiwan” observer application.

May 20, 2008: Ma Ying-jeou inaugurated as president of the Republic of China.

May 20, 2008: U.S. delegation meets with President Ma; praises inaugural address.

May 21, 2008: Minister of Defense Chen Chao-min says Taiwan needs *F-16s*.

May 21, 2008: TAO Minister Chen Yunlin comments positively on Ma’s inauguration.

May 23, 2008: MAC Chairwoman Lai envisages SEF and ARATS exchanging offices.

May 26, 2008: MAC authorizes SEF to resume dialogue on basis of 1992 consensus.

May 28, 2008: General Secretary Hu receives KMT Chairman Wu Poh-hsiung.

June 3, 2008: Wang Yi appointed new TAO minister; Chen Yunlin assumes chair of ARATS.

June 4, 2008: Minister of Defense Chen says no change in development of *Hsiung Feng IIE* surface-to-surface cruise missile.

June 4, 2008: In *Yomiuri* interview, President Ma repeats that removal of missiles from China’s coastal region immediately across the Taiwan Strait is a precondition for peace accord.

June 4, 2008: ARATS supports idea of reciprocal visits by ARATS and SEF chairmen.

June 9, 2008: President Ma meets SEF Chair Chiang; hopes for institutionalized talks.

June 10, 2008: *People’s Daily* reports vice ministers to advise SEF and ARATS delegations.

June 10, 2008: Japanese frigate hits and sinks Taiwan fishing boat near Diaoyutai; Taipei and Beijing protest the incident.

June 11, 2008: Taipei press reports *Defense News* story that U.S. has frozen arms sales.

June 12, 2008: Chen Yunlin-Chiang Pin-kung meeting marks resumption of SEF-ARATS dialogue; Chen accepts invitation to visit Taiwan.

June 12, 2008: ARATS proposes exchange of offices.

June 12, 2008: Legislative Yuan (LY) holds special session to authorize currency exchange.

June 13, 2008: ARATS and SEF sign agreements on weekend charters and tourism.

June 13, 2008: General Secretary Hu receives SEF Chairman Chiang.

June 15, 2008: President Ma calls for acceleration of SEF-ARATS talks.

June 16, 2008: Taiwan Coast Guard escorts boats to assert Taiwan sovereignty over Diaoyutai.

June 16, 2008: LY Speaker Wang Jin-pyng asserts LY role in cross-Strait issues.

June 16, 2008: Chinese tour operators visit Taiwan to survey market.

June 18, 2008: President Ma proposes signing economic cooperation pact with mainland.

June 18, 2008: President Ma explains cross-Strait goals in *New York Times* interview.

June 19, 2008: Tzu Chi Foundation has raised US\$26.7 million for Sichuan relief.

June 23, 2008: *Hanguang 24* military exercise begins.

June 23, 2008: Paraguay FM-designate says relations with Taiwan to be reviewed.

June 25, 2008: Minister of Economic Affairs Yiin Chii-min says investment ceiling for Taiwan companies investing in the mainland to be raised in August.

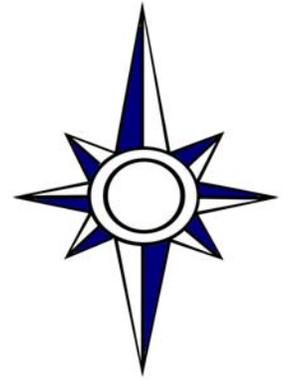
June 25, 2008: Deputy Assistant Secretary of Defense James Shinn says military balance continues to shift toward mainland increasing danger to Taiwan.

June 26, 2008: President Ma observes *Hanguang 24* exercise.

June 26, 2008: Taipei liberalizes regulations on cross-Strait securities investments.

June 30, 2008: *Renminbi*-NT\$ exchange begins in Taiwan.

June 30, 2008: Taipei lifts ban on *Xinhua* and *People's Daily* reporters.



**North Korea-South Korea Relations:
Lee Outflanked**

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Rarely does the political weather change so abruptly with the calendar as it has in Korea during the past quarter. As we reported in our last issue, North Korea chose April 1 – April Fools’ day – to finally break its long silence on the South’s new leader Lee Myung-bak, who was elected president last December 19 and took office on February 25. With rare restraint, Pyongyang had kept its counsel for several months since Lee – a former mayor of Seoul, ex-Hyundai CEO and self-described pragmatic conservative – was elected president by a large majority on a platform of mending fences with the U.S. and curbing Seoul’s “sunshine” policy of the past decade. Though ready to expand inter-Korean dealings on his own terms – as in his Vision 3000 program, which offered to triple North Korean national income to US\$3,000 per head – Lee insisted on linking any increased cooperation to progress on the North’s nuclear disarmament.

Sunshine dimmed

President Lee’s new approach to South-North cooperation signalled a distinct break from his predecessors Kim Dae-jung (1998-2003) and Roh Moo-hyun (2003-2008), both of whom – especially the latter – often seemed to operate “sunshine” semi-independently of the multilateral denuclearization effort embodied in the on-off Six-Party Talks (6PT), sometimes to Washington’s frustration. Thus, when Pyongyang fired a clutch of missiles in July 2006, followed in October by a nuclear test, Seoul rather oddly applied sanctions to humanitarian aid, but kept business as usual at the two flagship cross border projects in the Mount Kumgang tourist zone on the east coast and the Kaesong Industrial Complex (KIC) north of Seoul.

In the past, North Korea had never hesitated to excoriate Lee Myung-bak’s Grand National Party (GNP) as “nation-selling traitors” and “pro-US flunkeys.” Its long delay in commenting on Lee and his electoral victory bespeaks a debate in Pyongyang over what to make of him. He professed to be a pragmatist, after all and was suspected of being too soft on the North by, among others, the GNP’s last and twice-defeated presidential candidate, Lee Hoi-chang. The other Lee duly ran for president as a hard-right independent, taking 15 per cent of the vote and North Korean media trained their fire on him instead.

But it was too good to last. By April 1, Pyongyang had made up its mind and turned the full force of its bellicose rhetoric on Lee Myung-bak, as described in our last report. It continued throughout the quarter and as of early July, all official inter-Korean contacts and institutions were on hold with no sign of how or when the impasse would be broken. Yet, at the same time,

in the strange but on balance positive duality which is sunshine's lasting legacy, the Kaesong and Kungang zones carried on business as usual, although as described below on July 11 a fatal shot rang out that may prompt a rethink.

Lee at bay

As the inter-Korean standoff continued, it became increasingly clear that President Lee had miscalculated. He was and is also beleaguered on the home front, where bizarre protests against resumption of U.S. beef imports, of all things, escalated during May and June into large and sometimes violent street protests. The underlying beef seemed to be against Lee's high-handed style, even though his appeal was precisely as a no-nonsense former captain of industry who pledged CEO-style government.

Whatever the reason, in this volatile – not to say capricious – political atmosphere Lee's popularity plunged from 70 to below 20 per cent. The man formerly known as 'bulldozer' was reduced to grovelling apologies on television, twice; they cut little ice. Although the protests were dying down by July and the new National Assembly elected on April 9 at last convened on July 10 (the center-left opposition had been making hay over beef until then), this whole episode has left South Korea's new leader and government seriously weakened. It will be tough now for Lee to win back respect, either at home or abroad.

A bungled break

On the inter-Korean front too, Lee now looks to have bungled. In theory, making future sunshine conditional on progress in denuclearization was and is entirely reasonable. But in practice such a linkage has two downsides: one intrinsic, the other contingent on timing. While the old sunshine often looked one-sidedly generous and sometimes put a strain on coordination with the U.S., a realpolitik argument can be made which itself has two strands. South Korea is not just one among five equal interlocutors of the North at the 6PT. Legally, and despite a decade of sunshine, the ROK still formally claims jurisdiction over the entire Korean peninsula – as does the DPRK. As such, it is not only liberal South Koreans, dazzled by sunshine, who assert that Seoul has a special interest in the North: hey, it's their country.

Leverage lost

On this view, one gain of sunshine is that opening up and institutionalizing official North-South contacts gave Seoul its own independent leverage – if anyone can be said to have this – or at least lines of communication in Pyongyang. To insist henceforth on a link to denuclearization arguably threw away any autonomy for the ROK, making future progress in inter-Korean relations both subordinate to U.S.-DPRK ties and a hostage to fortune since the nuclear issue is notoriously difficult and volatile. Better coordination with Washington is one thing, but many South Koreans feel that, as on beef, Lee went too far and too fast.

Second, in any case, this was very bad timing. Far from being in sync with U.S. policy, at this juncture, a North-South spat is no help to Washington. Rather it risked upsetting the applecart, just when Assistant Secretary of State Christopher Hill was trying to clinch the next stage of the

long drawn out – five years, and counting – 6PT process. Now that North Korea has finally submitted some kind of nuclear declaration and the 6PT have resumed in Beijing, it takes no crystal ball to predict that Pyongyang will expect rewards all round, such as the half a million tons of U.S. food aid already being delivered in a clear substitute for what Seoul had sent in past years. Meanwhile, the North can afford to cold-shoulder the South.

On July 11, in a striking U-turn, President Lee told the new National Assembly that “full dialogue between the two Koreas must resume” and pledged to implement all accords signed at both inter-Korean summits. Hitherto he had been sceptical of the large-scale plans for economic cooperation agreed by Roh Moo-hyun last October, linking these in particular to nuclear compliance. While Lee’s abject climbdown will be duly relished in Pyongyang, somehow one doubts that Kim Jong-il will rush to embrace him just yet.

Trade rises, notwithstanding

The hiatus in official political ties gives an opportunity to look in more depth than usual at other aspects of the North-South relationship, such as its economic dimension. The two governments may be at loggerheads, but business is business. So far both sides have been careful not to let their current political quarrel prevent them from making money.

On June 24, the South’s Unification Ministry (MOU) reported that inter-Korean trade in the first five months of 2008 rose 30 percent to \$734.25 million, up from \$562.92 million in January-May last year. Within this, the commercial component – true trade, as opposed to aid – soared by over half (52 per cent) to \$685 million or 93 per cent of the total. Conversely, what MOU coyly calls “non-commercial trade” fell by 56 per cent to \$49.2 million. While this reflects a decline in assistance from the South under Lee Myung-bak, the trend is a healthy one. It means the two sides are doing real business, rather than one-sided hand-outs whose motives are primarily political and which may or may not make economic sense.

The most recent monthly figures suggest that the political row is not unduly hurting the business relationship. Trade in May rose 14 per cent year on year, from \$151.9 million to \$172.7 million. Here again almost 90 per cent (\$153 million) was commercial, up 46 per cent from May 2007. Within this, the contribution of the two flagship joint economic projects just north of the Demilitarized Zone (DMZ) – the Kaesong industrial complex, and the Mt. Kumgang tourism resort on the east coast – more than doubled from \$40.9 million last May to \$89.5 million this May, comprising over half of all trade.

Unbalanced

Readers versed in economics will have noticed something missing. Curiously, no breakdown is given of imports or exports, the most basic distinction in any trade statistics. One hopes this is not out of some misguided idea that such vulgar details go against the spirit of inter-Korean cooperation; a notion that might have been entertained under the ‘sunshine’ policy of the past two ROK governments – which did in fact, however, publish direction of trade statistics – but that the vaunted pragmatist and ex-businessman Lee Myung-bak surely would pooh-pooh.

That this is no mere oversight is suggested by the fact, as we reported last quarter, that an import-export breakdown was similarly missing when MOU reported on annual inter-Korean trade for 2007 in January. The total rose by a third over 2006, from \$1.35 to \$1.79 billion, but again the ministry was silent on which Korea sent how much to the other.

Fortunately, the Bank of Korea (BoK), the South's staunchly independent central bank – as witness its address: bok.or.kr, not .go for government – has now filled the gap. On June 18, BoK published its annual attempt to estimate basic economic magnitudes for North Korea, which has produced no regular economic statistics for over 40 years since the 1960s. While the BoK's methodology has its critics, this annual data series is the best guess that we have. Moreover, any biases if consistent should at least allow yearly changes to show up.

The general picture, unsurprisingly, is one of woe. BoK reckons that North Korea's gross domestic product (GDP) shrank for a second year running by 2.3 per cent, mainly owing to a disastrous harvest. Agriculture still accounts for over a fifth of the Northern economy as against just 3 per cent in the South, even though the latter was the Peninsula's traditional rice bowl, while much of the mountainous North is frankly ill-suited for farming.

A widening chasm

Overall, the inter-Korean chasm grows ever wider. BoK estimates Northern gross national income (GNI, a slightly different measure than GDP) for 2007 at \$24.8 billion, or just over a thousand dollars (\$1,070) per head. Others regard this as way too high. In March, Lee Jong-suk, a former unification minister under Roh Moo-hyun, criticized both BoK's methodology and the Roh government for hushing up a study that he commissioned which computed a lower figure. Now a researcher at the private Sejong Institute, Lee's critique, as reported, seems to be *a priori* arguing that any method that credits North Korea with GDP per head of about US\$1,000, close to that of Vietnam, which is a visibly richer and more dynamic economy, must be flawed. Lee puts North Korea's figure at about US\$390, placing it among the poorest countries on the planet.

Either way, the Northern economy, which until the 1970s was of a comparable scale and dynamic to the South's – initially it was even ahead – is now utterly dwarfed by it. Even on BoK's figures, South Korean GNI in 2007 of \$902.5 billion was 36.4 times the North's. Put another way, it takes less than 3 per cent annual growth in the South – recent annual norms have been nearly twice that – to add the equivalent of an entire Northern economy. That will still happen this year with at least 4 per cent GDP growth expected – Lee Myung-bak, unwisely, had boasted of attaining 7 per cent – despite a worsening international outlook reflected in soaring import costs for fuels, minerals, and food. South Koreans grumble at a rate of growth, even in bad times, that the semi-starving North can only envy. On a per capita basis, and again using BoK's arguably generous estimates for Northern GNI, South Koreans on average are 17.4 times richer than North Koreans. Moreover, both the absolute and relative gaps are growing every year. An already wealthy South just keeps on growing, albeit less rapidly than before – while a desperately poor North stagnates or even shrinks.

A year's exports in a day

If the South-North output gap is wide, then for trade it is astronomical. Here too, according to BoK, North Korea lost ground in 2007. Imports were down 1.3 per cent to \$2.02 billion from 2006, while exports fell 3 per cent to US\$920 million, leaving the usual large trade deficit of over a billion dollars – thought to be funded at least in part by illicit activities. The North's total trade of under \$3 billion is overwhelmed by the South's \$728 billion; a staggering ratio of 248:1. For exports, the figure rises to 404:1 – meaning that South Korea sold more to the world on average in a single day than the North managed in the entire year.

In fact, this is not quite accurate. Here, it is BoK's turn to mislead. Maddeningly, and thus belying its vaunted autonomy, like other branches of the ROK government it excludes inter-Korean trade when computing the North's foreign trade on the specious ground that this is internal rather than international. This self-occluding false modesty seriously distorts the figures as it understates the North's overall trade performance and conceals at least one very important fact. (A further tiresome quirk is that BoK, again like many others in Seoul, retains the Korean *man-ok* system – counting in units of 10,000 and 100 million, where the West uses thousands and millions – even in English language publications. This is not only frustrating but a frequent source of error, should a zero or two go astray in transcription.)

South Korea is the North's top market

Unlike MOU, however, BoK does at least give a directional breakdown of inter-Korean trade going back to 2002. With a slight blip in 2004, this reveals steady progress. In five years North-South trade almost tripled from \$642 million in 2002 to nearly \$1.8 billion last year. In particular, during the past three years, the North's exports to the South have really begun to take off. The 2007 figure of \$765 million was up by almost half on 2006, and well over double the \$340 million in 2005. Moreover – and this is what you might miss, perhaps because they want you to – this \$765 million, while peanuts to Seoul, is enough to make South Korea now the North's largest export market, ahead of China.

For now, Beijing remains Pyongyang's top trade partner overall, given that last year it sent imports worth \$1.392 billion, far exceeding the \$582 million in exports it received from North Korea. But, at this rate, South Korea may soon displace China as North Korea's main trading partner on both sides of the ledger this year or next. It would be ironic indeed if this happened on Lee Myung-bak's watch and with political relations still frozen. *Pace* Karl Marx – whose portrait still hangs in Kim Il Sung Square, but whose name North Korea has banished from its Constitution and whose ideas have been largely overlain by a virulent quasi-fascist nationalism – the old doctrine of the economic base determining the political superstructure clearly does not apply. Between the two Koreas these two spheres currently appear pretty much autonomous, each with its separate dynamic.

One country, two planets

As usual BoK also provides comparative figures for sectoral output, which as ever reinforce a sense of “one country, two planets.” The North has most of the peninsula's minerals, so it leads

the South in coal production by 8:1 and iron ore by 17:1. It also has 5,200 km of railways to the South's 3,400, though how much of this decrepit network actually works is not considered. Everywhere else, the South – which of course has twice as many people, crammed into a smaller area – wins hands down. Thus, staying with infrastructure, South Korea's 103,000 km road network is four times the North's (and in far better condition; the DPRK's are often mere tracks, while even concrete "motorways" are bumpy). Southern port capacity is 18 times that of the North's, with a similar lead (17-fold) in shipping tonnage.

In the energy sphere, despite the North mining more coal, South Korea has ten times more generating capacity – and a 17-fold lead in actual electricity produced since many Northern power stations are in disrepair. The most telling gap is in crude oil imports. South Korea, a major global purchaser, took 873 billion barrels while the North had less than 4 billion: a ratio of 228:1. And so it goes on. In farming, even though this is 21 per cent of the Northern economy and only 3 per cent of the South's, the latter – admittedly with better land – grew more corn (the North's staple crop) and three times as much rice and fish. In industry, gaps vary from large to vast. South Korea produced 8.5 times more cement and fertilizer, 42 times more steel (despite all that iron ore in the North), and 48 times more synthetic fibers.

Such figures may be hard to take in. They have long been unable to fit on a single graph. Yet these are, or were, two halves of the same country; both of which, in theory, remain committed to eventual reunification. While the Koreans have plenty of immediate issues to occupy them – above all, currently, how to re-establish a political working relationship – it is also essential, if terrifying, to peer into the abyss and ask what meaningful reunification is even possible, and how, between two economies and societies that over half a century have diverged so markedly and tragically. Can Humpty Dumpty ever be put back together again?

Dying to meet

One group for whom the current inter-Korean freeze is very bad news is the dwindling band of elderly separated family members. Their hopes were raised by the program of reunions begun after the June 2000 North-South summit only to be dashed as it became clear that most were doomed to disappointment. The snail's pace and small numbers insisted on by Pyongyang meant that only a lucky few would get to meet relatives not seen or heard from in over half a century. For the rest, mortality would take its inexorable course.

Figures published by the South's MOU on July 7 confirmed this sad prognosis. As of June, out of a total of 127, 251 applicants for family reunions since 1988 (sic: the date is puzzling, since regular reunions began only in 2000), 35,475 or 28 per cent had already died; more than twice as many as had been reunited with their kin. Four years ago the mortality figure stood at 18 per cent. With a further 3-4,000 persons passing away each year, at this rate the cohort will become extinct before most have the chance to experience even this cruel parody of a true reunion. (The lucky few meet just once, under TV cameras, for a mere three days with no further contact of any kind permitted thereafter.)

Football: playing games

The two Korean governments may not currently be meeting, but international competition compels their soccer teams to do so. On June 22, North and South met on the football field for the second time in three months in the third qualifying round for the 2010 World Cup. On both occasions the fight was fair and the result was a scoreless draw, sufficient for the ROK to finish top in Asia's Group 3. Both teams will now go through to the next round.

The players' sportsmanship contrasted with the DPRK government's antics. The earlier match on March 28 should have been in Pyongyang, but the North would not let the South fly its flag or play its national anthem. Instead of punishing this clear defiance of its rules, FIFA let the game be moved to Shanghai as a neutral venue. In June, the North tried it on again, claiming Seoul was unsafe and demanding another venue; it said the Southern resort island of Jeju would be acceptable. This time FIFA stood firm, and the game went ahead in Seoul's World Cup stadium before 48,500 fans – a section of whom wore white and waved flags of a united Korea, cheering both teams. The expected anti-North rallies by right-wing groups did not materialize.

These days the actual teams belie any simple division between North and South. One of the DPRK players, midfielder Ahn Young-hak, stayed on in the South; he plays in the domestic K-league for Samsung Suwon Bluewings. Ahn is an ethnic Korean from Japan, as is North Korea's formidable top striker Jong Tae-se. Jong in fact has ROK nationality, but attended Korean schools in Japan run by pro-North Koreans and chose to represent the DPRK.

They shoot people, don't they?

North Korea's routinely fiery rhetoric seems not to faze South Koreans, who have headed North in record numbers. In a useful innovation, MOU's website – largely paralyzed under the new government; the ministry itself was lucky to survive – now keeps a daily score.

Thus, on June 29 some 3,400 South Koreans were on the far side of the DMZ: 2,087 at Mt. Kumgang, 1,323 at Kaesong, and 70 elsewhere. In May, Southern visitors to the two zones totaled 56,957, up three-quarters from last year. The South's news agency, *Yonhap*, gave no breakdown, but most will have been tourists to Mt. Kumgang – where they can now drive their own cars across the DMZ – with a smaller number of managers, engineers, etc., traveling between Seoul (or Incheon port) and Kaesong. The latter continues to grow with 69 Southern firms now there, employing 24,000 Northern workers to make export goods.

The figures for Kumgang may now dip, or indeed dry up altogether. On July 11 a Northern soldier shot dead a middle-aged female Southern tourist, who had strayed into a restricted area on a pre-dawn walk. One would like to hope that this will remind South Koreans of the real nature of the regime from which the kitsch bubble of the Kumgang enclave normally shields them. The ROK government immediately suspended all tours. The DPRK expressed regret but refused either to apologize or allow entry to an official Southern enquiry. It thus looked even less likely that inter-Korean ties would improve any time soon.

Chronology of North Korea-South Korea Relations January-March 2008

April 1, 2008: A lengthy commentary in *Rodong Sinmun*, the ruling Workers' Party of Korea (WPK) daily, attacks Lee Myung-bak as “a vicious political charlatan and imposter” and a pro-U.S. sycophant for subordinating inter-Korean ties to wider diplomacy and linking this to denuclearization and human rights. It names Lee 49 times, in the first direct insult of an ROK leader since 2000.

April 1, 2008: North Korea cancels two planned Southern visits to Kaesong. Acheon Corp., a church and an NGO were due to send 500 people to plant trees on Arbor Day, April 5. On April 10 200 Gyeonggi province officials were set to visit, but the North said Gyeonggi governor Kim Moon-soo – a GNP member – was not welcome, in effect aborting the trip.

April 2-3, 2008: A 6-strong Southern civic delegation visits Mt. Kumgang to discuss events to mark the June 2000 joint declaration. The North warns that this event's success depends on both sides' attitude.

April 3, 2008: The KPA Navy Command assails ROK “warmongers” for “perpetrating a serious military provocation” in West (Yellow) Sea. The ROK Navy retorts that its three patrol boats were south of the Northern Limit Line (NLL), which the DPRK claims not to recognize. DPRK claims they were there to stop Chinese fishing boats in Northern waters from crossing.

April 3, 2008: KCNA reports that a day earlier the Central Committee of the Democratic Front for the Reunification of the Fatherland (DFRF) issued a statement marking the 60th anniversary of the April 3 leftist uprising on Jeju island in South Korea.

April 3, 2008: The North's DFRF accuses “South Korea's conservative regime” of “driving north-south relations to confrontation and catastrophe, blatantly swimming against the trend of the era of independence, reunification, peace and prosperity.”

April 4-5, 2008: In a lengthy article, *Uriminzokkiri* calls Lee MB a traitor. It urges all Koreans to “step up their struggle against [his] anti-tribal and anti-unification scheme”.

April 5, 2008: *Rodong Sinmun* attacks “pro-U.S. conservative ruling forces in south Korea hell-bent on dependence on foreign forces and confrontation with fellow countrymen.”

April 5, 2008: Kim Yong-dae, presidium vice chairman of the Supreme People's Assembly (SPA, the North's rubber-stamp parliament), urges South Korea's new administration to adhere to past inter-Korean agreements and their spirit, and not to raise tensions.

April 5-7, 2008: KCNA reports undated visits by Kim Jong-il to different KPA bases on three successive days, and again on April 9. On April 7 it quotes Kim as saying the KPA could “beat back the enemy's invasion at a single stroke.”

April 6, 2008: Kim Choong-bae, president of the Korea Institute for Defense Analyses (KIDA) and former superintendent of the Korea Military Academy (KMA), reveals a 2004 survey of 250 first-year KMA recruits, suppressed by the previous government. Asked who was South Korea's main enemy, 33 per cent said North Korea and 34 per cent the U.S.

April 7, 2008: *Rodong Sinmun* criticizes the ROK for “ following the U.S. imperialists.” It warns that those who “dance to the whistle of outside forces will only suffer a collapse.”

April 7, 2008: ROK Unification Minister Kim Ha-joong says Seoul will not riposte but wait until Pyongyang's misunderstanding eases, adding “Our position toward mutual respect and co-prosperity between the two Koreas remains firm.”

April 7, 2008: The leftish Seoul daily *Hankyoreh* reports that North Korea has asked China for massive rice aid, having decided not to request this or fertilizer from South Korea unless Seoul moves first to improve ties. Beijing has yet to respond.

April 7, 2008: In a telephone conversation with outgoing Russian president Vladimir Putin, Lee Myung-bak reportedly seeks continued efforts to connect the trans-Korean and trans-Siberian railways, as well as other tripartite cooperation projects involving North Korea.

April 8, 2008: The South's Defense Ministry (MND) officially renames a June 2002 marine firefight as the “Second Yeonpyeong Sea Battle”; saying its previous name, “Exchange of Fire in the West Sea”, did not reflect its significance. The memorial service for the six ROK sailors killed will henceforth be hosted by the government rather than their military units.

April 8, 2008: *Minju Joson*, daily paper of the DPRK Cabinet, attacks Seoul media claims that recent Northern criticism of Lee Myung-bak was intended to influence April 9's ROK national assembly elections as “a sophism for distorting truth.”

April 9, 2008: The GNP narrowly wins control of the National Assembly, taking 153 out of 299 seats in South Korea's parliamentary election. The GNP victory is much narrower than in December's presidential election. Two other conservative groups also poll well.

April 10, 2008: North Korea expels a Southern procurement supervisor from a construction site at Mt. Kumgang, where the South is building a \$60 million family reunion center. Later that day, the North also blocks another ROK procurement official from entering the zone.

April 10, 2008: Both Koreas and China meet in Beijing for the third time to discuss supply of energy-related equipment to the DPRK under the 6PT. Some 30 per cent of what North Korea is due in return for disabling its Yongbyon reactor site has been shipped so far.

April 10, 2008: 29 North Korean refugees detained in Thailand launch a hunger strike, demanding to be sent to the U.S rather than to South Korea as is the usual practice.

April 10-11, 2008: South Korea's two umbrella trade union organizations hold talks with their Northern counterparts at Mt. Kumgang. They agree to replace their usual large joint May Day event with smaller joint programs by industrial labor unions later in the year.

April 11, 2008: The *Korea Herald* quotes as unnamed ROK official as saying that on April 8 two KPA fighter jets flew within 10 km of the Military Demarcation Line (MDL). This is the closest DPRK aircraft have flown to the inter-Korean border in recent years.

April 17, 2008: On his first trip to Washington as ROK President, Lee Myung-bak proposes that both Koreas open liaison offices in each others' capitals.

April 24, 2008: North Korea confirms that it will boycott the usual May Day celebrations held since 2001 with Southern trade unions, citing the new ROK government's "hostility".

April 25, 2008: *Choson Sinbo*, a daily published by pro-North Koreans in Japan, denies that the DPRK plans to sideline the ROK in future six 6PT. It say those in Seoul who practice "sycophancy toward the U.S." have "arbitrarily distorted" the North's intention.

April 26, 2008: *Rodong Sinmun* rejects Lee Myung-bak's liaison office suggestion as "anti-unification garbage", calling Lee an "imbecile and political somnambulist."

April 27, 2008: A North Korean second lieutenant named Ri, aged 28, crosses the MDL to seek asylum in the South – the first KPA officer to do so by this route for a decade.

April 27-28, 2008: The fifth inter-Korean conference of youth and student organizations for implementing the June 15 and October 4 joint declarations is held at Mt. Kumgang.

April 28, 2008: The flame for the 29th Olympic Games arrives in Pyongyang from Seoul, shortly after midnight by a direct special plane. Ceremonies for the Olympic torch pass as expected without incident in North Korea, unlike in the South.

May 2, 2008: South Korea officially asks the North to stop slandering President Lee.

May 2, 2008: North Korea criticizes the South's decision to buy 21 *F-15K fighter* jets by 2012 as a "reckless arms buildup" for a preemptive attack scenario.

May 4, 2008: *Minju Choson*, daily of the DPRK government, attacks Lee Myung-bak's recent visits to the U.S and Japan as "sycophantic and treacherous". A day earlier *Rodong Sinmun* called the U.S. trip a "tributary pilgrimage", while on May 7 it claimed that "during the junkets, the traitor unveiled his bellicose intention to act a servant and a shock force in carrying out the outsiders' aggression policy for war in a bid to stifle fellow countrymen by force and realize his design to invade the DPRK."

May 4, 2008: The Unification Ministry (MOU) reports that despite strained political ties, the number of South Korean visitors to the North in the first four months of 2008 almost doubled compared with last year, from 58,000 to 103,000.

May 6, 2008: Jeong Se-hyun, an ex-ROK unification minister who now heads the Southern branch of the unofficial Korean Council for Reconciliation and Cooperation (KCRR), leads a 90-strong delegation on a four-day visit to Pyongyang for the opening of a joint tree farm. His hosts profess disappointment that he brought no political message from the new ROK administration.

May 7-9, 2008: A joint meeting of journalists – 26 from the North, 27 from the South – at Mt. Kungang agrees to exchange a variety of news articles and programs, and to engage in solidarity activities. It denounces biased or forged reports by “anti-unification forces” that create distrust and confrontation between the Korean people.

May 10, 2008: Back from Pyongyang, Jeong Se-hyun reports a DPRK official as saying that the current chill in relations will ease if “the South’s highest-ranking official promises to uphold the June 15 Joint Declaration from the 2000 inter-Korean summit.”

May 13, 2008: Despite a recent 500,000 ton grain donation by the U.S amid fears that the North may be slipping into famine, MOU denies reports that the ROK is considering giving rice to the DPRK via an international body such as the UN World Food Program (WFP).

May 15, 2008: MOU says it has allocated US\$9.5 million to support ROK NGOs working on projects in North Korea. It will also give some \$15 million to UNICEF and WHO projects for infants in the DPRK.

May 15-16, 2008: A meeting of women’s groups from both Koreas to implement the June 15 and October 4 summit declarations is held at the North’s Mt. Kungang resort.

May 18, 2008: *Rodong Sinmun* marks the 28th anniversary of the Gwangju pro-democracy revolt by calling on South Koreans to check “the anti-national and anti-reunification moves of the sycophantic traitorous forces.” Such direct incitement by Northern media for South Koreans to rise against the ROK government had not been heard in a decade.

May 18, 2008: Speaking in Gwangju, Lee Myung-bak offers to help North Korea open and change, saying “We’re always open-minded toward the North.”

May 19, 2008: Foreign Minister Yu Myung-hwan says that South Korea will consider sending humanitarian food aid to North Korea even without a request from Pyongyang, if the food shortage in the North is confirmed to be serious.

May 23, 2008: South Korean organizers say that the North Korean women’s soccer team, one of the world’s strongest, has withdrawn from the Peace Queen Cup to be held in Seoul, citing “deteriorating conditions on the Korean Peninsula.”

May 23, 2008: Representatives of the North, South, and overseas Korean committees for implementing the June 15 2000 Joint Declaration meet in Kaesong.

May 24, 2008: The DPRK website *Uriminzokkiri* attacks new MOU guidelines for ROK schools on inter-Korean relations as anti-communist and anti-North, and asks “Is It [a] Unification Ministry or Division Ministry?” The new text seeks a more balanced account than the one used under the previous liberal administration.

May 26, 2008: MOU says that South Korea will send the North 1,000 tons of electrolytic copper, worth \$8.5 million, as the third batch of energy aid under the 6PT.

May 26, 2008: *KCNA* quotes the DPRK’s National Peace Committee (NPC) as claiming that the annual US-ROK security consultative meeting (SCM) is designed to prepare for an invasion of the North. NPC calls on the South Korean people to resolutely reject the SCM and the “warmonger” Lee government, and to end 60 years of “U.S. military occupation.”

May 26, 2008: Japan-based daily *Choson Sinbo* suggests that rapid progress in U.S.-DPRK ties is a good opportunity for inter-Korean relations also, and calls on the Lee Myung-bak government to “stop its self-contradiction.”

May 27, 2008: South Korea’s Gyeonggi province (greater Seoul) says it will give food aid to the North. Gyeonggi governor Kim Moon-soo says that the North “appears to feel greatly burdened” by the South’s assistance.

May 27, 2008: A DPRK patrol boat briefly crosses the Northern Limit Line (NLL), the *de facto* inter-Korean border in the West (Yellow) Sea, while escorting 200 Chinese fishing boats (who pay a fee to fish in Northern waters, rich in blue crab). The KPA vessel returns North after radio warnings from ROK ships. This is the fourth border violation this year.

May 28, 2008: A South Korean-built golf course opens at the North’s Mt. Kumgang resort. It will employ 200 North Koreans, including 60 caddies. Initially members-only, it will open to the (Southern) public next year.

May 29-30, 2008: Meeting at Mt. Kumgang, educators from North and South resolve to try to implement the 2000 and 2007 summit agreements. The ROK side comprised only the leftist Korean Teachers and Education Workers Union, since this year the rival conservative Korean Federation of Teachers’ Associations did not participate.

May 30, 2008: *Rodong Sinmun* and the Committee for the Peaceful Reunification of the Fatherland (CPRF) mark the Lee Myung-bak administration’s first 100 days with fresh and lengthy attacks on Lee as a “traitor” with a “sycophantic” view toward the United States.

May 30, 2008: The chief DPRK delegate to inter-Korean military talks accuses the ROK of conspiring with Japanese civic organizations to scatter anti-communist leaflets in the North. He warns that, “Japan’s archipelago is within the range of a merciless strike by the revolutionary armed forces of the DPRK.”

May 30, 2008: The KPA fires three short-range *Styx*-class sea-to-sea missiles into the West (Yellow) Sea, in the second such test this year. The ROK MND calls this a routine test of the North's aging arsenal, noting that two of the three appear to have misfired.

Late May, 2008: Internet rumors circulate of Kim Jong-il's death. South Korea's National Intelligence Service (NIS) and other government bodies deny this. *KCNA* steps up its reporting of Kim's on the spot guidance, but as ever gives no dates for these alleged visits.

June 3, 2008: *Choson Sinbo* cites lack of fertilizer as the most urgent problem for DPRK farmers. An unnamed ROK analyst says the North will lose half a million tons of grain unless the South provides its usual 300,000 tons of fertilizer.

June 8, 2008: The memoirs of Lim Dong-won, ex-unification minister and *eminence grise* of the sunshine policy, reveal that Kim Dae-jung and Kim Jong-il set up a direct hotline four days after their June 2000 summit meeting, at the former's instigation.

June 9, 2008: The KPA's Panmunjom mission condemns April decision by Presidents Lee and Bush to cancel any further cutback in the 28,500 U.S. troops in ROK, as a move towards war.

June 10, 2008: Radio Free Asia says that the DPRK recently notified the World Health Organization (WHO) that it has had no cases of bird flu nor hand, foot and mouth disease (HFMD) this year. A week earlier the ROK Buddhist NGO Good Friends claimed that a mystery epidemic has been spreading in North Korean towns bordering China, killing many infants weakened by malnutrition. China has had 26 child HFMD fatalities this year.

June 10, 2008: *Rodong Sinmun* praises mass rallies in Seoul against the resumption of U.S. beef imports as "an anti-U.S., anti-fascist protest ... to achieve democracy and unification."

June 11, 2008: South Korea hosts the energy working group of the 6PT in Panmunjom.

June 11, 2008: NGO Good Friends claims that North Korea is covering up an outbreak of bird flu near a military base in Jongpyong county, South Hamgyong province in the northeast.

June 14, 2008: The DPRK's Democratic Front for the Reunification of the Fatherland (DFRF) calls on ROK President Lee Myung-bak to implement last October's summit declaration. It adds that Lee must first apologize for his "anti-national actions", and that his slogan "Denuclearization, Opening, \$3,000 vision" (the latter being the goal of tripling North Koreans' average income per head) is a "criminal watchword" that should be "thrown into the dumping ground of history."

June 14-16, 2008: A 258-strong civilian Southern delegation visits Mt. Kumgang to jointly celebrate the eighth anniversary of the first inter-Korean summit in June 2000. Unlike in the past, the ROK government neither sent delegates nor provided any subsidy. Meanwhile, DPRK media again sharply criticize ROK president Lee Myung-bak.

June 15, 2008: Two North Koreans defect to the South by boat in the West (Yellow) Sea. Such a route has hitherto been rare.

June 18, 2008: The NGO, Good Friends, publishes what it says is an official DPRK document admitting that the food situation is so bad that it could have “irrevocable consequences,” and blaming the U.S. and South Korea for the situation.

June 19, 2008: Denying that it has any bird flu, North Korea attacks the US news agency *Associated Press (AP)* for circulating a “false and manipulated report ...to tarnish the image of the DPRK and stifle it to death.” It does not criticize Good Friends or any other media.

June 22, 2008: In separate comments, *Rodong Sinmun* says that North-South ties are “in their worst crisis” because Seoul is seeking military superiority. Meanwhile *KCNA* accuses the Lee Myung-bak administration of dragging its feet on an earlier agreement to facilitate communication, passage, and customs for joint ventures. Seoul ripostes that it is Pyongyang, which is refusing dialogue, both on this issue and more generally.

June 22, 2008: The two Koreas draw 0-0 in their second World Cup qualifying match, held in Seoul after FIFA refused DPRK demands to move it to a neutral venue, as in March.

June 24, 2008: South’s MOU says that inter-Korean trade in the first five months of 2008 was up 30 percent over last year. For May, the increase was 14 percent.

June 26, 2008: ROK Center for Disease Control and Prevention (KCDC) says it has shipped US\$1.22 million worth of anti-malaria supplies to North Korea to help prevent the spread of the disease during summer. Medicine for 50,000 people, 100,000 mosquito nets, insecticides, and test kits to check for infection were sent on the same day. Such aid has helped cut North Korea’s malaria cases drastically from an estimated 200,000 in 2000 to just 7,400 last year.

June 27, 2008: MOU sources report that since June 24 the DPRK has been restricting the exit of ROK people and materials from the Kaesong zone to the South to afternoons only. Entry to the zone remains possible in the mornings also.

June 27, 2008: *MBC*, one of the ROK’s two leading broadcasters, but not the state-run *KBS*, is among foreign media is invited to watch the demolition of the main cooling tower at Yongbyon.

June 29, 2008: South Korea says it plans to create an inter-Korean economic zone in Paju, just south of the DMZ. This could later connect to the North’s Kaesong zone.

June 30, 2008: *KCNA* reports that North Korea and Laos have signed a mutual legal treaty in Vientiane. Sources in Seoul suggest this is intended to block DPRK defectors from going to South Korea via Laos.

June 30, 2008: MOU says the North has refused to respond to its offer to send 50,000 tons of corn as emergency aid.

July 7, 2008: President Lee Myung-bak reiterates his willingness to meet DPRK leader Kim Jong-il any time, if this will help end North Korea's nuclear programs.

July 11, 2008: President Lee tells the new National Assembly that, "full dialogue between the two Koreas must resume," including on how to implement the summit accords of both 2000 and 2007 as well as the never-realized 1991 inter-Korean basic agreement. He also offers humanitarian aid. *Rodong Sinmun* promptly rejects this as "nothing new", and accuses Lee of evasiveness in "mingling all the past agreements together."

July 11, 2008: A KPA soldier shoots dead a middle-aged female Southern tourist at Mt. Kumgang, who apparently strayed into a restricted area on a pre-dawn walk. South Korea suspends tourism to the resort from July 12 while the incident is investigated. The DPRK, while expressing regret, refuses to apologize or allow entry for an official ROK enquiry.



**China-Korea Relations:
Establishing a “Strategic Cooperative Partnership”**

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The Lee Myung-bak administration committed to the establishment of a “strategic cooperative partnership” with China during Lee’s inaugural visit to Beijing as the new president of South Korea. The visit occurred on schedule in late May, coming only weeks after the tragic Sichuan earthquake and in the midst of protests in South Korea over Lee’s decision to allow imports of U.S. beef. Those events also quickly overshadowed a late April flap during the Olympic torch relay in Seoul over Chinese students who came to cheer the torch but reacted violently to Korean groups protesting Chinese government treatment of refugees and political suppression in Tibet. PRC Vice President Xi Jinping, China’s designated successor to President Hu Jintao, made his maiden international visit to Pyongyang where he met with North Korea’s top leaders, including Kim Jong-il and affirmed the importance of the Sino-DPRK relationship. As host of the Six-Party Talks, China received North Korea’s declaration of its nuclear programs on June 26 in what really was a formality given the critical role of U.S.-DPRK talks in paving the way for the declaration. Nevertheless, the submission of the declaration did set the stage for the reactivation of Six-Party Talks in Beijing. Hyundai-Kia opened a new factory in Beijing and SK Telecom responded to strategic changes in China’s telecommunications market by diversifying its investments in various Chinese multimedia companies in pursuit of a “convergence strategy” for delivery of multimedia, computer, and telecommunications applications to Chinese consumers.

Sino-ROK ‘strategic cooperative partnership’ and its implications

While the Roh Moo-hyun administration sought greater distance from Washington and wooed Beijing with the promise of a strategic relationship to no apparent effect, the Lee Myung-bak administration seemed to turn its back on Beijing by announcing plans for a “U.S.-ROK strategic alliance for the 21st century” during Lee’s visit to Camp David in April, only to be wooed by Beijing to upgrade the Sino-South Korean relationship to the level of a “strategic partnership” during his visit to Beijing in May. Despite the tragedy of the Sichuan earthquake and preparations for the Beijing Olympics, the Chinese leadership welcomed Lee and consolidated the relationship at a higher level than before.

The announcement of a “strategic partnership” by Lee followed in a line of South Korean presidents who have claimed a closer relationship with China. From a “friendship and cooperative relationship” when relations were normalized in 1992 to a “full-scale cooperative partnership” under Kim Dae Jung, to a “comprehensive cooperative partnership” during the administration of Roh Moo-hyun, successive South Korean presidents have returned from trips

to China claiming better relations. If the upgrading in terminology reflects growth in bilateral economic interdependence, the term is surely justified. The Sino-South Korean trade relationship continues to grow at double-digit rates and represented almost one-fifth of South Korea's overall trade, reaching \$145 billion in 2007, up from \$100 billion in 2004.

When it comes to political relations, however, the idea of a "strategic partnership" seems more an aspiration than a reflection of reality. The political side of the relationship remains relatively shallow and is overshadowed by chronic irritants such as the Koguryo history issue, Chinese handling of North Korean refugees, the future of North Korea, and most recently violence by Chinese students during the Olympic torch rally in Seoul. These issues are manifestations of Sino-South Korean differences in world view, systems, and social values that impose real limits on the level of partnership that can realistically be expected between the two at this stage in the relationship.

On the eve of Lee's meeting with President Hu Jintao in Beijing, the PRC Foreign Ministry spokesman stated that "the Korean-U.S. alliance is a historical relic. The times have changed and Northeast Asian countries are going through many changes and transformations. We should not approach current security issues with military alliances left over from the past Cold War era." The statement created controversy in Seoul and stimulated a debate over whether South Korea should issue a formal protest (South Korea's spokesman said that "China should know how South Koreans feel about the incident, but the point is that the issue should not develop into an unnecessary diplomatic dispute"), while Chinese officials minimized the significance of the statement. Nonetheless, the statement suggests some frustration among Chinese officials regarding the Lee administration's renewed priority on strengthening the U.S.-ROK alliance.

Some Chinese scholars have also criticized the Lee administration's efforts to strengthen trilateral coordination with the U.S. and Japan. Gong Keyu of the Shanghai Academy of Social Sciences warned that U.S.-Japan-ROK triangular coordination has negative effects on inter-Korean relations, does not help settlement of the DPRK nuclear issue and peninsular stability, and will not benefit security and stability in Northeast Asia. Chinese leaders are also concerned about the development of inter-Korean relations and are particularly pressed to understand the "true intentions" behind Lee's more conditional approach to the North, especially as it relates to North Korea's food situation and near-term economic stability.

South Korea's foreign relations are traditionally most effective when Seoul maintains positive relations with all its larger neighbors, as was the case in the early part of the Kim Dae-jung administration. In contrast to the Roh administration's "balancing" approach motivated by concern about renewed Sino-Japanese rivalry, Lee's senior advisors appear to see the U.S.-ROK alliance both as a hedge against China's rise and a necessary platform by which South Korea might be able to enhance its strategic weight and leverage with its immediate neighbors. Ironically, however, the net result has been that Lee has accepted the type of upgraded relationship with Beijing that the Roh Moo-hyun administration sought but was unable to achieve. Lee also made the case that an improved Sino-South Korean partnership will "eventually be beneficial to North Korea."

Given that Sino-U.S. relations are stable and Sino-Japanese relations are on the upswing following Hu Jintao's early May visit to Japan, there is every reason to expect that Sino-South Korean relations should also improve. By the end of his visit to Beijing, Lee commented that "It is not desirable for Korea to lean toward a South Korea-U.S. alliance, particularly from the perspective of a power balance in Northeast Asia. South Korea-U.S. relations and South Korea-China relations should be complementary to each other." One indication of the development of a "strategic partnership" with China may come in the form of mutual intent to engage in more active high-level bilateral diplomacy. A return visit to Seoul by Hu Jintao, originally expected to come in July, has been postponed to September due to the aftermath of the Sichuan earthquake.

During his visit to Beijing, Lee Myung-bak was accompanied by an entourage of top Korean business leaders who sought to promote mutual investment and encourage Korean participation in Chinese infrastructure inland development projects and to expand cooperation in knowledge-based sectors including finance, IT, software, and logistics. Lee and PRC Prime Minister Wen Jiabao discussed initiating negotiations on a free trade agreement and expanded cultural exchanges, while also discussing the idea of a leased industrial complex in China for Korean companies seeking to enter the Chinese market. Lee also visited Sichuan Province to express condolences to earthquake survivors, but received criticism at home for visiting victims of a crisis-stricken area of China while being oblivious to rising public frustration in Seoul over his leadership.

Carrying the torch for and against China

The Olympic torch passed through Seoul on April 27, generating many of the same tensions and protests that accompanied torch processions in other cities around the world following the March protests and crackdown in Tibet. Two special and controversial features of the torch run in Seoul were the addition of North Korean human rights activists to the pro-Tibet demonstrators and the surprisingly large contingent of more than 6,000 Chinese students reportedly mobilized by the Chinese Embassy from universities around the country. Reports that the Chinese students violently attacked peaceful demonstrators enraged the Korean public and stimulated a strong public backlash.

The South Korean government called in the Chinese Ambassador to the ROK Ning Fukui to deliver a message of "strong regret" over the violence by Chinese demonstrators and the South Korean government undertook initial steps to punish four demonstrators who were caught on camera committing violence against the demonstrators. Civic groups sought to hold the ambassador responsible for mobilizing Chinese students from around the country, including 1,400 Chinese students studying in Busan.

The police issued an arrest warrant for a Chinese student surnamed Chen who had been caught on camera assaulting a Korean man and throwing stones at anti-China protestors. The ROK government mulled possible expulsion of Chinese nationals involved in violent acts, but ended up waiving charges against the student after he expressed remorse for his actions. PRC Assistant Foreign Minister He Yafei expressed verbal regret for the incidents during a meeting in Beijing with ROK Deputy Foreign Minister Lee Yong-joon, but as usual China offered no formal written acknowledgment or apology. The PRC Foreign Ministry spokesperson declined to condemn the

behavior of Chinese students, stating that “some Chinese students came out to safeguard the dignity of the torch. I believe that’s natural.”

The incident and the number of Chinese students who participated in the rally highlight the rapid growth in the number of Chinese students studying in South Korea, which grew more than five times from 6,419 in 2004 to over 34,000 this year according to the ROK Ministry of Education, Science, and Technology. The rapid growth of Chinese students means that over half of all international students in South Korea are from China. In June, the privately run Sangmyung University decided to limit the number of Chinese students admitted (over 90 percent of the international student body is from China) to provide opportunities to applicants from other countries.

Sino-ROK economic relations

The Chinese government’s restructuring of the telecommunications sector poses new challenges for SK Telecom, a strategic stakeholder of China Unicom. SK Telecom invested \$1 billion in 2007 to gain a 6.61 percent stake in the company. The restructuring will merge China’s six telecommunications firms into three in an attempt to improve their competitiveness by allowing them to compete in both fixed-line and mobile markets prior to opening third-generation wireless services to Chinese consumers. In 2008, SK Telecom acquired a 30 percent stake in Magicgrids Networks, a China-based company specializing in developing and publishing online games, a 42.2 percent stake in TR Music Co. Ltd., and a 65.52 percent stake in Shenzhen E-eye High Tech Co. Ltd., which provides global positioning system services in China. The acquisitions are designed to “enter the convergence business” by giving SK Telecom a stake in application and hardware delivery of telecommunications services to the end-user. LG Electronics is betting on the release of new touch screen “music phones” to enhance market share. Meanwhile, Samsung Electronics recorded a record high share of China’s mobile phone market – 16.3 percent in March – on the strength of monthly sales of over 2.4 million.

Significant new South Korean investments in China have been made in the petrochemical, energy, and automobile sectors. Samsung Total Petrochemicals Co. has opened a \$10.5 million petrochemical plant and has announced that it would establish production and sales subsidiaries to promote sales of polypropylene compounds to automobile and electronics component manufacturers. SK Energy plans to join with Sinopec Corp. to construct an ethylene plant in Wuhan, joining Exxon Mobil and BP who have already invested in the sector. KEPCO’s business in China has expanded with the acquisition or construction of fourteen power plants in Shanxi Province, the heart of China’s coal country. Hyundai Mobis Co. has completed construction of a new transmission testing center and Hyundai-Kia celebrated the opening of its newest auto plant in Beijing in April, bringing Hyundai Motors’ annual production capacity in China to 600,000 units. A study by the Export-Import Bank of Korea based on an examination of the balance sheets of 933 Korean companies operating in China shows that it takes about three years for Korean companies operating in China to generate a net profit.

South Korea’s stock market is a beneficiary of increasing Chinese investments through sovereign wealth funds, which totaled over \$300 million in the first four months of 2008. South Korea’s Financial Services Commission Chairman Jun Kwang-woo urged Chinese firms to consider

going public in Seoul, following three Chinese firms that have already raised \$87 million in South Korean equity markets. Several South Korean firms are positioning themselves to trade Chinese stocks and bonds, but none has yet received approval from Beijing.

Nagging negatives

South Korea initiated a 70-day crackdown on immigration law on April 1, arresting over 8,000 violators. Chinese nationals represented the largest group of those arrested at 2,744 people. Forty-five percent of the violators had married illegally to obtain Korean citizenship. Gangwon provincial police shut down a broker group consisting of 33 Chinese who had arranged false marriages and fabricated passports and other official documents. An additional group of about 1,000 ethnic Koreans from China faced deportation for overstaying their visas on the eve of Lee Myung-bak's visit to Beijing.

The South Korean movie "Crossing" directed by Kim Tae-kyun opened in Seoul in June. The movie dramatizes the tragic story of a North Korean husband and father who came to China in search of tuberculosis medicine for his starving, pregnant wife, and finds himself trailed by Chinese police and eventually deported to Seoul. Once there, he saves to pay a broker to reunite his family, an effort that ends in tragedy. The fictional account pales in comparison to the real-life tragedies of thousands of refugees from the North who arrive in South Korea. The tragedies are playing out daily in China and on the border, especially as border guards crack down by conducting house-to-house checks prior to the Olympics. After a long hiatus, border guards have allegedly resorted to the traditional methods of halting defections by shooting those who dare to cross the border. This deadly policy is all the more tragic as desperation motivates North Koreans to search for food to survive.

China is the point of origin for 54 percent of all cyber-attacks against South Korean computer networks, according to the Korea Institute of Information Security and Cryptology. South Korea's National Cyber Security Center (NCSC) reported that hacking attacks on South Korean government agency computer networks surged to 2 million per day in March from about 800,000 per day in February. A China-based hacking group was reportedly successful in breaking into computer networks at the National Assembly, Maritime Policy Agency, and the Agency for Defense Development. In addition, China-based con artists and "voice phishing" rings have actively sought to compromise Korean consumer databases in order to obtain personal data. According to the South Korea's Supreme Prosecutors Office, 6,192 cases of voice phishing were reported, resulting in losses of over \$61.5 million between June 2006 and March 2008. Authorities have arrested 558 Chinese and 308 Taiwanese nationals in connection with these types of crimes.

PRC next generation leadership preview: Xi Jinping in Pyongyang

PRC Vice President Xi Jinping selected Pyongyang as his first international destination following his selection earlier this year at the 11th Peoples Congress as the likely successor to Hu Jintao. During his three-day visit in mid-June to North Korea, Xi unveiled a five-point proposal to maintain mutual exchange of high-level visits; the declaration of "China-DPRK Friendship Year" in 2009 to commemorate the 60th anniversary of bilateral ties; the deepening of

cooperation in the agriculture, light industry, information industry, technology, transportation and infrastructure construction sectors; promotion of bilateral cultural exchanges; and strengthening of bilateral coordination and cooperation in the Six-Party Talks on the DPRK nuclear issue and within the framework of the United Nations. In addition to the opportunity to emphasize the symbolic importance of relations with Pyongyang, North Korea's controlled environment is a safe venue for new Chinese leaders to gain experience with international diplomacy. *Xinhua* news reported a 16.1 percent increase in Chinese trade with North Korea during 2007 to \$1.97 billion and Chinese company investments of over \$445 million. Xi met Kim Jong-il and reportedly invited him to the Beijing Olympics. No doubt, another subtle message inherent in Xi's visit to Pyongyang is that North Korea should also consider introducing Kim's chosen successor to Beijing when the time is ripe.

Six-Party Talks/plus three talks

Following a long period of apparent inactivity, China received North Korea's declaration of its nuclear programs, materials, and facilities on June 26. Although the declaration was a result of intensive bilateral U.S.-DPRK diplomatic efforts, it opened the way for Six-Party Talks to be hosted in Beijing. Aside from meetings of the working group on provision of energy to North Korea, formal meetings among the six parties have been stagnant during the first half of 2008, but that is likely to change with the submission of North Korea's declaration. The parties are likely to establish a new working group on verification and to meet in Beijing in early July. According to the Feb. 13, 2007 implementing agreement, it is also likely that the Six-Party Talks will convene at the foreign minister-level in the third quarter of 2008. The establishment of a Northeast Asia peace and security mechanism appears to remain premature until it is possible for the six parties to verifiably confirm that North Korea has provided a complete and correct declaration. Verification would pave the way for North Korea's denuclearization, presumably in return for additional bilateral political guarantees from the U.S. and Japan as well as multilateral energy provision from the other parties involved in the talks.

In June, the foreign ministers of China, Japan, and South Korea met in Tokyo. They agreed to regularize the tripartite ministerial meeting and promote a three-way summit in Japan this September. Foreign Ministers Yu Myung-hwan and Yang Jiechi also discussed follow-up measures to implement agreements made during Lee Myung-bak's May visit to Beijing.

Balancing 'strategic partnership' and 'strategic alliance'

Lee Myung-bak's initial diplomatic forays have yielded two "strategic" phrases: "strategic alliance for the 21st century" to describe the U.S.-ROK alliance and "strategic cooperative partnership" to describe the relationship with China. Where South Korea actually makes efforts to go beyond rhetoric will ultimately determine the potential – and the priority – of each of these relationships. In view of the Chinese Foreign Ministry spokesman's description of the U.S.-ROK alliance as a "historical relic," a less-than-academic question might be how South Korea manages to ensure that its new "strategic partnership" with Beijing does not conflict with the 21st century "strategic alliance" with the U.S., and how Seoul responds in the event that the two relationships do conflict with each other. The Chinese statement suggests that Lee's vision of the two relationships as complementary and mutually beneficial may be overly optimistic.

If the need to ensure that China does not feel threatened by Korea's improving ties with the U.S. becomes paramount, there is a risk that such an approach might lead to the evisceration of the alliance. A further concern is whether Lee Myung-bak's domestic handling of the beef issue has resulted in the politicization of U.S.-ROK alliance relations to the degree that deepening of cooperation is constrained. A question that should invite serious reflection and concern among foreign policy elites is the extent to which future freedom of action to deepen the U.S.-ROK relationship may be constrained by an uneven or politically colored view among the South Korean public. Numerous consumer safety issues involving more direct health risks have periodically plagued Chinese food exports, but none have brought Koreans into the streets. South Korean public opinion – not necessarily the views of any single Korean administration – ultimately will guide the rudder of foreign policy. To the extent that South Korean political leadership is weak, the influence of public opinion will be magnified, and the ability of the Korean government to balance the two relationships or to chart its own path in Northeast Asia will become less sure.

Chronology of China-Korea Relations* **April – June 2008**

April 6, 2008: ROK Air Force Chief of Staff Gen. Kim Eun-ki begins trip to Russia, China, and Japan for talks with counterparts on bilateral ties.

April 7, 2008: LG Display announces plans to set up a research and development (R&D) center in Shenzhen, China, with Skyworth Digital Holdings, a Chinese TV set manufacturer.

April 9, 2008: The Export-Import Bank of Korea releases a study showing that it takes about three years for Korean companies operating in China to generate a net profit.

April 9, 2008: Beijing Hyundai Motor Co. opens its second plant in Beijing in a ceremony attended by 600 dignitaries, including Hyundai-Kia Automotive Group chairman Chung Mong-koo and Beijing Mayor Guo Jinlong.

April 10, 2008: Seoul metropolitan government officials fail to approve the PRC Embassy's architectural plan to rebuild its compound in Myeong-dong, central Seoul.

April 11, 2008: Hyundai Mobis Co., an affiliate of Hyundai-Kia Automotive Group and South Korea's largest auto parts maker, completes a new transmission testing center in Beijing.

April 11, 2008: President Lee Myung-bak designates career diplomat Shin Jung-seung ambassador to the PRC.

April 21, 2008: Former South Korean President Kim Dae-jung asserts during a speech in the U.S. that North Korean leader Kim Jong-il fears possible subordination of its economy to China.

* Chronology compiled by Minha Choi

April 25, 2008: China-based hackers are reported to have invaded Internet Auction's server and stolen personal information of 11 million of the company's 18 million subscribers.

April 29, 2008: South Korea expresses "strong regret" and announces that it will take a stern measure against Chinese demonstrators who wielded bamboo sticks and hurled stones at anti-Chinese activists and riot police during the Beijing Olympic torch relay.

May 1, 2008: Civic groups request police investigate the Chinese ambassador to South Korea on charges of abetting student violence during the Olympic torch relay.

May 1, 2008: South Korea's National Cyber Security Center reports that hacker attacks on computer networks of major state institutions exceeded an average of 2 million per day in March.

May 2, 2008: A Korean court rejects the application for an arrest warrant for a Chinese student accused of assaulting a 49-year-old Korean man during the Olympic torch relay in Seoul.

May 6, 2008: Samsung Electronics Co. announces that it has recorded its highest ever market share for sales of Chinese mobile telephones.

May 11, 2008: "D-War," a science-fiction film directed by former comedian Shim Hyung-rae, is released in China at more than 500 theaters in about 100 cities.

May 8, 2008: Supreme Prosecutor's Office announces that between June 2006 and March 2008, authorities arrested 3,460 people including 558 Chinese for voice phishing and other internet-based crimes.

May 13, 2008: ROK chief nuclear envoy Kim Sook consults in Beijing with Chinese counterpart on the resumption of Six-Party Talks and North Korea's anticipated declaration of its nuclear programs.

May 14, 2008: South Korea announces that it will provide earthquake-hit China with emergency funds and aid materials worth \$1 million,

May 18, 2008: Chinese Ambassador to South Korea Ning Fukui expresses his appreciation for the government's support and aid in response to the earthquake that hit Sichuan Province.

May 25, 2008: North Korean and Chinese militaries are reported to have boosted border patrols to stem the outflow of North Korean refugees in advance of the Olympics Games.

May 26, 2008: Korea Electric Power Corp. announces that it will sign a contract to acquire 14 Chinese thermal power plants including four plants being built by the Korean firm.

May 27, 2008: During a visit to China, President Lee Myung-bak and President Hu Jintao agree to forge a "strategic cooperative partnership" between the two countries. Lee meets other top members of China's leadership and business community, including Wen Jiabao.

May 28, 2008: South Korea and China sign a memorandum to recognize courses academic transcripts to promote student exchange.

June 10, 2008: Busan police announce the arrest 10 people for arranging sham international marriage. Separately, Gangwon provincial police arrest 6 brokers and charge 188 others, including 33 Chinese, one South African and one Vietnamese.

June 13, 2008: Financial Services Commission Chairman Jun Kwang-woo calls on more Chinese firms to go public in the Seoul bourse.

June 14, 2008: South Korea, China, and Japan agree to regularize the foreign ministerial meeting as part of their efforts to systemize three-way cooperation. The ministers also agree to pursue three-way summit talks this September in Japan.

June 18, 2008: Lotte Mart opens stores in Beijing claiming to be the first Korean retailer to officially operate in Chinese capital

June 22, 2008: DPRK National Defense Commission Chairman Kim Jong-il is invited to attend the opening ceremony of Beijing Olympic Games during a meeting in Pyongyang with PRC Vice President Xi Jinping.

June 24, 2008: A prisoner of war (POW), Kim Jin-soo, who fought in the Korean War, escapes from North Korea 55 years after being captured.

June 26, 2008: North Korea hands over its long-overdue nuclear declaration to China.

June 30, 2008: Korea Kumho Petrochemical Co. announces the completion of construction of a petrochemical plant in Nanjing, China.



Japan-China Relations:
Progress in Building a Strategic Relationship

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Two events dominated the second quarter of 2008: the visit of President Hu Jintao to Japan and the Sichuan earthquake. Tibet, poisoned *gyoza*, and the East China Sea dispute set the pre-summit agenda. Although the summit itself failed to provide solutions, both Hu and Prime Minister Fukuda Yasuo renewed commitments to cooperate in resolving the issues, and a month later the two governments announced agreement on a plan for joint development in the East China Sea. Shortly after Hu's return to China, a devastating earthquake hit Sichuan Province. Japan's response, which included sending emergency rescue and medical teams, tents, and emergency supplies, was well received by the Chinese victims. Beijing, however, quickly pulled back from an early but unofficial acceptance of Japan's Air Self-Defense Force participation in relief operations. By the end of May, Japan's contributions to relief efforts totaled 1 billion yen.

Summit prelude: unrest in Tibet

Rioting and unrest in Tibet at the end of March played into the Japan-China relationship both at the diplomatic and political levels. At the diplomatic level, Japan joined appeals from the international community urging restraint and dialogue with representatives of the Dalai Lama. At the same time, in Tokyo, Prime Minister Fukuda Yasuo was being asked to boycott the Beijing Olympics in protest and whether he would raise the issue with President Hu Jintao at the upcoming summit.

On March 3, responding to questions as to what Japanese diplomats were able to learn from the Chinese government's guided observation tour of Tibet, Vice Minister of Foreign Affairs Yabunaka Mitoji replied that they had only a limited time and limited access. Nevertheless, they would continue to ask for greater transparency. Earlier, Fukuda said, "we must fully consider whether it would be proper at the present stage to voice criticism or to link the current tense situation over Tibet to the Olympics. He went on to say that he expected "a dialogue to be held between the parties concerned in a way acceptable to both side." As for the Hu visit, he observed that "this year is an important year in Japan-China relations. It will be a good opportunity for both countries to develop bilateral relations." He thought that "the most desirable relationship" would be one that allowed China to say to Japan that "you are wrong on that point," while Japan might advise China "you should do this or that." Meanwhile, Foreign Minister Komura Masahiko told reporters that he would "likely" raise the issue with China's foreign minister during his scheduled April 17-21 visit to Japan.

On April 1, the government announced that members of the Imperial Family would not accept Beijing's invitation to attend the opening ceremony of the Olympic games. In January 2007, the Chinese Ambassador to Japan Wang Yi had invited the Crown Prince and Princess to attend the games and in April 2007, Premier Wen Jiabao had extended an invitation to the Emperor.

Prime Minister Fukuda, however, continued to be pressed on this issue both by the opposition Democratic Party of Japan (DJP) and from within his own Liberal Democratic Party (LDP). DJP Secretary General Hatoyama Yukio in a speech in Hiroshima on April 12 told his audience that it was important to send China a message that Tibet is a significant human rights issue that cannot be disregarded and called on Beijing to open a dialogue with the Dalai Lama in order to deepen mutual understanding. Fukuda continued to resist calls for an Olympic boycott and to insist on "cool-headed" judgment. The day before, Chief Cabinet Secretary Machimura told reporters that in the run-up to the summit, the Japanese government would continue to carefully watch the situation and make its views known to President Hu.

On April 25, Foreign Minister Komura welcomed Beijing's decision to open a dialogue with representatives of the Dalai Lama. On April 26, the Olympic Torch relay passed through Nagano. Though met by pro-Tibet demonstrators, the torch passed safely through the 18.7-kilometer course under tight security. On April 28 China's Ambassador to Japan Cui Tiankai paid a call on Vice Foreign Minister Yabunaka to thank Japan for the safe passage of the torch. Meanwhile, during an interview with *Fuji Television*, Komura renewed Japan's call for greater transparency with regard to Tibet, which he said was a "human rights problem" even as it was an internal affair of China.

Summit run-up: Tibet, East China Sea, and gyoza

On March 29, the *Sankei Shimbun* interviewed Prime Minister Fukuda. When questioned on Japan's seemingly moderate response to the Tibet issue when compared with that of other advanced countries, Fukuda noted that 2008, with the 30th anniversary of the Peace and Friendship Treaty, the G8 Summit in Hokkaido, and the Beijing Olympics, is an important year in the Japan-China relationship and an opportunity to expand the bilateral relationship. Japan attached great importance to the situation in Tibet and strongly hoped that the situation could be quickly and peacefully resolved at an early date. Fukuda urged transparency and a resumption of dialogue with the Dalai Lama on terms acceptable to both sides. Linking Tibet to the Olympics, as some critics were advocating, must be thought through carefully. Asked whether the East China Sea dispute would be resolved before Hu's visit, Fukuda said that during his December 2007 visit to China, both sides had determined to resolve the issue as soon as possible. While maintaining Japan's sovereign rights, utmost efforts were being made to reach agreement and negotiations on various aspects were continuing.

On April 15, LDP Secretary General Ibuki Bunmei and New Komeito Secretary General Kitagawa Kazuo traveled to Beijing and met with Wang Jiarui, head of the International Department of the Communist Party. Both legislators urged a peaceful resolution of the situation in Tibet. On April 16, they met President Hu where Ibuki urged transparency, the release of reports on the actions taken to restore order, and respect for Tibetan culture and traditions. Ibuki

handed Hu a letter from Fukuda urging a peaceful resolution of the situation through dialogue. In reply, Hu, linked protests against the Olympic torch to a well-devised plot to put pressure on China shortly before the opening of the Olympic games. While suggesting that China remained willing to engage in dialogue, Hu made it clear that China could not accept the Tibetans demands for independence. The Japanese party leaders also raised the issue of the poisoned *gyoza* and Hu assured them that he had issued instructions to cooperate with Japan to deal with the issue.

Vice Minister Yabunaka also traveled to China to meet his counterpart Wang Yi, April 14-15, in an attempt to resolve the outstanding issues of poisoned *gyoza*, the East China Sea, and the continuing unrest in Tibet. The meetings failed to bridge the mutual gap over what areas are to be developed in the East China Sea. On April 15, Chief Cabinet Secretary Machimura told reporters that it was “regrettable” that agreement was not reached, but there was a possibility that efforts would continue up to the last minute before the Hu visit. Reports suggested that a final effort would be made during the April 17-18 visit of China’s Foreign Minister Yang Jiechi to Tokyo. Again the two sides failed to resolve the East China Sea issue, but agreed to continue efforts to resolve it. Japanese sources indicated that the two sides were unable to close the gap regarding the areas in which joint development would take place.

Tibet proved to be a major point of contention, with Yang reiterating China’s position that the Dalai Lama and his supporters were “responsible for the riots” saying that if they cease “their independence activities, violence, and efforts to ruin the Beijing Olympics, the door for dialogue will open.” Fukuda told Yang that “it is necessary to face up to the reality that the riots in Tibet have become an international issue” and that China needed to take steps to prevent the issue from having a negative impact on the Beijing Olympics.”

Yang also met with leaders of the DPJ including Ozawa Ichiro, Hatoyama Yukio and Maehara Seiji. Hatoyama and Maehara raised the issue of human rights in Tibet and urged China “to take the international community’s criticism into consideration.” In reply, Yang made clear that Tibet was an internal affair of China. Speaking to the issues of poisoned *gyoza* and the East China Sea, Hatoyama and Maehara also asked for “an early response” from Beijing.

In advance of the Hu visit, former Prime Minister Nakasone’s think tank, the Japan Institute for International Policy Studies, released a study on Japan-China relations titled, “A New Chapter in Japan-China Relations.” The report sets out basic principles to guide the relationship in eight issue areas: The Building of a Broadly Perceived and Amicable Major Power Relationship; Overcoming the Problems of History; the Various Problems that China Faces and Japanese Cooperation with China; Cooperation between Japan and China on the Building of a New Regional order; Strengthening Mutual Understanding between Japan and China; Increasing Economic Interdependence; Resolving Bilateral Conflict through Consultation and China’s Military Rise and Japan’s Security. Nakasone called on Japan and China to build “a relationship in which they can frankly say with courtesy to one another what needs to be said.”

On April 29 Nakasone met President Hu in the Great Hall of the People. Nakasone advanced a proposal for a Japan, China and South Korea Summit as a forum “to help build peace and stability.” Hu thought the initiative would “have a good effect on ASEAN and create momentum for East Asian countries to prosper together,” adding that he wanted to “strengthen economic and

trade cooperation with Japan, South Korea, and other Asian countries.” Hu also thanked Nakasone for Japan’s efforts to ensure that the Olympic torch passed through Nagano without incident. Looking to his visit to Japan, Hu said he hoped that “China and Japan will cooperate in making efforts to establish a strategic mutually beneficial relationship”

Hu in Japan

President Hu arrived in Japan on May 6. Upon arrival, he expressed hope that through the visit “we can increase mutual trust, strengthen friendship, deepen cooperation, plan the future, and open the way for a new stage in the overall development in the Sino-Japanese strategic, mutually beneficial relationship.” That evening Hu met Prime Minister Fukuda for an informal dinner in a Hibiya restaurant known for its links to Sun Yat-sen. Hu informed Fukuda that China would send two pandas to Japan to replace the recently deceased pair at the Ueno Zoo. Outside the restaurant approximately eighty demonstrators carried on a pro-Tibet protest. After the dinner Hu met at his hotel with Tanaka Makiko, the daughter of former Prime Minister Tanaka Kakuei, and with the families of former Prime Minister Ohira and former Foreign Minister Sonoda.

On May 7, Prime Minister Fukuda and President Hu met for ninety minutes at the Prime Minister’s official residence. Afterwards the two leaders signed a political document titled “Joint Statement between Japan and China on Comprehensively Promoting a Strategic, Mutually Beneficial Relationship” and held a joint press conference.

In the Joint Statement, the two sides:

- Recognized “that the Japan-China relationship is one of the most important bilateral relationships for each of the two countries” and that “the two countries sole option is to cooperate to enhance peace and friendship over the long term;”
- Reaffirmed that the Joint Communiqué of Sep. 29, 1972; The Treaty of Peace and Friendship of August 12, 1978 and the Joint Declaration of Nov. 26, 1998 served as the “political foundation” for the relationship;
- Resolved “to face history squarely, advance toward the future, and endeavor with persistence to create a new era...” (The *Yomiuri Shimbun* noted that “this time the Chinese side stressed a future-oriented relationship;”}
- Recognized that they are “partners who cooperate together and are not threats to each other” and would “resolve bilateral issues through consultations and negotiations;”
- Resolved “to cooperate together while building frameworks for dialogue and cooperation”; in particular in the enhancing of “mutual trust in the political area: the “promotion of people-to-people and cultural exchange; enhancing “mutually beneficial cooperation” and in making contributions to the Asia-Pacific region and the resolution of global issues;
- With regard to Taiwan, Japan reiterated its adherence to the 1972 Joint Communiqué as the foundation of its one China policy.

The document also contained the language that “We will closely cooperate to understand even more and pursue common values,” which was interpreted as reflecting international concerns with the unrest in Tibet.

The joint statement also included an agreement on annual visits by the two leaders; mutual visits by senior officials responsible for national security and singled out energy, the environment, and food (read *gyoza*) and product safety as areas of cooperation. For its part, China expressed a positive view toward participation in negotiations on a post-Kyoto regime on the environment. In a separate document on environmental cooperation, China expressed its willingness to “study methods and measures” to reduce greenhouse gas emissions. Japan committed to extend “technological cooperation” in a number of areas including energy-efficiency, clean coal technology for coal-fired power plants, and the recollection of methane and carbon dioxide.

Prime Minister Fukuda opened the joint press conference by expressing his hope for the success of the Beijing Olympics and Japan’s willingness to cooperate in this regard. Fukuda also expressed his appreciation for China’s decision to open a dialogue with representatives of the Dalai Lama. In the joint press conference, he said that “major progress” had been made on the East China Sea issue and a resolution was “now in sight,” while Hu said that a big picture resolution had come into view.

In the afternoon, Hu met with leaders of Japan’s political parties, where discussion centered on food safety, the East China Sea, and Tibet. He also attended a reception hosted by Keidanren and Keizaidoyukai and other leading business organizations

On the evening of May 7, Emperor Akihito hosted a dinner for President Hu. In his toast, Hu expressed his hopes for the future, saying that “Reviewing the past and looking to the future, we have every reason to believe that China-Japan relations are at a new historical starting point with new opportunities for further growth.” In reply, the Emperor placed his faith in the expansion of exchanges between the youth of the two countries and the hope that “the two peoples will look back together on our long history and deepen friendly ties oriented toward the future.” The Emperor also expressed his hopes for the success of the Beijing Olympics.

On May 8, Hu continued meeting with Japan’s political leaders, meeting for breakfast with former Prime Ministers Nakasone, Kaifu, Mori, and Abe (Koizumi did not attend.). He also met with Ikeda Daisaku, Honorary President of the Buddhist Soka Gakkai, whom he praised as someone who “had worked tirelessly over the years on behalf of China-Japan friendship”. Hu followed up with a call on Lower House Speaker Kono Yohei. Without touching directly on the issue of Tibet, Kono said that he thought China should “rationally” deal with its internal affairs. Kono also expressed his hopes for the success of the Beijing of the Olympics and the Shanghai Exposition. Hu responded that Kono was known as an old friend of China, someone who had worked to build the framework for friendly relations between the two countries.

Later, Hu spoke at Waseda University where he noted that, despite recent economic growth, China remained the “world’s largest developing country”, whose growth is “not a threat but an opportunity” and reassured the audience that China “will never pose a threat to any country nor

fight for hegemony.” Hu expressed his appreciation for Japan’s positive contributions of yen loans, infrastructure development, environmental assistance, and energy development to China’s modernization. Touching on history, Hu noted that Japan’s past aggression had “brought about enormous misfortune to the Chinese people and also harmed the Japanese people.” He explained that “China remembers history, not for the purpose of continuing to hold animosities, but to hand down an association of friendship to future generations.” He also called for an expansion of youth exchanges and announced plans to invite 100 Waseda students to China.

On May 9, Hu met with the Diet Members Olympic Support Group, visited a Chinese school in Yokohama, and traveled to Osaka where he met with the Kansai region’s business and political leaders. On May 10, before departing for China, Hu toured the ancient capital of Nara and visited the headquarters of Matsushita Electric.

Summit reaction

On May 17-18, the *Asahi Shimbun* conducted a telephone survey, which yielded valid answers from 2,127 respondents or 60 percent of those interviewed. In response to the question whether they appreciated the Japan-China Summit, 35 percent answered “yes”; 47 percent answered “no.” A *Yomiuri Shimbun* door-to-door/face-to-face poll also taken May 17-18 produced valid answers from 1,837 persons or 61.2 percent of those interviewed. In response to the question “Do you appreciate the summit,” 9.3 percent answered “very much”; 36.1 percent “somewhat”; 32.1 percent “very much” did not appreciate and 16.9 did not “at all” appreciate the summit; N/A 5.6 percent. The less than glowing reviews of the summit reflect the reality of a May 1-2 *Mainichi Shimbun* poll that asked whether Japan should change its posture towards China. Of the respondents, 51 percent said that Japan should deal with China in a “stricter manner”; 26 percent said Japan should be “more friendly”; 17 percent supported the present course.

East China Sea

On May 15 the *Mainichi Shimbun* reported that Japan and China had agreed to put the issue of sea-boundary demarcation on the back burner and focus efforts on maximum economic benefits that would accrue from joint development. In the process, the two sides were working toward the possibility of developing more than one area. Citing diplomatic sources, *Kyodo News* reported that China was showing willingness to compromise on the area for joint development. In contrast to its previous position of excluding the Chunxiao/Shirakaba field, Beijing informed Japan of the “possibility” of including Chinxiao as an area for joint development.

During the summit, sources close to the on-going discussion told the *Yomiuri Shimbun* the two sides had reached agreement on the “rough area” for joint development. At the same time, a senior Japanese government official told the *Sankei Shimbun* that “only final coordination on a deal remained but to announce it at this early stage would kill the deal.” Speaking in Wakayama Prefecture, Ambassador Cui said that he could not predict when agreement would be reached, but the issue was not one that lent itself to an easy resolution. On the other hand, the past several years have not been wasted; over that time, an appropriate way of dealing with the issue had evolved. The Japanese media reported that both sides were now working toward final agreement by the July G8 Summit in Hokkaido, which President Hu would attend.

On June 9, Fukuda told the Upper House Budget Committee that resolving the East China Sea was a “problem of time.” Issues relating to joint development and technology had to be worked out and that would take time, but hopefully “not too long.”

On June 18, the two governments announced agreement on a “joint development zone” in the East China Sea. The agreement includes both the Shirakaba/Chunxiao field and a broader area in the Asunaro/Longjing field, which is located north-north-east of the Shirakaba/Chunxiao field and straddles the Japanese claimed mid-line boundary. Private sector Japanese companies as well as government-backed corporations will be allowed to invest in the existing Chinese development in the Chunxiao/Shirakaba field. Specifics regarding drilling locations and investment shares and earnings allocations will be settled in further negotiations. Excluded from the agreement were two areas currently under development by China on its side of the median line as well as the area around the Senkaku Islands. Pending final boundary demarcation, both governments will cooperate in joint development without jeopardizing existing boundary claims. Foreign Minister Komura told reporters that “the agreement is a favorable example showing that the two countries can solve any difficulty through dialogue.”

While the Foreign Ministry in Beijing welcomed the agreement as mutually beneficial and conducive to stability in the bilateral relationship, the *Yomiuri Shimbun* reported that Chinese civic action groups had staged a protest demonstration in front of the Japanese embassy and that internet opposition to the deal was increasing.

Sichuan earthquake:

On the morning of May 13, Foreign Minister Komura said that there were reports of injuries to 40 percent of the approximately 120 Japanese known to be in the area of the earthquake. He also told the press that Japan had informed China that it was standing by and prepared to provide the utmost assistance should China request it. The Foreign Ministry explained that internal conditions in the area of the earthquake were such that even if assistance were accepted, the task of relief would be difficult. Prime Minister Fukuda likened the conditions in China to those following the Kobe earthquake when Japan was not prepared to receive foreign assistance.

On May 15, Beijing announced that it would accept “emergency rescuers from Japan.” Senior Vice Foreign Minister Onodera Itsunori observed that Japan was well experienced in dealing with natural disasters and that “the recent improvement in Japan-China relations may have had good effect.” In response, the first unit of 30 personnel from Japan’s Fire and Disaster Management Agency, the National Police Agency, the Coast Guard and the International Cooperation Agency, left for China from Haneda airport on the evening of the 15th. A second rescue unit of an additional 30 personnel left for China on May 16. Plans to dispatch a medical team were also set in motion. The rescue teams, while assisting in the recovery of bodies, were unable to find survivors and were withdrawn. In response to a request made through the Japanese embassy in Beijing on May 19, a twenty three member medical team left for China the next day and returned on June 2 after treating 250 emergency outpatients and 250 inpatients.

Foreign Minister Komura told reporters on May 16 that Chinese citizens had expressed their appreciation for Japan's relief efforts at the Japanese consulate in Chongqing with one man saying that as a result of Japan's actions, his "ill feelings toward Japan had changed." Chief Cabinet Secretary Machimura also noted that Chinese citizens had thanked rescue team members and told them that their ill feelings toward Japan had turned into respect and appreciation. *Xinhua* ran a picture of the rescue team in operation and posted it on its website. Internet postings expressed appreciation with some criticizing those taking a hard-line toward Japan.

On May 27, the Chinese government, through the Japanese Embassy in Beijing, requested emergency supplies and indicated that it "would make no difference" if the supplies were transported by Japan's Air Self-Defense Force (ASDF). The *Asahi Shimbun* quoted a senior Ministry of Defense official as saying "I never expected the Chinese to change like this." The following day, Chief Cabinet Secretary Machimura announced the Chinese request and said it was under consideration. Foreign Minister Komura, however, noted that China had not specifically asked for ASDF transport but that "it's all right if we use SDF aircraft." Given the multiplicity of factors involved, he thought that "we need the Prime Minister's judgment." The *Sankei Shimbun* reported Fukuda as saying "send the planes" and on May 29, the Ministry of Defense announced that it would use 3 *CI30* transport airplanes to carry the emergency relief supplies, with the operation beginning the week of June 1 at the earliest.

At the same time, both governments were moving cautiously out of concern of provoking anti-Japanese sentiment. After consultations with China, Japan decided to shelve plans to use the ASDF and used charter commercial aircraft. A Japanese Foreign Ministry official told the *Yomiuri Shimbun* that the media reporting on the possible use of the ASDF had produced "side effects in China that made it impossible." It was also explained that, at the time of the original request, the possible use of the ASDF was only "one idea," but that Chinese government, at that time, had yet to reach internal agreement on the issue. In Singapore for the Shangri-La Dialogue, the PLA's Deputy Chief of Staff Ma Xiaotian told the *Asahi Shimbun* that he could not "personally" welcome the ASDF, saying that the appearance of Japanese aircraft over China "would have a certain degree of impact on the psychology of the Chinese public."

As of the end of May, Japanese emergency aid and financial assistance totaled 1 billion yen.

Diplomatic Offensive

Less than two weeks after the summit, Prime Minister Fukuda delivered a speech, "Toward the Day when the Pacific Ocean Becomes an Inland Sea" to an international conference on "The Future of Asia" held in Tokyo. The speech was hailed as a "new" Fukuda doctrine and called for increased cooperation within the Asia-Pacific region as well as networking with countries beyond the region. He set out five priority areas for Japan: support of ASEAN's efforts at community building; strengthening of the Japan-U.S. alliance; establishing Japan as a peace-fostering nation; enhancing people-to-people exchanges; and addressing climate change. Fukuda made clear in his remarks that "it is critical that China as a major nation, develop in a stable manner, and for that sake, Japan intends to cooperate with China where it is able." Concerned that some might see the emphasis on ASEAN as an attempt to balance China's growing influence in the region, Takeshita Osamu, the Deputy Chief Cabinet Secretary dismissed that

interpretation as old thinking, saying that Fukuda was attempting “to move away from that mode of thinking.”

At the same time, the *Nikkei Shimbun* reported on May 15, the government planned to establish a new framework for policy toward Africa, “with an eye on rapid approaches by China and India” to the continent. Key elements of the initiative were reported to include: a doubling of development assistance by 2012 to ¥200 billion; an effort to double Japan’s direct investment to ¥170 billion over the same period; a proposal for an annual dialogue with Africa; and plans to hold working level talks with China on Africa. The new initiative was launched at the Tokyo International Conference on Africa, to be held in Yokohama beginning May 28.

Security

On March 26, the National Institute for Defense Studies (NIDS) released its annual report, *East Asian Strategic Review 2008*. Looking ahead, the report judged that “there is no doubt that the Chinese navy will operate outside Chinese waters.” Based on the current modernization of the PLA Navy and its feasibility studies for an aircraft carrier, the study predicted that China would possess an aircraft carrier by 2010 at the earliest and that the PLA Navy will shift from a coastal defense to a blue-water strategy extending to the Indian Ocean.

The report judged that the PLA Navy’s friendly visits to Japan are “intended to promote a peaceful and friendly mood...so as to make Japan hesitant to engage in gas exploration in the East China Sea. By doing so, China intends to establish in effect hegemony in the East China Sea.” The report was also critical of defense exchanges, observing that “the slogan of defense exchanges alone is now a *fait accompli* with no confidence building” and the China is using the exchanges to promote a “peace-like image of itself.” The visit of China’s Defense Minister to Japan in August 2007 was cited as an example of an exchange that produced good feelings but no change in China’s continuing lack of transparency in its military budget. NIDS concluded “China is trying to secure an advantage over Japan by using both hard and soft power.”

On March 31, Vice Minister of Defense Masuda Kohei met Ma Xiaotian the Deputy Chief of the PLA’s General Staff in Beijing. This was the first meeting at the Vice Ministerial level since November 2006. When asked for an explanation of the reasons behind China’s 20 year run of double-digit defense spending, Ma replied that the increase were an unavoidable part of China’s defense modernization, which included rising personnel and material costs. At the conclusion of the talks, the two sides agreed to expand defense exchanges of high-ranking Air Force and Navy officers, to study prospects for cooperation in UN peacekeeping operations, and to hold a working-level meeting in April to discuss the building of a defense hotline. The two sides met in Beijing on April 21 and agreed that a hotline system would enhance mutual trust.

Efforts to build mutual trust continued with the arrival of the Maritime Self-Defense Force destroyer *Sazanami* in Zhanjiang, Guangdong Province on June 24 – the first port call in China of a Japanese warship since 1945. Four hundred Chinese sailors welcomed the *Sazanami* under a banner that read “Warmly welcoming the MSDF ship on first visit to China.” Rear Adm. Tokumaru Shinichi told reporters that the visit would stand as a “monumental milestone for defense communications” between Japan and China.

With the *Sazanami* carrying additional relief supplies for the victims of the Sichuan earthquake, China's Foreign Ministry spokesperson Liu Jianchao also emphasized that the visit will "enhance the friendship and mutual trust between the two countries" by advancing defense exchanges and assisting in earthquake relief. Liu was optimistic that the visit would not provoke "public anger." To lessen the chances of any public reaction, the exchange was limited to on-base activities and a public concert was cancelled due to security concerns. At the same time, the Japanese press reported "deep-seated reactions" within the PLA, with the *Nikkei Shimbun* quoting Admiral Yang Yi as saying that the port call "will easily remind us of our painful memory." The *Nikkei* also reported "typical" internet postings accused the government of approving "the revival of Japanese militarism."

Yasukuni: The movie

At the end of March, theaters in Tokyo and Osaka cancelled scheduled April openings of the movie "Yasukuni," a documentary produced by Chinese director Li Ying. The theaters explained their decision was the result of "concern that it might cause inconvenience to neighboring commercial facilities." Both the *Yomiuri* and *Asahi* reported that the theaters had received telephone calls demanding the movie not be shown.

Earlier, on February 12, a group of LDP Diet members, led by Inada Akemi, requested the Agency for Cultural Affairs (ACA) to provide the group with an advance showing to review the contents of the film. The ACA, through the Japan Arts Council, had provided a grant of ¥7.5 million to support the making of the movie. The showing took place on March 12 with 40 members of the Diet attending from the LDP, DJP, New Komeito, and Social Democratic Party of Japan. After the preview, Inada announced that "I got from the film the feeling that this was an ideological message that Yasukuni Shrine served as a device to incite the public to war." The shrine on its homepage announced on April 11 that the film-makers "did not respect" the procedures granted by the shrine in the filming of the movie and that the contents of the film "could give rise to misunderstandings." At the same time, a key figure in the film, 90 year-old swordsmith, Kariya Naoji, asked that his appearance be cut from the movie.

On April 1, the Mass Media Information and Culture Union protested the activities of "rightist groups" hindering the opening of the movie. Cabinet Secretary Machimura said that he did not think that "Ms. Inada's behavior led to the cancellation," but, at the same time, he thought it "inappropriate that freedom of expression is affected by insulting pressure." Despite the protests, Argo Pictures announced that it would go ahead with plans to show the movie beginning in early May. Yasukuni opened in Tokyo on May 3 and in Osaka a week later.

Yasukuni: the Shrine

On April 22, a group of 62 Diet members including former Agriculture Minister Shimamura Yoshinobu, Yamatani Eriko, special advisor to the Prime Minister, two senior vice ministers, and five parliamentary secretaries visited the Shrine on the occasion of the Spring Festival. A month later on May 23, the government lifted a state-imposed ban on public school organized field trips to the shrine. In response to the question raised by the LDP's Hiranuma Takeo, the government

released a Cabinet approved document saying that “it is permissible for school children to visit Yasukuni to learn about Japanese history and culture as part of school education.”

Looking ahead

President Hu’s visit continued the warming in the Japan-China relationship that was initiated by former Prime Minister Abe. Agreement on joint development in the East China Sea was a major step forward in building a mutually-beneficial strategic relationship. Still, public reaction in China to the possible deployment of Japan’s ASDF in the Sichuan earthquake relief operation and to the Shanghai port call of the MSDF warship suggests that both governments will have to proceed cautiously as they work out the details of the East China Sea agreement.

Chronology of Japan-China Relations April-June 2008

March 26, 2008: Japan’s National Institute for Defense Studies releases *East Asia Strategic Review 2008*.

March 30-31, 2008: Vice Minister of Defense Masuda Kohei visits Beijing.

April 1, 2008: Japanese government announces that Imperial Family will not attend opening ceremony of Beijing Olympics.

April 1, 2008: Japan’s Mass Media Information and Cultural Union protests political pressure on theaters to cancel showing of the movie *Yasukuni* directed by Li Ying.

April 6, 2008: Development ministers of emerging donor countries including China meet in Tokyo.

April 10, 2008: Prime Minister Fukuda Yasuo tells Foreign Policy Study Group that he wants to see Japan increase its ODA budget.

April 12, 2008: Democratic Party of Japan (DJP) Secretary General Hatoyama Yukio in Hiroshima speech calls on China to open dialogue with Dalai Lama.

April 14, 2008: Environment Minister Kamoshita Ichiro eats with Chinese counterpart in Beijing.

April 14-15, 2008: Vice Minister Yabunaka meets counterpart Wang Yi in Beijing; discussions center on Hu visit to Japan, Tibet, gyoza, and East China Sea.

April 15-16, 2008: LDP Secretary General Ibuki Bumnei and New Komeito Secretary General Kitagawa Kazuo visit China, meet President Hu, and urge peaceful resolution of unrest in Tibet.

April 17-18, 2008: China's Foreign Minister Yang Jiechi visits Japan and meets PM Fukuda to advance Hu visit.

April 19, 2008: Zenkoji temple in Nagano is vandalized after refusing to serve as starting point for Olympic torch relay.

April 22, 2008: Japanese Foreign Ministry announces President Hu will visit beginning May 6.

April 22, 2008: Sixty-two Diet members visit Yasukuni Shrine on occasion of Spring Festival.

April 23, 2008: Former Prime Minister Nakasone's Japan Institute for International Policy Studies releases report on Japan-China relations.

April 25, 2008: Foreign Minister Komura welcomes China's decision to open dialogue with representatives of the Dalai Lama.

April 26, 2008: Olympic torch passes safely through Nagano.

April 28, 2008: Japan-China-South Korea eminent persons group meets in Beijing; issues call for FTA negotiations and financial and monetary cooperation.

April 29, 2008: Hyogo prefectural police report pesticide found in frozen Chinese *gyoza*.

April 29, 2008: Former PM Nakasone visits Beijing and meets President Hu.

May 1, 2008: Japanese Foreign Ministry releases survey of six ASEAN countries (Indonesia, Malaysia, Philippines, Thailand, and Vietnam) that rank China ahead of Japan as their most important partner by a margin of 30 percent to 28 percent.

May 3, 2008: Movie *Yasukuni* opens in Tokyo.

May 4, 2008: ASEAN Finance Ministers, plus Japan, China, and South Korea meet in Madrid to discuss financial cooperation; agree to \$80 billion currency swap arrangement.

May 5, 2008: Waseda University and Beijing University agree to set up joint graduate program in environmental and sustainable development studies.

May 6-10, 2008: President Hu visits Japan and meets PM Fukuda. The two issue joint statement on "Comprehensively Promoting a Strategic Mutually Beneficial Relationship."

May 12, 2008: China experiences 7.8 magnitude earthquake in Sichuan Province.

May 15, 2008: Beijing announces that it will accept emergency assistance from Japan; emergency rescue team departs for China; second team follows on May 16.

May 16, 2008: Chinese Ambassador to Japan Cui Tiankai expresses thanks for Japanese earthquake assistance.

May 16, 2008: Japan and China sign treaty allowing for exchange of information and evidence in criminal cases.

May 19, 2008: Chinese embassy in Tokyo opens for earthquake mourners as part of China's three days observance.

May 20, 2008: Seventy-five member Japanese delegation, including Tokyo governor Ishihara Shintaro and 30 Diet members, attends inauguration of Taiwan President Ma Ying-jeou.

May 21, 2008: Tokyo High Court upholds ¥4 million defamation ruling against Japanese publisher for alleging female survivor of Nanjing Massacre was an impostor.

May 21, 2008: Diet enacts law allowing use of outer space for defense purposes.

May 23, 2008: Japanese medical team departs for China to assist earthquake victims.

May 22, 2008: PM Fukuda calls for cooperation among countries of the Asia-Pacific region; highlights importance of China's stable development.

May 30, 2008: Tokyo municipal government reverses practice established in 1987 and allows Taiwanese residing in Tokyo to register place origin as Taiwan rather than China.

June 1, 2008: Chinese Ambassador Cui appears on *TV Asahi* "Sunday Project." Speaking through an interpreter Cui expresses appreciation for Japan's emergency assistance. In a reference to not using ASDF aircraft, he explains that both governments had agreed to providing assistance in a manner conducive to the Chinese people.

June 3, 2008: Chinese Foreign Ministry announces Maritime Self Defense Force ship will visit China during the month.

June 3, 2008: Former Chinese Ambassador to Japan Wang Yi becomes Director of China's Taiwan Affairs Office.

June 4, 2008: *Sankei Shimbun* reports that Ministry of Defense and U.S. intelligence sources reveal "with high probability" that Chinese Navy submarine test-fired SLBM in Yellow Sea.

June 6, 2008: *Xinhua* News Service attributes deaths of three residents of Qiqihar, Heilongjiang Province to leak of poison gas from chemical weapons abandoned by the Imperial Army.

June 8, 2008: LDP-New Komeito delegation accompanies delivery of relief supplies to Sichuan Province.

June 9, 2008: PM Fukuda tells Upper House Budget Committee that resolving the East China Sea dispute is a problem of time.

June 10, 2008: Taiwanese fishing boat sinks after collision with Japanese Coast Guard ship near disputed Diaoyutai/Senkaku Islands.

June 14, 2008: Japan, China, and South Korea foreign ministers meet in Tokyo.

June 16, 2008: PM Fukuda calls for self-restraint in Japan and Taiwan with respect to June 10 sinking of Taiwanese fishing boat.

June 17, 2008: Taiwan's President Ma asserts Taiwanese claim to Senkaku Islands; calls for peaceful resolution of June 10 incident.

June 17, 2008: President Ma announces acceptance of resignation of representative heading Taipei's Economic and Cultural Affairs Office in Japan.

June 18, 2008: Japan and China agree on joint development plan for East China Sea.

June 19, 2008: MSDF destroyer *Sazanami* departs Kure, Japan for China port call.

June 20, 2008: Head of Japanese Coast Guard regional headquarters in Okinawa hands formal letter of apology to captain of Taiwanese fishing boat sunk in June 10 incident.

June 24, 2008: MSDF destroyer *Sazanami* arrives in Zhanjiang, Guangdong Province, China.

June 27, 2008: Japanese Ministry of Foreign Affairs changes name of China Division to China and Mongolia Division.

June 30, 2008: Japanese and Chinese artists living in Japan hold concert in Tokyo to raise funds for victims of Sichuan earthquake.



Japan-Korea Relations:

Tentative Improvement through Pragmatism

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Japan's relations with both North and South Korea improved over the past quarter. In conjunction with the North's June declaration of its nuclear activities, there was renewed momentum in resolving the two biggest pending bilateral issues between Tokyo and Pyongyang – the North's nuclear development program and the abduction issue. Bilateral talks resumed in mid-June after more than six months of no progress. The second quarter also marked a fresh start for Tokyo and Seoul as President Lee's Myung-bak's visit to Japan – the first since December 2004 by a South Korean president – marked the resumption of so-called “shuttle diplomacy.” The summit between Prime Minister Fukuda Yasuo and President Lee produced agreements on several bilateral issues, including the stalled bilateral FTA negotiations, closer coordination on policy regarding North Korea's nuclear development program, and youth exchanges.

Japan-North Korea: a small step from ‘action for action’

Japan-North Korea relations finally began to make progress after a long period of inaction. With the Six-Party Talks making progress due to the North's June declaration of its nuclear activities, there was renewed momentum in resolving the two biggest bilateral issues between Tokyo and Pyongyang – the North's nuclear development program and the abduction issue. The headline for the second quarter of 2008 was the resumption of Tokyo-Pyongyang bilateral talks in mid-June after more than half a year's halt. In a diplomatic breakthrough, North Korea has promised that it will begin a “reinvestigation” of the fate of Japanese citizens abducted by Pyongyang, and said that it is willing to hand over to Japan the four remaining members of the nine hijackers of a Japan Airlines jet in 1970. In return, Tokyo agreed to partially lift sanctions against Pyongyang, allowing certain North Korean ships to make port calls in Japan.

While Japan-North Korea relations are moving in a positive direction, Japan may face a difficult choice in the coming quarter if the Six-Party Talks, which focus on denuclearization of North Korea, move faster than progress in the abduction issue. Reflecting public sentiment, Japan has refused to participate in economic and energy assistance for Pyongyang, hoping to press the DPRK until the abduction issue is completely resolved.

The abduction issue and state sponsor of terrorism list

Arguably, the abduction issue has been the biggest obstacle to Japan-North Korean normalization talks and a main driver for Japan's hard-line North Korea policy over the years.

During the 2002 Japan-North Korea summit, North Korean leader Kim Jong-il apologized to Prime Minister Koizumi Junichiro for the abduction of Japanese citizens in the 1970s and 1980s. In 2004, after Koizumi's second visit to Pyongyang, North Korea returned five abductees to Japan as a gesture aimed at normalizing diplomatic relations with Tokyo. Since then, the highly emotional issue for the Japanese public has been a major influence on Japanese foreign policy, pushing Tokyo to take tough measures against North Korea. Meanwhile, Tokyo and Pyongyang have been in a quarrel over the fate of the remaining eight abductees. While Pyongyang has claimed that they are dead, the Japanese government's DNA tests showed that the cremated remains Pyongyang claimed to be Yokota Megumi were not hers.

Noteworthy about this round of the Tokyo-Pyongyang talks was Pyongyang's reversal of its previous claims that the abduction issue has been settled. Compared to the round of talks in September 2007, the June 11-12 bilateral talks were constructive in that both Tokyo and Pyongyang agreed to reopen the abduction issue. Japan welcomed the North's softened stance and evaluated it as "certain progress." But equally noticeable was the Japanese government's tone careful – Tokyo has learned not to expect too much from the North. On June 13, in comments on the outcome of the talks, Foreign Minister Komura Masahiko said that Pyongyang's new promise is "a small step," and therefore, Tokyo will only partially lift the ban on chartered flights and trips between the two countries. Chief Cabinet Secretary Machimura Nobunaka sounded a similar tone when he said that a mere promise to restart the probe is not enough for Japan to provide the economic and energy assistance that Pyongyang has demanded in the Six-Party Talks. Japanese media in large part responded similarly, viewing North Korea's changed stance as a means to bolster its image in order to be removed from the U.S. state sponsors of terrorism list. In an editorial June 14, the *Asahi Shimbun* warned that the North has "a history of offering dubious information and flimsy explanations about the abduction issue, frustrating Japanese efforts to uncover the truth."

Clearly, North Korea was making efforts to be removed from the U.S. terrorist list. On June 10, its Foreign Ministry issued a statement that North Korea firmly maintains its opposition to all forms of terrorism and "fulfills its responsibility and duty in the struggle against terrorism as a dignified member of the United Nations," which was welcomed by the U.S. as well as Japan. The rationale for Pyongyang's designation by the U.S. as a nation supporting terrorism included its harboring of the Japanese hijackers as well as past abductions of Japanese citizens.

Japan-South Korea relations

The second quarter of 2008 marked the start of a new relationship for Tokyo and Seoul as President Lee's visit to Japan – the first since December 2004 by a South Korean president – marked the resumption of an annual exchange of "shuttle diplomacy" visits. The April 20 summit between Prime Minister Fukuda Yasuo and President Lee Myung-bak produced important agreements on a wide range of bilateral issues, including the stalled bilateral free trade agreement (FTA) negotiations, closer coordination on policy regarding North Korea's nuclear development program, and youth exchanges, among others. The Dokdo/Takeshima Islets issue emerged soon after the summit and threatened the hard-won warming mood, but did not lead to a full-fledged diplomatic conflict as in the past. While this reflects political will on both sides to

improve bilateral ties, it also showed that public opinion might be the key to achieving the proposed goal of “a more mature partnership.”

The Fukuda-Lee summit

Although the April 20 Japan-South Korea summit avoided directly dealing with some thorny historical issues, Prime Minister Fukuda and President Lee succeeded in laying the groundwork for further cooperation based on a pledge to foster a “more mature partnership.” A careful look at the summit agenda reveals that Tokyo and Seoul are seeking a working relationship to help handle their security and economic problems. Three issue areas from the February 25 Fukuda-Lee summit in Seoul – more concerted efforts to deal with North Korea, resumption of bilateral FTA talks, and a forward-looking attitude toward historical issues – were reconfirmed and some were begun to be put in practice during this past quarter.

A first area of agreement was tighter cooperation on North Korea’s denuclearization in the context of Seoul-Washington-Tokyo trilateral coordination. Prime Minister Fukuda called North Korean issues the “biggest common agenda” for Tokyo and Seoul. President Lee agreed that the North’s nuclear development threatens the peace of Northeast Asia and offered to cooperate in solving the issue of North Korea’s abduction of Japanese citizens. The Lee administration’s first four months in office did not see any concrete policy change toward North Korea, but President Lee’s emphasis on “pragmatic inter-Korean relations” apparently freed Seoul from the previous Roh government’s fear that such trilateral coordination (between the U.S., Japan, and South Korea) would upset Pyongyang and result in negative consequences for inter-Korean relations. On June 19, chief negotiators from Japan, the U.S., and South Korea met in Tokyo to strengthen trilateral coordination in pushing Pyongyang to fully declare its nuclear activities. North Korea’s official newspaper *Rodong Sinmun*, on the other hand, commented that Lee’s visits to Japan and the U.S. were not “pragmatic diplomacy,” but “traitor diplomacy,” charging that he was “selling out the Korean people” in exchange for his own political ambition.

Another success of the Fukuda-Lee summit was a decision to resume the stalled negotiations on a bilateral FTA and to expand the scope of bilateral exchanges. Accordingly, in late June, Tokyo and Seoul held a working-level meeting to study how to restart the negotiations. The two leaders also agreed to push implementation of the bilateral Working Holiday Visa Program, which includes goals of doubling the number of young South Korean and Japanese participating in the program to 7,200 in 2009, and increasing the number to 10,000 by 2012.

The most challenging yet important area of agreement between Fukuda and Lee had to do with a pledge on how to approach “historical issues.” The summit did not discuss substantive territorial disputes or other issues that spring from the history of Japan’s colonization of the Korean peninsula between 1910 and 1945. However, following their February summit, President Lee repeated that South Korea would not seek an apology or soul-searching from Japan so as not to let the past create an obstacle for the future. In particular, his statement that he would not respond in knee-jerk fashion to remarks by individual Japanese politicians on matters of history drew much attention in Japan. According to a statement from the South Korean presidential Blue House (*Cheong Wa Dae*), in a meeting between President Lee and Japanese Emperor Akihito in Tokyo, Lee called for a “future-oriented” relationship and added it does not mean that the two

countries should forget the historical truth. Emperor Akihito said when the people of the two countries try to confront the historical truth and understand each other, mutual understanding and trust will deepen. Reflecting the difficulty of resolving past issues, the South Korean daily *Chosun Ilbo* reported on April 22 that a survey conducted by Japanese TV network *TBS* of 500 citizens from Japan and South Korea showed that 90 percent of South Koreans and 44 percent of Japanese believe that issues between the two countries remain unsettled despite warmer ties.

Let bygones be bygones?

The difficulty of looking forward was apparent less than a month after the summit, when the Dokdo/Takeshima Islets issue became a test for Tokyo-Seoul's "mature, future-oriented partnership." The Japanese Foreign Ministry posted a document on its website that claimed the Dokdo/Takeshima Islets as part of Japanese territory. The document, titled "10 Issues of Takeshima," is available in English, Korean, and Japanese, and claims that South Korea is illegally occupying the islets, and lists 10 reasons why the islets belong to Japan. Although the South Korean Foreign Ministry issued a protest against Japan, it was criticized both within and outside the ministry for taking a passive and lukewarm stance.

Another incident was a Japanese media report that Japan's Education Ministry will describe the Dokdo/Takeshima Islets as Japanese territory in its revised curriculum guidelines for middle school social studies classes. This time, South Korea reacted more strongly and immediately, on the instructions of President Lee to demand a correction if the report was true. Foreign Minister Yu Myung-hwan summoned Japanese Ambassador to South Korea Shigeie Toshinori to verify the news report and to express Seoul's displeasure. Some South Korean media reacted by blaming Japan for breaking the trust of South Koreans, and said that, "Japan-South Korea relations seemed to be warming but are about to chill abruptly." South Korea's conservative daily *Chosun Ilbo* carried an editorial that said claiming the islets are Japanese territory is one thing, but teaching it to young students is another.

Chief Cabinet Secretary Machimura sought to calm the diplomatic waters, and said that the Japanese government "has no intention of significantly politicizing the Takeshima issue." According to a report in the May 28 *Japan Times*, Japan "apparently backed down after sharp reactions from South Korea" and will refrain from identifying Dokdo/Takeshima as an integral part of Japan. The supplementary document, along with the guidelines for other subjects for middle school classes, will be compiled in mid-July. The documents are nonbinding and provide guidance for teachers and textbook publishers. According to the *Chosun Ilbo*, the Japanese government had planned to include the Dokdo/Takeshima Islets in the new guidelines published on March 28, but decided not to, in consideration of relations with South Korea, which was showing signs of improvement after the February Fukuda-Lee meeting.

Fukuda and Lee: unpopular at home

Both President Lee and Prime Minister Fukuda suffered a significant drop in support ratings during the quarter, which might turn out to be an obstacle to improving relations. President Lee's first 100 days in office anniversary was met with mass "candlelight protests" and a record low approval rating that dropped below 20 percent – the sharpest plunge of any South Korean

president during his first 100 days. Although Lee's GNP (Grand National Party) managed to hold 153 seats of the 299 seats (from 128 seats) in April parliamentary elections, turnout was just 46 percent, the lowest in South Korea's 20 years of democratic elections.

The limits of Lee's ability to change South Korean foreign policy, and the vibrancy of South Korean democracy, were dramatically revealed within the first few months of his administration. In an attempt to make progress on the stalled U.S.-South Korea FTA, Lee forced through newly loosened quarantine regulations to allow the import of U.S. beef into South Korea. Originally banned in 2003 at the height of the mad-cow scare in the U.S., the U.S. had made removal of the ban central to conclusion of the FTA. Lee abruptly lifted the ban on the eve of his trip to Washington in April. In response, South Koreans flooded the streets, railing against Lee's attempt to curry favor with the U.S. By June, up to 500,000 citizens – housewives, businessmen, and students – took to the streets daily for candlelight vigils in a now-familiar scene to protest various aspects of Lee's administration in what one observer called “the largest anti-government protests in two decades.” Opinion polls revealed that up to 80 percent of South Koreans opposed importing U.S. beef older than 20 months, and it is worth emphasizing that Japan also restricts U.S. beef imports older than 20 months. The protests widened as other groups added further concerns, and instead of dying down, the vigils intensified.

Although initially about U.S. beef imports, the protests quickly became as much about Lee's own imperial style of rule as they were about substantive issues. Rightly or wrongly, it appeared to many South Koreans that Lee was attempting to fix two problems – US-ROK relations and South Korea's northern policy – that did not need fixing, while overlooking more important problems with the domestic economy and other bread and butter issues. Lee's decision also appeared to the average South Korean as yet another instance of South Korean leaders caving in to U.S. pressure. Furthermore, Lee and his Cabinet's initial dismissal of the public's concerns did little to alleviate discontent with his style of rule. Other concerns – such as Lee's pledge to support the interests of the large conglomerates (“*chaebols*”), and continued worries about the domestic economy – combined with an increasingly web and text message-based method of organizing, brought thousands of people into the streets for an almost daily ritual.

In Japan, Prime Minister Fukuda faced domestic problems as he was accused of raising the price of oil by enforcing a reform of the gasoline tax. Fukuda's approval rating has continued to drop from a high of 60 percent at the time of his inauguration last September 2007 down to 19 percent by June 2008. Fukuda received another blow as the opposition-controlled Upper House approved – for the first time – a censure motion against Fukuda in protest against the ruling coalition's block of a bill in the Lower House to scrap the new health insurance system.

In contrast, the issue of giving permanent residents voting rights in local elections has gained momentum in Japanese politics during the quarter, helped by warming diplomatic relations between Tokyo and Seoul. The *Japan Times* reported on May 3 that a group of Democratic Party of Japan (DPJ) lawmakers was in the process of drafting a bill that allows foreigners with permanent residence status the right to vote in local elections. According to the daily, the DPJ group was organized less than two weeks after DPJ President Ozawa Ichiro met with Lee Sang-duk, the special envoy of then President-elect Lee Myung-bak in mid-January. Noting that South Korea began to provide permanent residents with voting rights in local elections in 2006, Ozawa,

a supporter of alien suffrage, reportedly said to the South Korean envoy and later to President Lee himself that he will make efforts on the issue. During the April Fukuda-Lee summit, President Lee raised the issue again but Fukuda responded by saying that Japan has yet to come to a decision, although he was aware of the issue.

In Japan, some 837,000 foreign nationals were registered with the government in Japan as permanent residents, making up 40.2 percent of the total 2.08 million registered foreigners. 443,000 of them were special permanent residents (who have been in Japan for generations) and most of them are Korean descendants who lived in Japan before World War II. On April 16, some 600 residents of Korean descent and other foreign nationalities gathered in Tokyo to request the Japanese government to grant the right to vote in local elections. *Kyodo News* reported an interview with Pierre Delehouzee, a member of the Association for Multi-Cultural Families and a Japanese resident for over 30 years, as saying “I have abided by Japanese laws and obligations, but I have not been given basic rights as a local resident – I have to wonder why.”

On April 28, South Korea’s Ministry of National Defense announced that Seoul and Tokyo were working on the details of a comprehensive military cooperation agreement. The agreement includes exchange of military personnel and joint search-and-rescue naval exercises in humanitarian causes. This type of military cooperation marks the first codified agreement between the two countries since the end of Japan’s colonial rule of the Korean Peninsula.

Given the unchanged public perceptions (especially South Korean), unpopular leaderships in both countries may have a harder time in pursuing the agreements they made during their April summit. In particular, considering the large South Korean trade deficit vis-à-vis Japan, progress on their bilateral FTA could face strong opposition from the public. Furthermore, despite pledges for a future-oriented relationship, it remains to be seen whether unpopular leadership can withstand nationalist sentiments on both sides of the East Sea/Sea of Japan.

Economic and cultural relations

After Prime Minister Fukuda and President Lee reconfirmed their goal of resuming bilateral FTA talks, the two sides held a working-level meeting in June to study how to resume the stalled negotiations. Six rounds of negotiations had been held between December 2003 and November 2004, but were suspended due to Japan’s objection to opening up its agricultural market and South Korea’s opposition to further liberalizing its automobile market. Unlike the bilateral FTA with the U.S., major South Korean conglomerates oppose the deal with Japan, because of the fear that such a deal – despite long-term benefits – will introduce fierce competition in the home appliances and automobiles sectors in South Korea.

In other economic news, on May 4, the finance ministers of Japan, South Korea, and China agreed in a meeting in Madrid that they would create a new cooperation framework by the year’s end to promote financial stability in East Asia. In their joint message, they recognized the turbulence in the current international financial markets as a major risk for their economies, and agreed to “enhance communication among authorities responsible for macroeconomic and financial stability.”

Regarding bilateral investment between Japan and South Korea, according to Saito Atsushi, head of the Tokyo Stock Exchange, Japanese equity markets have been overlooked by South Korean investors. In his address at the Institute for Global Economics in Seoul, he said that efforts to improve corporate governance at Japanese firms have started to revive the equity market in Japan. Foreign investors make up of 65 to 70 percent of the trades on the Tokyo Stock Exchange. The Tokyo Exchange aims to double the market value of its listed companies and products to ¥1,000 trillion (\$9.4 trillion) in the next three years, and he urged South Korean investors to consider investing in Japan.

The South Korean Ministry of Knowledge Economy reported that South Korean exports rose 27.2 percent year-on-year to \$39.49 billion in May, while imports jumped 28.8 percent to \$38.45 billion to create a surplus of \$1.04 billion. According to the report, exports to China and Japan climbed 32.6 percent and 17.4 percent, respectively, while those to ASEAN (Association of Southeast Asian Nations) states and Central and Latin America jumped 45.2 percent and 44.3 percent respectively. Shipments to the U.S. were down 5.4 percent.

Japan's All Nippon Airways Company (ANA) and South Korea's Asiana Airlines agreed to expand code-sharing flights on eight routes in an arrangement allowing each to sell seats under its own name on the other carrier's flight. The agreement, which took effect on June 1, allows the two airlines to offer 294 weekly code-shared flights on 28 routes.

According to the *Japan Times*, Japanese students in Miyagi Prefecture plan to visit South Korea this summer on a school excursion to study the life of Tatsuji Fuse (1880-1953), a lawyer and human rights advocate. Fuse was the first Japanese recipient of Seoul's medal regarding the founding of the nation; South Koreans call him "Japan's Schindler" for his efforts to fight for Koreans arrested in Tokyo for their involvement in the independence movement. Students at Onagawa No. 4 Junior High School will visit South Korea to trace the steps of Fuse, who had visited the Korean Peninsula during Japan's colonial rule, and also meet with South Korean students. Director Hiroo Ikeda plans to make a movie on Fuse to show next spring.

The coming quarter

Despite their best intentions, President Lee may be the third consecutive South Korean president to have a "false start" with Japan: both Kim Dae-jung and Roh Moo-hyun pledged to look to the future, only to be hemmed in by the past. However, there is no doubt that Lee and Fukuda both have the intention of moving the Japan-South Korea relationship forward in a more cooperative direction, and they have agreed to pursue progress in a number of areas. Whether they succeed will depend as much on their domestic policy success and the reaction of their own citizens as it will on relations with each other.

As for North Korea-Japan relations, after years of little progress and mutual recriminations, the stage appears to be set for some type of movement on the abductee issue. It is unlikely that the issue will ever be resolved satisfactorily to each side's satisfaction, especially given the amount of time that has passed since the original abductions. The task for both sides will be to find a way to move forward on the issue in a manner that is perceived as at least minimally legitimate by the other side. Whether this is possible remains to be seen.

Chronology of Japan-Korea Relations April-June 2008

April 4, 2008: Japan Foreign Minister Komura Masahiko and South Korea Foreign Minister Yu Myung-hwan agree that Tokyo and Seoul will work closely to peacefully resolve North Korean nuclear issue and the abduction of Japanese citizens by Pyongyang as Yu makes a four-day visit to Japan to discuss better ties with Japan.

April 9, 2008: Parliamentary elections are held in South Korea. President Lee's GNP (Grand National Party) holds 153 seats of the 299 seats (from 128 seats), while the opposition liberal UDP (United Democratic Party) plunges from 141 to 81.

April 11, 2008: Japan's Cabinet confirms that economic sanctions against Pyongyang will be renewed for another six months. The second round of sanctions expires on April 13.

April 16, 2008: Some 600 Korean residents and other foreign nationalities gather in Tokyo to demand voting rights in local elections in Japan.

April 20, 2008: President Lee Myung-bak and Prime Minister Fukuda Yasuo hold a summit in Tokyo and agree to pursue a more mature bilateral partnership.

April 22, 2008: *Chosun Ilbo* reports that 90 percent of South Koreans believe bilateral issues between Japan and South Korea remain unsettled; according to TV network *TBS*, 44 percent of Japanese share the view.

April 28, 2008: South Korea's Ministry of National Defense announces that Seoul and Tokyo are working on a comprehensive military cooperation agreement, marking the first codified bilateral military cooperation since the end of Japan's colonial rule of the Korean Peninsula.

May 4, 2008: Finance ministers from Japan, South Korea, and China meet in Madrid and agree to closely cooperate to cope with financial market turbulence.

May 5, 2008: *Asahi Shimbun* reports that the support rate for PM Fukuda continues to plunge, reaching 20 percent in its latest survey. It is down from 25 percent in the previous survey conducted on April 19 and 20.

May 5, 2008: *Associated Press* reports that South Korea has approved financial assistance to victims of abduction by Pyongyang. A Unification Ministry statement says that the South Korean government approved a total of \$1.1 million in compensation to 31 families of abductees.

May 11, 2008: *Kyodo News* quotes Japanese government sources that North Korea suggested to a Japanese official in early 2004 that there were abductees other than the 15 officially admitted by Pyongyang at that time.

May 18, 2008: *Yomiuri Shimbun* reports that Japan's Education Ministry plans to describe the Dokdo/Takeshima Islets as "Japanese territory" in its revised curriculum handbook.

May 19, 2008: Japan's Chief Cabinet Secretary Machimura Nobunaka says that Japan has no intention of politicizing the Dokdo/Takeshima issue.

June 1, 2008: Code-sharing agreement between Japan's All Nippon Airways and South Korea's Asiana takes effect.

June 2, 2008: South Korea's Ministry of Knowledge Economy announces the South Korean economy posted its first monthly trade surplus in six months.

June 6, 2008: Japan and North Korea hold an unofficial preparatory meeting and agree to meet for official bilateral talks on June 11-12.

June 8, 2008: Okinawa holds local elections. Ruling Liberal Democratic Party loses control of Okinawa Assembly.

June 10, 2008: Official Central News Agency of DPRK issues a statement that it opposes all forms of terrorism.

June 10, 2008: South Korea's Ministry of Foreign Affairs and Trade officials say that the normalization of diplomatic relations between Tokyo and Pyongyang is "crucial" for the Six-Party Talks.

June 11-12, 2008: Japan and North Korea hold bilateral talks in Beijing.

June 12, 2008: *Yomiuri Shimbun* reports that Japanese-made vacuum pumps were used for Pyongyang's uranium enrichment, which was discovered during an inspection by the International Atomic Energy Agency (IAEA) last year.

June 13, 2008: FM Komura comments on the Tokyo-Pyongyang bilateral talks and says that Japan will make a small step as the North makes a small step. Japan decides to lift some sanctions in exchange for Pyongyang's promise to reinvestigate the abduction issue.

June 14, 2008: Foreign ministers of Japan, South Korea, and China hold a meeting and agree that they will cooperate on North Korean issues. Tokyo reiterates that it will not endorse a possible move by the U.S. to remove Pyongyang from the state sponsors of terrorism list.

June 18, 2008: South Korea urges Japan to provide North Korea with economic and energy aid to further progress in the Six-Party Talks.

June 18, 2008: Secretary of State Condoleezza Rice restates U.S. willingness to remove Pyongyang from the terrorist-sponsor list if it submits a full declaration of its nuclear activities.

June 19, 2008: ROK FM Yu Myung-hwan, a former ambassador to Japan, says a stronger alliance with the U.S. will help improve relations with Japan and China.

June 19, 2008: Chief Cabinet Secretary Machimura tells the Diet that Japan will keep urging the U.S. not to remove Pyongyang from the terrorist-sponsor list.

June 19, 2008: Negotiators from Japan, South Korea, and the U.S. meet to discuss ways to proceed with the Six-Party Talks.

June 20, 2008: FM Komura says that Tokyo plans to urge Washington to keep the North on the terrorist-sponsor list.



**China-Russia Relations:
Medvedev's Ostpolitik and Sino-Russian Relations**

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May 2008 was a hectic month for both Russia and China. The inauguration of Dmitry Medvedev as Russian president marked the least eventful, albeit the most speculated about, power transition in the history of the Russian Federation. Medvedev's visit to China in late May, his first foreign visit outside the Commonwealth of Independent States (CIS) as president, ran into the devastating earthquake (May 12) in China's Sichuan Province. Medvedev's appearance in China and the largest international rescue mission in Russian history were both symbolic and substantial for the Russian-China strategic partnership, regardless of who controls the Kremlin.

Medvedev in China

Despite the Sichuan earthquake, the Beijing summit went ahead with the normal and predictable outcomes: formal and informal talks among top leaders, meetings with Chinese dignitaries, a joint declaration to reaffirm agreement on various global issues, a Medvedev speech at Beijing University, and the signing of several commercial agreements. Among them was a \$1 billion contract for a gas centrifuge uranium enrichment plant.

China apparently took the initiative to invite Medvedev long before the official invitation was extended on May 8. Policy continuity was very much on the minds of Chinese leaders. China's Foreign Ministry publicly stated its four expectations for the visit were to: establish personal working relations with the new Russian leader; explore possible directions and parameters of China-Russia relations; ensure that Medvedev would continue to support China on major issues related to state sovereignty, security, territorial integrity, and development; and look for more pragmatic approaches to resolving issues between the two nations.

These expectations indicated considerable anxiety in China regarding the quality and substance of the Sino-Russian strategic partnership. The frequent high-level meetings during former President Vladimir Putin's time have yet to be translated into specific progress in various areas of bilateral relations. Despite a great increase of bilateral trade in the past few years (\$48.1 billion for 2007, up from \$8 billion in 2000 at the beginning of Putin's presidency), neither side seems happy with its "quality," although Beijing and Moscow define "quality" in different ways. China wants more oil and gas from its northern neighbor without too much administrative interference. Russia, however, has shown an unwillingness to become a raw material supplier to China. China's efforts to make separate energy deals with some former Soviet Republics in Central Asia (Kazakhstan and Turkmenistan) are also an irritant for Moscow. Beijing's

competition in Central Asia, according to *Itar-Tass*, was the real reason Gazprom sharply raised the purchase price of Turkmen gas from \$150 to about \$300 per 1,000 cubic meters.

The transfer of military technology is another area of stagnation. After a total of more than \$25 billion in 15 years, Russian arms transfers to China have yet to move beyond the 2005 *IL-76* “bottleneck” (a \$1.5 billion contract for 34 *Ilyushin-76MD* military transport aircraft, four *IL-78* aerial refueling tankers and 88 additional *D-30KP-2* engines). Three years after the contract, not only has Russia been unable to deliver a single plane to China, Moscow is also strongly contesting the contracted price as too low. At a deeper level, but Moscow and Beijing need to find a way out of the current impasse in which China has essentially purchased almost all major Russian weapon systems that Russia is willing to sell, while Russia is unwilling to move China into India’s category and become eligible for more advanced weapons and technology. For Russia, there is a deep concern over intellectual property rights.

Regardless of who is making Kremlin policies, these issues need fresh thinking, pragmatic approaches, and partial, if not complete solutions. Medvedev’s visit was such an opportunity and during their May 23 meeting in Beijing, President Hu Jintao made four specific suggestions for developing bilateral relations:

- Further strengthen political mutual trust and support in line with the principles of the 2001 Sino-Russian Friendship Treaty, making full use of high-level meetings and consultations, exchange views on bilateral ties and other key issues of common concern, and continuously support each other on crucial issues such as sovereignty and the integrity of territory, state security, stability, and development.
- Deepen substantial cooperation by steadily expanding trade, optimizing trade structures, increasing mutual investment, strengthening technical and environmental protection cooperation between localities, protecting cross-border water resources, and promoting the development of border areas.
- Strengthen cultural cooperation to enhance friendship between the two peoples with both sides giving full play to the cultural cooperation committees in the two governments and institutionalizing the mechanism of the Year of Russia and the Year of China.
- Make closer strategic coordination in international and regional affairs, such as in the multilateral frameworks including the UN and the Shanghai Cooperation Organization (SCO), jointly meeting global challenges, and promoting a harmonious world with long-lasting peace and universal prosperity.

Hu appeared to cover the full gamut of issues regarding Sino-Russian relations during the visit. His focus on the real issues seemed to be reciprocated by Medvedev, whose mission in Beijing according to Russian media, “is to focus on problems.” This was reflected in the composition of his delegation, which included those in charge of major sectors of bilateral ties from both government and business circles. This included Deputy Prime Minister Aleksandr Zhukov, Foreign Minister Sergey Lavrov, Industry and Trade Minister Viktor Khristenko, Energy Minister Sergey Shmatko, Rosatom head Sergey Kiriyenko, Chairman of the Supervisory Council of the Basic Element Company Oleg Deripaska, Chairman of the Board of the Sistema Financial Corporation Vladimir Yevtushenkov, Aeroflot Director General Valeriy Okulov, VTB Bank CEO Andrey Kostin, President of the United Aircraft Manufacturing Corporation Aleksey

Fedorov, Interfax Group's Board Chairman Mikhail Komissar, Sukhoi Director General Mikhail Pogosyan, and others.

The Beijing summit did inject new energy to improve bilateral relations. Immediately following Medvedev's visit, Chinese Premier Wen Jiabao and his Russian counterpart Vladimir Putin reached an agreement to set up a joint energy commission at the vice prime ministerial level. In mid-June, Col. Gen. Nikolai Frolov, the head of Russia's armed forces' troops air defense, visited China to study the combat application, operation, technical maintenance, and repair of the Russian-made surface-to-air missile systems. Reportedly part of his mission was to explore the possibility of China's purchase of more advanced anti-aircraft batteries from Russia. Even the "cold case" of the *Ilyushin*-series military cargo planes is said to be reopening. Medvedev's visit, therefore, was both symbolic and substantial for Moscow and Beijing.

Eyes on the world stage

In contrast to the obstacles in bilateral ties, Medvedev may have found more common ground in Beijing regarding international affairs. Indeed, the second quarter witnessed frequent and close coordination between Moscow and Beijing in areas of world politics, particularly the Korean and Iranian nuclear issues. This quarter saw the two nuclear cases begin to head in opposite directions. North Korea finally provided documentation of its nuclear programs and publicly destroyed a nuclear cooling tower. Iran, meanwhile, was preparing for the worst as talk of possible military actions against its nuclear facilities by Israel and the U.S. persisted. Moscow and Beijing would have to prepare for that eventuality not only because Iran is part of the SCO as an observer state, but also because of Iran's huge geo-strategic and economic importance for both nations.

Close to home, the SCO was in full swing in the quarter: defense ministers met in Dushanbe, Tajikistan and discussed ways to broaden military cooperation; chiefs of SCO supreme courts met in Astana, Kazakhstan to discuss ecological and migration legislation issues; the SCO Forum, a "think tank" for the SCO Secretariat and Council of National Coordinators, met in Beijing to discuss the SCO's stability and long-term development; and the 5th meeting of SCO's culture ministers was held in Bishkek, Kyrgyzstan. Beyond Central Asia, Moscow and Beijing expanded their newly institutionalized Russia-China-Indian trilateral foreign ministerial meeting – the 8th session was held in Yekaterinburg, Russia – into the so-called BRIC quartet with the addition of Brazil.

Partly because of these common efforts, the "Joint Statement of the Peoples Republic of China and the Russian Federation on Major International Issues" signed by the two heads of states was one of the most visible documents in Beijing. In brief, the 11-point declaration stresses that the UN is crucial for peace, development, security, and anti-terror for a more equal, fair and multipolar world (articles 1-4); that international security and arms control need to be enhanced for common, not separate, interests and the sides expressed concern over missile defense and oppose space weaponization (article 5); that the international community cooperate in environmental protection and energy (articles 6-7); that negotiations and dialogues are needed for regional issues such as Korean nuclear crisis, Iran, Sudan, etc. (article 8); that inter-civilization dialogue is essential (article 9); that respect for human rights and state sovereignty

need to be balanced with one another (article 10); and that multilateral forums such as the G8, SCO, BRIC, etc., are needed for regional and global affairs (article 11).

Moscow and Beijing do not perceive every international issue through the same lens. China, for example, may not share the same urgency as Russia to considerably enlarge and enhance the SCO as a counter force to the U.S. and NATO. Part of the reason is that China is uncertain how confrontational Russia would like to be in its relations with the West and the U.S., including issues such as NATO expansion and missile defense. Few, if any, Chinese analysts believe that it is in Russia's interests to have a new Cold War with the West. China's own interests would be served in a more harmonious relationship with the West. The most frequently used phrase by the Russians in this regard is "identical" interests and actions. Policy coordination, therefore, is perhaps what the two sides should try to achieve, particularly in areas of common vital interests such as Korea, Iran, missile defense, and space weaponization. The joint statement, some elements of which were drafted long before the visit, reflects that bilateral policy coordination.

A presidential kiss at Beijing University

Russian leaders always fascinate the Chinese: the Czars, communist leaders, the post-Soviet leaders Yeltsin and Putin. None, however, matched Medvedev's record. After his Beijing University speech, the young Russian president continued his informal chat with students by the side of the Weiming Lake at the campus center. Apparently pleasantly surprised by a rather emotional statement from a graduate student with the Russian name Zoya – which happens to be a household name in China for a Soviet heroine during World War II – that she loved Russia as her own country and wished Russia every success, Medvedev reciprocated with a surprise of his own by planting a kiss on her cheek.

Zoya's emotional statement and Medvedev's response were perhaps spontaneous and appropriate for the current state of bilateral relations. By no means did this suggest a return to the Sino-Soviet honeymoon. Rather, the timing of Medvedev's visit after the devastating quake, the massive Russian relief effort, and the cumulative effect of the "national years" (China's "Russia Year" in 2006 and Russia's "China Year" in 2007) led to the Beijing University "chemistry." Indeed, the visit by the young Russian president recorded many "firsts:" he was the first foreign head of state to visit China following the massive earthquake; Russia's military mounted the largest international relief effort in its history; a Russian rescue team was among the first to arrive in the quake area; and was the only foreign search team to have found any survivors. The "ordinariness" of Medvedev's first official visit to China as Russian president – meaning its expected symbolic and substantial implications – assumed some degree of extraordinariness.

In the five days after the earthquake, Russia's Emergency Situations Ministry sent four aircraft loads of emergency aid to the quake devastated areas in Sichuan. Once in China, Medvedev authorized additional assistance (8 cargo planes with 250 tons of goods). Russia continued to airlift humanitarian assistance to China as late as June 20. Russian rescue and medical teams were in operation in China four days after the quake. Two *Mi-26* helicopters (20-ton lift capacity) and their crews were also dispatched to the quake-stricken area. They made 60 flights to hard-to-reach areas of the province and delivered 550 tons of cargos, including 13 pieces of heavy machinery and a heavy drilling rig. After two weeks, the 65-member Russian medical

team had treated 1,516 patients and performed 102 operations. Before leaving China, Medvedev also suggested that Russia would host summer camps for Chinese children who suffered from the devastating earthquake.

Beyond the earthquake, the two “national years” have facilitated mutual understanding between ordinary Chinese and Russians. A national survey by the Russian Public Opinion Study Center in April 2008 showed that 23 percent of the respondents named China as the country with which Russia had the best relations. This was followed by 17 percent for Germany; 14 percent for Belarus; 6-9 percent for Kazakhstan, the U.S., India and France; 4 percent for the European Union; and 3 percent for Bulgaria and Japan. Separately, a poll in several major Chinese cities conducted by the Chinese Public Opinion Study Institute in Beijing for the same period indicated that more than 80 percent of Chinese believe relations between Russia and China are very good.

Thanks to his co-chairmanship for China’s “Russia Year” (2006) and Russia’s “China Year” (2007), Medvedev became popular in China long before his Beijing summit. The Russian president is described as China’s “old friend,” despite his young age (only in relative terms) and youthful face. As part of the “China Year” activities, Medvedev, then vice prime minister, even had an hour and a half with Chinese netizens (internet surfers) from Moscow in February 2007. In the eyes of many Chinese, the young Russian president is indeed quite different from his predecessor in his “taste” for Chinese culture. Many times during the visit, including his talk at Beijing University, Medvedev demonstrated knowledge and appreciation of Chinese culture and philosophy. Putin, by comparison, is more “obsessed” with Chinese Kung Fu.

Between Medvedev and Putin: substance and style

Regardless of their personal idiosyncrasies and different tastes, Medvedev’s choice of China as the destination of his first foreign visit was significant by itself. In contrast, Putin chose Britain for his first foreign visit despite the Kremlin’s announcement shortly after Yeltsin’s resignation that Beijing would be the first trip abroad for Putin after China’s repeated invitations in early 2000. Over time, however, Putin became increasingly “Euro-Asian,” which was quite different from the first few months of his presidency when Putin toyed with the “hypothetical” idea of Russia joining NATO and “confessed” to the visiting U.S. secretary of state of his “European essence” and his Asian superficiality (practicing judo and eating Chinese food). Regardless of the style and substance of Putin’s foreign policy, he reversed Russia’s historical decline, and revived and restructured Russia in eight years.

It remains to be seen how Medvedev will match his predecessor. His Beijing trip may have additional value because after China the new Russian president headed westward to Germany in early June to debut his “common Euro-Atlantic space” with a span “from Vancouver to Vladivostok.” Russia, for Medvedev as well as Putin, is part of this Western civilization zone. Moreover, Medvedev has long and widely been regarded as liberal and presumably pro-West. Even Putin, who presided over the recovery of Russia from Soviet ashes, has yet to have been perceived as friendly by both the West and East – a dream of any Russian leader. Medvedev has at least the next four years to substantiate such an image. His Chinese host did not miss this broader picture of Medvedev’s *ostpolitik*. The day Medvedev arrived in Beijing, a commentary

in China's official news service *Xinhua* quoted him as saying, "Russia is sometimes closer to the East and sometimes closer to the West. Russia, nonetheless, is Russia."

Chronology of China-Russia Relations April-June 2008

April 4, 2008: Chinese Defense Minister Liang Guanglie meets Russian State Duma Defense Committee Chairman Viktor Zavarzin in Beijing.

April 19, 2008: President Hu Jintao sends a congratulatory message to Russia's outgoing President Putin upon his election as chairman of the ruling United Russia Party. Hu says the Chinese Communist Party is willing to further consolidate and deepen friendly ties with the United Russia Party.

April 28, 2008: President Putin sends a letter of condolences to President Hu after a train crash in China's Shandong Province, in which at least 70 people were killed and over 400 were injured.

May 7, 2008: President Hu sends a congratulatory message to Dmitry Medvedev on his inauguration as Russian president. The message states that China and Russia share responsibility to ensure the steady and healthy development of their strategic partnership and that he is ready to work with Medvedev to deepen mutual political trust between the two countries, deepen pragmatic cooperation, and strengthen coordination in international and regional affairs.

May 8, 2008: Premier Wen Jiabao sends a congratulatory message to Putin on his election as Russia's prime minister. Wen says that he is ready to work with Putin to expand and deepen pragmatic cooperation between the two countries in various fields.

May 12, 2008: President Medvedev sends a message of condolences and offers Russian assistance to President Hu following the powerful earthquake that struck China's southwestern Sichuan Province.

May 14-16, 2008: The 8th Russia-China-Indian foreign ministerial meeting is held in Yekaterinburg, Russia. The trilateral meeting is followed by a four-party meeting, adding Brazil's foreign minister on May 16, to review areas of four-party interaction.

May 15-16, 2008: SCO defense ministers meet in Dushanbe and discuss ways to broaden military cooperation. They sign an agreement to regulate defense and security cooperation.

May 19, 2008: Chiefs of SCO supreme courts meet for the third time in Astana, Kazakhstan to discuss ecological and migration issues. An agreement is signed to exchange legal information between courts of the SCO member states.

May 19-20, 2008: The SCO Forum, a research arm for the SCO Secretariat and Council of National Coordinators, meets in Beijing to discuss ways to create an “objective and friendly media and academic environment” for the stable and long-term development of the SCO.

May 23, 2008: State Councilor Liu Yandong meets Deputy Prime Minister Alexander Zhukov in Beijing. They co-chair the China-Russian Joint Committee on Cultural and Humanities Cooperation.

May 23, 2008: The 3rd meeting of the Russo-Chinese Business Council is held in Beijing. The Council’s main purpose is to help businessmen of the two countries establish direct contacts.

May 23-24, 2008: President Medvedev visits China on his first trip outside the country since being inaugurated and meets President Hu.

May 27, 2008: Premier Wen Jiabao and Russian PM Putin in a telephone conversation discuss rescue and relief work for the Sichuan earthquake including rehabilitation in Russia of Chinese children from quake-stricken provinces. They also decide to set up a joint energy commission at the level of deputy prime minister.

June 16-19, 2008: Head of the Russian armed forces’ troops air defense Col. Gen. Nikolai Frolov visits China to study the combat application, operation, technical maintenance, and repair of Russian-made surface-to-air missile systems. Frolov meets PLA General Staff Chief Col. Gen. Chen Bingde on May 18.

June 20, 2008: Foreign Minister Yang Jechi initiates a phone call to Foreign Minister Sergey Lavrov to discuss coordination in the international arena.

June 24-5, 2008: The 5th meeting of SCO’s culture ministers is held in Bishkek, Kyrgyzstan. They approve a plan for cultural cooperation for the years 2009-2011.

June 26, 2008: The 3rd meeting of the Sino-Russian environmental cooperation sub-commission is held in Moscow and co-chaired by Natural Resources and Ecology Minister Yuri Trutnev and Environmental Protection Minister Zhou Shengxian.

About The Contributors

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