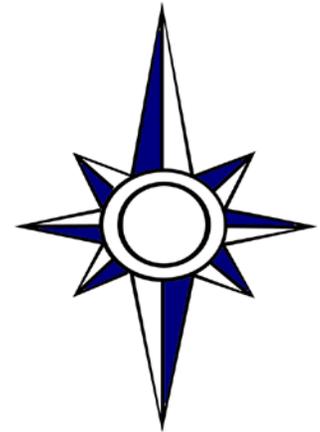




Pacific Forum CSIS



Comparative Connections



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

edited by

Carl Baker
Brad Glosserman

September – December 2012
Vol. 14, No.3
January 2013

<http://csis.org/program/comparative-connections>

Pacific Forum CSIS

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

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A Triannual Electronic Journal on East Asian Bilateral Relations

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

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

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

Comparative Connections: A Triannual Electronic Journal on East Asian Bilateral Relations (print ISSN 1930-5370, online E-ISSN 1930-5389) is published three times annually (January, May, and September) at 1003 Bishop Street, Suite 1150, Honolulu, HI 96813.

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

The Liberal Democratic Party won a Lower House election in a landslide and Abe Shinzo became prime minister for the second time amid public frustration with poor governance and anemic economic growth. The United States and Japan continued a pattern of regular consultations across a range of bilateral and regional issues with tensions between Japan and China over the Senkaku Islands and another North Korean missile launch topping the diplomatic agenda. The US military presence on Okinawa also featured with the deployment of the V-22 *Osprey* aircraft to Okinawa and the arrest of two US servicemen in the alleged rape of a Japanese woman. The year came to a close with Prime Minister Abe hoping for a visit to Washington early in 2013 to establish a rapport with President Obama and follow through on his election pledge to revitalize the US-Japan alliance.

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

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

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by Sheldon Simon, Arizona State University

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

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

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by Aidan Foster-Carter, University of Leeds, UK

Writing as a new year begins, it seems apt to look forward as much as back. If the past four months saw little movement on inter-Korean relations, it is hardly surprising. South Korea’s current president (since 2008), Lee Myung-bak, is detested by the North – but he is on the way out. Formally, Lee’s term of office ends Feb. 25, but the way the electoral cycle works in Seoul has rendered him a lame duck for the past year, as attention shifted to the hard-fought race to succeed him. In that contest, despite deep overall ideological rivalries, the one certainty was that Seoul’s policy toward Pyongyang will change going forward. Both major candidates, as well as the independent progressive Ahn Cheol-soo, who made much of the running before eventually withdrawing, had promised to end Lee’s hard line and to try to mend fences with the North. With her victory, the task of defining that changed policy falls to Park Geun-hye.

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

The appointment of Xi Jinping as general secretary of the Chinese Communist Party on Nov. 15 and the election of Park Geun-hye as president of South Korea on Dec. 19 raised hopes for improvement in China-South Korea relations. Pyongyang's Dec. 12 rocket launch provides an early challenge at the UN Security Council, where South Korea begins a two-year term alongside permanent members China and the US. Xi and Park will face a full agenda that includes management of growing economic ties, policy toward North Korea, and a complex regional environment beset by territorial and historical disputes. Another factor complicating the regional picture is that both leaders face territorial disputes with Japan under returning Liberal Democratic Party (LDP) Prime Minister Abe Shinzo.

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

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by David Kang and Jiun Bang, University of Southern California

Elections dominated the news in both Korea and Japan. South Koreans elected the first female head of state in modern Northeast Asian history and Japanese voters overwhelmingly returned the Liberal Democratic Party (LDP) to power, giving Abe Shinzo a second run at prime minister. Unsurprisingly, both elections focused on domestic economic issues, and both Park and Abe made an effort to downplay Korea-Japan relations during their campaigns. This did not stop observers from speculating about how both would rule and in particular how Korea-Japan relations might evolve. This was particularly salient because 2012 marks a considerable cooling in relations between the ROK and Japan. Surprisingly, North Korea was not a major factor in either case. The DPRK's December satellite launch failed to disrupt or significantly change the dynamics of either election and was met with a predictable but muted sense of outrage from the US and the countries in the region.

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by Yu Bin, Wittenberg University

“Russia can pivot to the Pacific, too,” declared Dmitri Trenin, director of the Carnegie Moscow Center, the day the 24th APEC Leaders Meeting opened in Vladivostok, where Russia spent \$21 billion in five years prior to the meeting. To be sure, Putin’s “pivot” to the Asia-Pacific was part of Russia’s grand strategy with both economic and strategic components to make Russia a truly Eurasian power. A less noticeable “pivot,” however, was by China. Russia was where both President Hu Jintao and Premier Wen Jiabao made the last of their 2012 foreign visits – Hu joined the APEC meeting in Vladivostok in September and Wen went to Moscow in December for the bilateral prime ministerial meeting. Wen’s subsequent “long talk” with President Putin in Sochi highlighted the important and sensitive relationship. Meanwhile, Russian-Chinese military cooperation gained more traction in the closing months of 2012.

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A Year of Notable Visits and Anniversaries

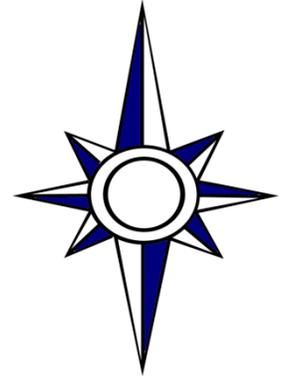
by Satu Limaye, East-West Center

India’s relations with the US and East Asia revolved around notable visits and anniversaries rather than any major policy developments in 2012. These visits and anniversaries should not be dismissed as symbolism without substance. India has achieved a modicum of satisfaction in its relations with the US and East Asia – encompassing greater diplomatic interchange, steadily rising though far from optimum economic ties, a role in security and military considerations, and inclusion in some if not all key regional multilateral efforts. But measured against just two decades ago when India was seen as a potential security threat, economically irrelevant, diplomatically isolated, and reeling from internal crises, India’s current engagement should be viewed as an upward if unfulfilled progression. Indeed, many in the Asia-Pacific region are frustrated because they want more, not less Indian engagement.

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Regional Overview:

2012 Ends with Echoes of the Past

Ralph A. Cossa, Pacific Forum CSIS
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It was déjà vu all over again on the Korean Peninsula as the absence of bad news, highlighted during our last reporting period, came to an end when Pyongyang again defied the international community (and UNSC sanctions) by conducting another missile launch, this time successfully, in December. Nonetheless, Kim Jong Un's New Year's message was seen by some (but not us) as a harbinger of good news in the year ahead. ASEAN leaders at the yearend round of summits in Phnom Penh (including the East Asia Summit attended by President Obama) managed to demonstrate a greater amount of unity than during their July ministerial, but the lingering South China Sea territorial issue showed no signs of being closer to resolution. Meanwhile, hopes for genuine reform in Burma/Myanmar soared as President Obama made an unprecedented visit following his inaugural visit to Cambodia for the EAS, in the context of his administration's continuing rebalance toward the Asia-Pacific.

It was out with the new and in with the old in Japan, as the Liberal Democratic Party returned to power amidst a nationalistic campaign that promised to strain relations with the new leadership coming to power in South Korea and China, and perhaps with the new leadership team in Washington as well. President Obama won a second term and Park Geun-hye returned to the Blue House, this time as president. In China, a new leadership took command of the communist party, and they face myriad challenges, many of which are economic in nature. The year closed with a flurry of trade meetings and initiatives designed to capture the energy of the world's most dynamic economies.

UNSC resolutions be damned!

In our last report, we noted that the only good news emanating from the Korean Peninsula was the absence of any real bad news as the much-anticipated North Korean nuclear and follow-on missile tests did not occur. We added the caveat "yet." Hopes that Kim Jong Un would lead his country in a new direction following the mandated (by his father) celebrations honoring his grandfather this past spring were dashed in December, however, when the North for the second time this year fired a three-stage rocket from its west coast missile test facility. Unlike the first attempt in April, which exploded 40 seconds after launch, this one successfully (according to NORAD) put an object into orbit, even if it did not appear to be functioning properly.

Some, ourselves included, had argued that we should not be quick to judge Kim Jong Un and his policies by the failed Feb. 29 "Leap Day Agreement" and subsequent April 2012 rocket launch. Both actions had clearly been mandated by his father, Kim Jong Il, before he died, and these dying wishes had to be honored. That logic no longer applies. While the North still proclaimed

that the December launch was carrying out “the last instructions” of the Dear Leader, this decision rests squarely on Kim Jong Un’s shoulders.

The Boy General wasted little time in bragging about the event (especially after the earlier failure). He made repeated references to this great accomplishment during his New Year’s address: “That we successfully manufactured and launched the scientific and technological satellite by entirely relying on our own efforts, technology, and wisdom was an event of national jubilation that raised the dignity and honor of the Sun’s nation onto the highest level and a great event which inspired all the service personnel and people with confidence in sure victory and courage and clearly showed that Korea does what it is determined to do.”

Not stated, but clearly implied by the last phrase above, was Pyongyang’s rejection of UN Security Council resolutions which ban “all missile activity” by North Korea, including “any launch using ballistic missile technology.” The UNSC was quick to react, issuing a firm (but toothless) press statement on Dec 12, which said, in part: “Members of the Security Council condemned this launch, which is a clear violation of Security Council resolutions 1718 and 1874.” The UNSC statement recalled its April 2012 demand that the DPRK “not proceed with any further launches using ballistic missile technology” and reminded Pyongyang of “the Council’s determination to take action accordingly in the event of a further DPRK launch.” In that regard, it further asserted that “the Security Council will continue consultations on an appropriate response, in accordance with its responsibilities given the urgency of the matter.”

US Ambassador to the UN Susan Rice proclaimed that “The initial statement out of the council is one of the swiftest and strongest – if not the swiftest and strongest – that this council has issued,” quickly adding, however, that “Members of the council must now work in a concerted fashion to send a clear message that its violations of UN Security Council resolutions have consequences.” Alas, this message has yet to be sent; no new consequences have yet been determined. China’s Ambassador to the UN Li Baodong reportedly resisted harder hitting language in the statement – Rice described the debate with the Chinese as “vigorous” while others in the room asserted she told her Chinese counterpart that his government’s stance was “ridiculous” – and the year ended with China blocking any new sanctions or other firm “consequences,” insisting instead that the UNSC response should be “prudent and moderate.” Anyone expecting a firmer response to North Korean provocations from China’s new leadership seems bound to be disappointed.

In Kim Jon Un’s aforementioned New Year address – delivered in person, as his grandfather used to do (but father never did) – the satellite launch was praised as the example and inspiration to be emulated for greater accomplishments in other fields: “In the same manner as we demonstrated the dignity and might of Military-First (Son’gun) Korea through the manufacture and launch of the Juche-based application satellite, the entire Party, the whole country and all the people should wage an all-out struggle this year to effect a turnaround in building an economic giant and improving the people’s standard of living.” Analysts looking for proof that the North, under Kim Jong Un, will leave the “military-first” policy behind will have to search for other evidence. Specifics as to how the North was to become an “economic giant” were also sorely lacking.

Olive branch to the South?

Much has been made in the international media of Kim's reference in this address to the need "to remove confrontation" between the North and the South." This was widely interpreted as an olive branch being extended to incoming ROK President Park Geun-hye. Perhaps! But a word or two of caution seems appropriate. The reference was in the context of reunification, not North-South cooperation *per se*: "This year the entire Korean nation should turn out in a nationwide patriotic struggle for reunification in unity so as to usher in a new phase in the reunification movement. An important issue in putting an end to the division of the country and achieving its reunification is to remove confrontation between the north and the south."

The path forward was also spelled out rather explicitly: "The past records of inter-Korean relations show that confrontation between fellow countrymen leads to nothing but war. Anti-reunification forces of south Korea [note the lower case "s"] should abandon their hostile policy against their fellow countrymen, but take the road of national reconciliation, unity, and reunification."

The fault, as always, lies with the South, which must first abandon its "hostile policy." This is a familiar refrain to Americans, who repeatedly receive the same advice (but who were not directly referenced in this particular speech). The South must also first live up to all its past promises of assistance: "Respecting and thoroughly implementing the north-south joint declarations is a basic prerequisite to promoting the inter-Korean relations and hastening the country's reunification."

If, by this, he meant the 1992 North-South Basic Agreement and companion Joint Denuclearization Agreement, that would have been big news. But Kim Jong Un's reference was limited to the June 15, 2000 Joint Declaration (with Kim Dae-jung) and the Oct. 4, 2007 Declaration (with Roh Moo-hyun); the latter in particular offered the North billions in unrestricted, no strings attached aid, something that Roh would have never been able to deliver even if he had remained president for many more years (instead of a few more months), and which no ROK president could now honor. While the North may not be good about honoring its own obligations, it is unsurpassed when it comes to holding others to their promises.

Kim's message also noted that "the reunification issue should be solved by the concerted efforts of our nation in an independent manner." In other words, the US (and China) needs to keep out of it. In case this was too subtle, he continued: "The entire nation should vehemently reject any moves for domination, intervention, aggression and war by outside forces, and never tolerate any acts hindering the country's reunification." He later stressed that "the moves of the imperialists to interfere in the internal affairs of other sovereign states and their acts of military aggression pose a serious threat to peace and security of mankind. The Asia-Pacific region, the Korean Peninsula in particular, has become the hottest spot in the world in which constant tension persists." So much for olive branches.

To us, the New Year address had two main messages, both mostly intended for domestic audiences. First, that rumors (and wishful thinking) to the contrary, the "great banner of Military-First (Son'gun)" is not about to be unfurled anytime soon. But Son'gun did not mean

that the military was calling the shots. At the end of the day, it was the Korean Worker's Party to whom both the military and the people owed allegiance.

ASEAN (almost) gets it act together

Recall in our last report how we noted that the Association of Southeast Asian Nations (ASEAN), for the first time in its 45-year history, failed to come up with a joint communiqué at the close of its annual 10-member ASEAN Ministers Meeting (AMM) in Phnom Penh in July, when host Cambodia, a staunch ally of China, reportedly refused to yield to demands by the Philippines and Vietnam to include details of their respective confrontations with China over conflicting South China Sea (SCS) territorial claims in the closing statement. When the leaders assembled in Phnom Penh for the 21st ASEAN Summit on Nov. 18, they managed to do slightly better, but not until after one more contentious episode.

At a press conference immediately following the Summit, Cambodian Foreign Ministry official Kao Kim Hourn told reporters that "ASEAN leaders decided that they will not internationalize the South China Sea from now on." This comment drew immediate criticism, first from the Philippines and then by others. An attempt by Phnom Penh (allegedly at Beijing's insistence) to insert the "will not internationalize" comment into the ASEAN Summit Chairman's Statement was reportedly rejected not just by the Philippines, but by Brunei (the incoming ASEAN Chair), Indonesia, Singapore, and Vietnam.

The published statement did not include this clause. Instead, it contained five rather bland paragraphs on the South China Sea (SCS) which "underlined the importance" of the 2002 Declaration on the Conduct of Parties in the South China Sea (DOC) "as a milestone document which signifies the collective commitment of ASEAN Member States and China to promote peace, stability and mutual trust in the South China Sea." It also "underscored the importance of exercising self-restraint by all parties concerned and not to undertake any activities which may complicate and escalate disputes and affect peace and stability, and to handle their differences in a constructive manner." There was no reference in the Chairman's Statement to a more binding SCS code of conduct, although it did highlight the importance of the ASEAN's Six-Point Principles on the South China Sea (negotiated by Indonesian Foreign Minister Marty Natalegawa after the July debacle), which does call for "the early conclusion of a Regional Code of Conduct in the South China Sea."

The most interesting document to come out of the ASEAN Summit was the long-awaited ASEAN Human Rights Declaration (AHRD), which noted, among its nine general principles that "all human rights are universal, indivisible, interdependent, and interrelated." Outgoing ASEAN Secretary General Surin Pitsuwan called the agreement a "major, major development," saying countries in the region have now committed themselves "to the highest standards." Others were not so sure. First of all, the declaration is nonbinding. Second, there are caveats. Article seven, cited above in part, continues: "All human rights and fundamental freedoms in this Declaration must be treated in a fair and equal manner, on the same footing and with the same emphasis. At the same time, the realisation of human rights must be considered in the regional and national context bearing in mind different political, economic, legal, social, cultural, historical, and religious backgrounds." Human rights groups protested that the "cultural loophole" could be

used to deny the very rights the declaration was supposed to be protecting. US State Department spokesperson Victoria Nuland said Washington was “deeply concerned” that the declaration could “weaken and erode” the United Nations Universal Declaration on Human Rights (even though the AHDR twice states that ASEAN member states affirm all the economic, social, and cultural rights in the UN Declaration). A statement by a network of more than 50 human rights groups, including Amnesty International and Human Rights Watch, expressed concern that several basic rights and freedoms – freedom of association and freedom from forced disappearances – were missing. They also lamented the lack of consultation with civil society and grassroots organizations.

Obama and the East Asia Summit

The ASEAN Summit was followed by a number of side meetings, including the fourth US-ASEAN Leaders Meeting (covered elsewhere in this E-journal) and an ASEAN Plus Six gathering (involving Plus Three partners China, Korea, and Japan, along with Australia, New Zealand, and India) which launched negotiations on a Regional Comprehensive Economic Partnership (discussed below), among other summits. These were followed on Nov. 20 by the seventh East Asia Summit (EAS) which for the second time included the United States and Russia, along with the original 16 members.

The White House *Fact Sheet on East Asia Summit Outcomes* described President Obama’s participation as “part of the Administration’s continued focus on rebalancing its engagement in Asia to reflect the economic and strategic importance of this dynamic region.” It identified the EAS as “the region’s premier forum for Asia-Pacific leaders to discuss pressing political and strategic issues,” and highlighted discussion on the following issues: energy cooperation, non-proliferation, humanitarian assistance and disaster relief, health, and maritime security. It identified maritime security as a “priority issue,” and pointed out that President Obama “reaffirmed US national interests in the maintenance of peace and stability, respect for international law, unimpeded lawful commerce, and freedom of navigation.”

The White House *Fact Sheet* also notes that President Obama “encouraged the parties to make progress on a binding code of conduct in the South China Sea to provide a framework to prevent conflict, manage incidents when they occur, and help resolve disputes.” He (among others) no doubt did so. But (initial press reporting to the contrary), the EAS Chairman’s Statement, while noting that the assembled leaders “welcomed the regional efforts to enhance cooperation in promoting maritime cooperation in the region including sea anti-piracy, search and rescue at sea, marine environment, maritime security, maritime connectivity, freedom of navigation, fisheries and other areas of cooperation,” did not include any specific reference to the South China Sea or the DOC or COC.

It’s all about Burma (a.k.a. Myanmar)

While the primary reason for Obama’s Southeast Asia visit was the EAS, he also included stops in Thailand (in case you missed it) and Burma (which you could not possibly have missed). Details are provided in the US-ASEAN chapter. But allow us a few observations.

In the past, we have expressed cautious optimism about the changes underway in Burma and praised both the government there and Washington for its continued measured approach in recognizing both the progress that has occurred and the difficult road ahead. The White House stressed both in explaining the trip: “In becoming the first U.S. President to visit Burma, the President is endorsing and supporting the reforms underway, giving momentum to reformers, and promoting continued progress.”

While the logic appears sound, we still fear the visit may have been a bit premature, for a number of reasons. For starters, it drew attention away from his visit to security ally Thailand and also to Cambodia and the need for reform in that nation. It also tended to overshadow the East Asia Summit, which is fast becoming the premier vehicle for regional and extra-regional cooperation and integration. It also sets the stage for two presidential visits to Burma in two years’ time, since Naypyidaw will assume the chairmanship of ASEAN in 2014 and thus host the EAS the year after next. Had that meeting coincided with Obama’s first visit, it would have put intense pressure on the Burmese government to continue the reform process. If they start backsliding now, it will put not only Burma’s newfound reputation at stake, but Obama’s as well. On the plus side, of course, the opening up of Burma must be seen as one of President Obama and Secretary of State Hillary Clinton’s major successes and Clinton’s return visit with Obama was a fitting swan song for her in Southeast Asia.

Rebalance redefined

Immediately prior to President Obama’s Southeast Asia trip, National Security Advisor Tom Donilon gave an address at our parent organization, the Center for Strategic and International Studies in Washington, to put the visit (and the administration’s overall Asia policy) in broader context. Donilon noted that Obama’s decision to travel to Asia so soon after his reelection “speaks to the importance that he places on the region and its centrality to so many of our national security interests and priorities.” The EAS was also the first major international event that happened to be scheduled after Election Day, but the sentiments were nice, nonetheless.

Donilon pointed out that the “rebalancing” toward Asia was the product of a strategic assessment of America’s global presence and priorities that resulted in a “set of key determinations.” He said it was the president’s judgment that “we were over-weighted in some areas and regions, such as our military commitments in the Middle East. At the same time, we were underweighted in other regions, such as the Asia Pacific. Guided by these determinations, we set out to rebalance our posture in the world.” He said the administration’s approach was “grounded in a simple proposition: the United States is a Pacific power whose interests are inextricably linked with Asia’s economic, security and political order. America’s success in the 21st century is tied to the success of Asia.”

[Donilon’s entire speech](#) is available on the CSIS web site and is a must read for those interested in a full explanation of the rebalance strategy. It leaves no doubt that “the region will continue to be a foreign policy priority for the Obama Administration in the years to come.” He states:

Our overarching objective is to sustain a stable security environment and a regional order rooted in economic openness, peaceful resolution of disputes, democratic

governance, and political freedom. This objective stems from our long-term vision of Asia. We aspire to see a region where the rise of new powers occurs peacefully; where the freedom to access the sea, air, space, and cyberspace empowers vibrant commerce; where multinational forums help promote shared interests; and where citizens increasingly have the ability to influence their governments and universal human rights are upheld. This is the future we seek, in partnership with allies and friends.

More of the same and then some

Obama, round two. The last four months of 2012 were punctuated by elections and transitions. The US went to the polls in early November and returned President Barack Obama for a second term. His victory over GOP challenger Mitt Romney was sweetened by substantial margins in the popular vote and the Electoral College – before the ballot there were fears that the president might win without a popular majority – as well as an enlarged Democratic presence in the Senate and House. (The Democrats actually won a majority of the popular vote for Representatives, but gerrymandering ensured that the GOP retained its majority, even though it is smaller.) GOP control of the House allows it to lock horns with the president over national priorities and agendas; the Democrat’s failure to win 60 seats in the Senate means that chamber is much more susceptible to a Republican filibuster, although reform of that rule looks increasingly likely.

Those details (some might say minutiae) matter. The balance of power among the executive and legislative branches, and between the two parties, will determine how and whether the US government is able to conduct its business. From our travels around the region, it is the spectacle – and there is no other word for what it looks like – of DC politics that is doing the most damage to US power, influence, and credibility in the region. The prevailing perception that the US is unable to make any decision except under duress, at the last moment, and that is ultimately a temporary fix (and again, only that word will do) contributes to a narrative of US decline. The budget battles at the end of the year suggest that our legislators have learned nothing and this sorry exhibition will continue.

The other important element of continuity is US policy. While the top national security and foreign policy officials in the Obama administration are leaving – the secretaries of State, Defense, Treasury, and the head of the CIA are all to be replaced– the outlines of US policy will not waver. Nor should they: powerful though those people are, the president sets policy and the occupant of the White House has not changed. The US will continue to implement the “rebalance” to Asia and straitened fiscal affairs will oblige all budgets to be tighter. The US will be looking for efficiencies in all its operations and this has the potential to transform relations with allies and partners as together they develop new operating procedures to tackle new challenges within new budget constraints. The trick will be convincing them, and other interested observers, that this is not cover for US disengagement. That is not the case, but again the US must be more aggressive in telling its story, rather than responding to others’ interpretations of what we are doing.

Abe, again. To no one’s surprise, the Liberal Democratic Party (LDP) came out on top in the December parliamentary election in Japan. What was a bit of a shocker – but had been foreshadowed by polls right before the ballot – was the size of the win. With its coalition partner,

Komeito, the LDP claimed a supermajority that will allow it to override vetoes by the Upper House. The election results reflected rejection of the former ruling party, the Democratic Party of Japan (DPJ), rather than a vote for the LDP, coupled with an electoral system that can only be described as “rigged” in the LDP’s favor. (It is hard to escape that conclusion when the LDP claimed substantially more seats in this vote than the DPJ did in the last general election, even though the LDP actually had fewer votes in total.)

Abe Shinzo’s return to the Kantei raises all sorts of questions, and most speculation has focused on his agenda. Will he indulge in the same nationalist policies that dominated his first term as prime minister? Will he follow through with suggestions during the campaign – making Takeshima Day a national day of recognition, placing government personnel (Self-Defense Forces) on the Senkakus, reconsidering the Kono statement on sex slaves – that are likely to inflame regional tensions? We think not. Abe has professed to having learned his lesson and will focus on bread and butter issues – getting the economy moving. Moreover, since the election, he has dialed back his rhetoric, dropping all three of those campaign ideas, and dispatched envoys to Seoul and Beijing to smooth relations. Finally, three forces – Komei, Japanese public opinion, and the US government (quietly) – will keep Abe from straying too far from the historic mainstream of Japanese policy.

Park returns to the Blue House. In South Korea, conservative party candidate Park Geun-hye won the presidential election and will return to the Blue House, where she once served as First Lady for her father after her mother’s assassination. The election was a squeaker, with most polls showing Park leading, but almost always within the margin of error. She ultimately bested progressive party candidate Moon Jae-in by 3.6 percent of the vote.

Her victory promises more continuity with the policies of predecessor Lee Myung-bak, but there will still be changes, especially when dealing with North Korea (as Aidan Foster Carter notes in this volume’s assessment of North-South relations). She has vowed to resume a dialogue with the North and Seoul and Washington will have to work closely together to ensure that the two governments’ positions remain aligned and don’t present opportunities for Pyongyang to exploit.

The broom in Beijing. In addition to the democratic changes in Northeast Asia and the US, China had its own leadership transition as the fifth generation took power in Beijing. At the 18th Party Congress, Xi Jinping was confirmed as the new general secretary of the Chinese Communist Party (CCP); he is expected to be named president of China, and Li Keqiang will assume the post of premier, in March 2013 at the National People’s Congress. Those two men assumed the number one and two slots in the Politburo Standing Committee; five others joined them at the supreme post of the CCP bureaucracy. The decision to limit the membership of the Standing Committee to just seven was a surprise. In recent years there have been nine members. While the official word is that the smaller group will be more efficient, there is speculation that the turmoil surrounding Bo Xilai prompted the reduction in size.

There is little reason to expect change in China under the new leadership. After all, Xi has been a member of the Standing Committee for the past five years, and no one rises to top positions in the Chinese leadership – a collective body – by vowing to change course. There have been intense efforts to read significance into every one of Xi’s moves since taking power, from his

December trip to Shenzhen – is he making a statement about his commitment to reform? – to his visits to PLA bases in Guangdong – is this a bow to the PLA and its role in his government?

We expect continuity in the key pillars of Chinese foreign and defense policy. The government will keep calling for a new style of great power relations with the US; it will maintain support for North Korea as Beijing urges Pyongyang to embrace economic reform and calls on all nations to avoid upsetting regional peace and stability; it will keep pushing Chinese claims in territorial disputes. Domestically, however, the rhetoric suggests that the government is going to take a harder line against corruption, which is endemic in China and probably the most dangerous threat to continued CCP rule. Whether the party can genuinely afford to clean house, or whether it will kill a few chickens to scare the monkeys, is still unclear.

APEC and Putin's pivot

We closed our last commentary with the lead-up to the annual Asia Pacific Economic Cooperation (APEC) Leader's Meeting, which Russia was hosting in Vladivostok. President Vladimir Putin, the host, used the meeting to announce Russia's own "pivot" to the Asia Pacific region. Like President Obama, Putin rested his policy on the economic imperative of tapping the energy of the world's most dynamic region. Moreover, he noted in his *Wall Street Journal* op-ed that "Russia has long been an intrinsic part of the Asian-Pacific region." Unlike Obama, however, Putin made the meeting. (Since the US president was in the middle of an election campaign, and made it out to the region for the East Asian Summit weeks later, he is likely to be forgiven. There was no flood of commentary about US "neglect," a sign of some understanding of US political dynamics and their significance.) Besides, East Asian countries really don't consider Russia (even its Far East) as being "Asian" and most rank APEC well below other regional multilateral trade initiatives. Obama is now 3 for 4 when it comes to APEC meetings; George W. Bush was 8 for 8.

As it turns out, however, Obama didn't miss much. Political events in the region – territorial disputes, in particular – and external economic developments – the crisis in Europe – dominated discussion. The joint declaration issued at the end of the meeting highlighted the adverse impact of European problems on growth in the Asia-Pacific region, and leaders pledged to steer clear of competitive currency devaluations. They also reaffirmed "our pledge to refrain through the end of 2015 from raising new barriers to investment or to trade in goods and services, imposing new export restrictions, or implementing WTO-inconsistent measures in all areas, including those that stimulate exports." The document expressed support for the WTO and promised to keep WTO compliant measures to a minimum, while rolling back protectionist measures.

The big deliverable was a list of 54 environmental goods on which tariffs will be capped at 5 percent or less by 2015, a target set at last year's leaders meeting. The size of the list is quite contentious, and the attendees are to be applauded for more than doubling its size during the meeting.

The meeting also provided the venue for the usual sidebar conferences. The most important in retrospect is likely to have been the palaver between Chinese President Hu Jintao and Japanese Prime Minister Noda Yoshihiko. Reportedly, the two men discussed the proposed purchase of

the Senkaku/Daiyutai Islands by the Japanese government, a move intended to head off a similar move by firebrand Tokyo Gov. Ishihara Shintaro. It isn't clear what the outcome of that meeting was; Noda apparently thought he had an understanding with Hu about what Tokyo was doing, but subsequent events indicate that clearly wasn't the case.

The “Plus Three” get serious

At the ASEAN Summit and associated meetings in Cambodia in November, trade and economic leaders from China, Japan, and South Korea agreed to launch talks on a trilateral free trade agreement (FTA). The prospect has been discussed, studied, and debated for several years but it lacked the push from top leaders to take the leap and start negotiations. That hurdle has been surmounted.

The first round of trilateral FTA negotiations is scheduled to begin early in 2013. The three governments have played up the economic benefits of such a deal and for good reason. Together, they account for 20 percent of global gross domestic product and 18.5 percent of global exports in 2010. China is the largest trading partner of Japan and the ROK, Japan is China's fourth largest trading partner, and the ROK is China's sixth. Trilateral trade volume has risen from \$130 billion in 1999 to \$690 billion in 2011. Both Japan and the ROK are big investors in China, with total direct investment reaching \$85 billion and \$50 billion for Japan and South Korea, respectively. Joint research by the three countries shows a trilateral FTA will increase China's GDP by 1.1-2.9 percent, Japan's GDP by 0.1-0.5 percent and the ROK's GDP by 2.5-3.1 percent.

While neither the scope nor the deadline for the talks has yet to be decided, officials anticipate a 2015 conclusion, aiming to tie their agreement to the signing of a comprehensive economic partnership by ASEAN and its six dialogue partners – China, Japan, and the ROK, along with Australia, New Zealand, and India (more on this just below). While the economic benefits of the deal are its primary rationale, there is no missing the political element. All participants hope that a tighter web of economic ties will cushion the relationships and help defuse some of the tensions that have dominated politics in Northeast Asia

Dueling trade deals: TPP v RCEP

The uneasy relationship between politics and economics was evident in another set of trade talks. Also at the East Asia Summit, China, Japan, South Korea, India, and 12 other countries formally launched negotiations on a separate Asia-Pacific free trade agreement known as the Regional Comprehensive Economic Partnership (RCEP). RCEP is an ASEAN-centered trade proposal – not surprising when the 16 members are the 10 ASEAN nations and the six countries with which they have concluded FTAs. Those 16 countries account for nearly half the world's population, about 30 percent of global GDP, and over a quarter of world exports. RCEP aims to achieve a modern, comprehensive, high-quality and mutually beneficial economic partnership agreement that covers trade in goods, services, investment, economic and technical cooperation, intellectual property, competition, dispute settlement, and other issues.

All that seems laudable. What is troubling is the seeming competition between RCEP and the Trans-Pacific Partnership (TPP) that the US is pushing. TPP is starting small, with just 11 members, but it seeks to create a “high standard, broad-based regional pact.” TPP is the economic component of the US rebalance to Asia, proof that Washington takes Asian concerns seriously, both in terms of priority – trade and economics v. the usual military focus – and in terms of presence: a trans-Pacific trade deal is intended to enmesh the US in the region, tying its future more tightly to that of the Asia Pacific and countering fears that the US might disengage.

The US seeks a smaller group to forge a “better quality” agreement; it wants the TPP to be the gold standard for trade deals, in both scope (the range of issues covered) and scale (the degree of openness). Some governments worry that such a deal might be too much for them, imposing US standards on economies that they aren’t ready for. One reason the US hasn’t pushed for more participants is that Washington doesn’t want to dilute the rules.

Other governments see more nefarious designs. They note that China hasn’t been included in the TPP and conclude the deal is intended to forge an alternative economic architecture for the region that puts the US, rather than China, at the center of the network. In discussions in Seoul in December, some Asian analysts went further, asserting that TPP is a device to block Asia’s economic integration. Clearly, the US has a strategic communications problem.

The economic outlook

Driving the increasing attention to the region is recognition that Asia is where the economic action is. With global growth unsteady at best, Asia continues to be a dynamo, with growth rates considerably better than the global average and especially those of the developed world. So, while the UN’s World Economic Situation and Prospects 2013 forecasts global expansion of 2.4 percent in 2013, it anticipates average growth in Developing East Asia of 6.2 percent in 2013, a nearly half-point increase from the 5.8 percent expansion forecast for 2012. For its part, the IMF reckons Asia will post 5.5 percent growth in 2012, a half percentage point below 2011, but still 2 percentage points faster than the global average. It projects about 6 percent growth for the region in 2013.

The biggest issues for many Asian economies are external. The Eurozone crisis remains a source of potential global instability – no real resolution is in sight – and the prospect of US default (at worst) or ongoing paralysis (as seems likely) dampens their prospects for growth. Europe’s embrace of austerity, despite World Bank confessions that its economists didn’t understand the real impact of multipliers, means that policy is likely to continue to exert downward pressure on growth. The failure of Asia’s two largest markets to stabilize and return to solid growth means that regional exporters’ prospects remain equally shaky.

Within the region, China seems to have weathered many of the uncertainties of 2012, and the debate over a soft landing has been quieted. In Japan, the stimulus provided by rebuilding projects after the March 11, 2011 earthquake has worn off. Revised government figures in November showed Japan’s economy shrank 0.9 per cent between July and September. This was the seventh quarterly downturn since the Lehman Brothers collapse in 2008, leading economists

to predict that Japan had entered its fifth technical recession – two consecutive quarters of contraction – in 15 years.

Abe Shinzo, Japan's new prime minister, has vowed to get the country's economy moving again. To achieve that, he had demanded that the Bank of Japan set an inflation target of 2 percent and has lifted the DPJ-imposed limit on the budget. With that cap removed, he intends to resort to the time-tested LDP favorite remedy, public works spending. That may inflate the economy, but the immediate effect has been a fall in the value of the yen against the dollar, a development that delights Japanese exporters – and may well be the real goal.

The other big development to watch in 2013 will be the discussion of the internationalization of the RMB. China sees the US dollar's role as the world's reserve currency as conferring an unfair advantage on the US and affording it undue economic influence. China would like to see that role reduced, and even talks about increasing the role of the RMB as a result. Internationalization of China's currency would cut Chinese trade costs and facilitate more exchange. Consistent with that, there has been a considerable increase in the use of the RMB as a trading currency, reducing pricing in dollars. From 2008-11, the share of global trade that used the RMB rose from 0 to 11 percent. The goal of achieving capital convertibility in the medium run was adopted in the 12th Five-Year Plan for 2011–2015.

But the skeptics counsel caution. Some note that while an increasing number of trades are settled in RMB, they are invoiced in dollars, prompting speculation that there is exchange rate arbitrage at work (i.e., companies are buying and selling RMB offshore to take advantage of exchange rate differentials). Most significant, however, is the Beijing government's desire to maintain control over the economy. Internationalization of the RMB in any meaningful amount means that China must lift its hand. There is no evidence that China is prepared to go that far and thus it will continue to complain about the role of the dollar, but it won't take the steps required to change that reality.

And into 2013

That last prediction is probably good for much of Chinese policy. The region faces a slew of challenges in 2013, and many, if not most, demand that governments respond to internal pressures and problems. Unfortunately, real leadership was in short supply at the end of 2012. The new governments in Asia will have ample opportunities to differentiate themselves from their predecessors. Making hard choices to forge enduring solutions is a good way to start.

Regional Chronology

September – December 2012

Sept. 1-2, 2012: Cambodian Prime Minister Hun Sen visits Beijing and meets Prime Minister Wen Jiabao who pledges to give Cambodia \$500 million in loans for infrastructure projects. China also approves a \$2 billion industrial park project that would produce 3 million tons of steel per year and employ up to 10,000 Cambodians.

Sept. 3, 2012: South Korea announces that it and Japan have temporarily suspended a military exchange program amid the dispute over Dokdo/Takeshima.

Sept. 3, 2012: Vietnam and China hold their third Strategic Defense Dialogue in Hanoi with Deputy Defense Minister Nguyen Chi Vinh and Chinese counterpart Ma Xiaotian as co-chairs.

Sept. 5, 2012: Secretary of State Hillary Clinton expresses “disappointment” with China and Russia for blocking UN Security Council calls for stronger intervention in Syria.

Sept. 6, 2012: Secretary Clinton becomes the first US secretary of state to visit Timor Leste (East Timor) since its independence from Indonesia 10 years ago.

Sept. 6, 2012: Chief Cabinet Secretary Fujimura Osamu confirms that Japan’s national government will purchase three of the five Senkaku Islands for about 2.05 billion yen (\$26 million) from the current private owner.

Sept. 7, 2012: A Chinese Maritime Safety Administration ship visits Honolulu to conduct a joint search and rescue exercise with the US Coast Guard.

Sept. 8-9, 2012: The annual Asia-Pacific Economic Cooperation (APEC) Leader’s Meeting is held in Vladivostok.

Sept. 9, 2012: South Korean President Lee Myung-bak and Japanese Prime Minister Noda Yoshihiko hold impromptu talks at the APEC forum and concur on the need to create a future-oriented relationship.

Sept. 14, 2012: China sends six patrol boats to the East China Sea near the Diaoyu/Senkaku Islands to carry out “law enforcement over China’s maritime rights.”

Sept. 16-22, 2012: US Secretary of Defense Leon Panetta visits Japan, China and New Zealand.

Sept. 17, 2012: Myanmar government pardons more than 500 prisoners, at least 80 of whom were prisoners of conscience.

Sept. 17-Oct. 4, 2012: Aung San Suu Kyi makes an extended visit to the US.

Sept. 20, 2012: Third annual US-Indonesia Joint Commission Meeting chaired by Foreign Minister Marty Natalegawa and Secretary of State Clinton is held in Washington. The US agrees to sell eight *Apache* gunship helicopters to Indonesia.

Sept. 21, 2012: The US lifts a 26-year ban on the visit of New Zealand warships to US Coast Guard and Navy bases around the world as Secretary of Defense Leon Panetta visits Wellington.

Sept. 22, 2012: US Congress passes legislation supporting lending from international financial institutions to Myanmar, reversing a ban based on concerns that loans would benefit the previous military junta.

Sept. 27, 2012: South Korea hosts a Proliferation Security Initiative exercise in waters off Busan. US, Australia, Japan and South Korea participate.

Sept. 27-28, 2012: Northeast Asia Cooperation Dialogue (NEACD), an informal dialogue among the participant countries involved in the Six-Party Talks – South Korea, China, Japan, Russia, and the US – is held in Dalian.

Sept. 27-28, 2012: China and the US hold annual meeting under the Sino-US Military Maritime Consultative Agreement in Qingdao.

Oct. 3-5, 2012: ASEAN Maritime Forum (AMF) is held in Manila. This AMF is the first to include the eight non-ASEAN members of the East Asia Summit.

Oct. 4, 2012: The initial rotation of US Marines completes their deployment in Darwin.

Oct. 7, 2012: South Korea and the US announce a “missile guideline” agreement that enables South Korea to extend the range of its ballistic missiles from 300 km to 800 km.

Oct. 8-17, 2012: US and Philippines conduct their annual amphibious landing exercises (*PHIBLEX*) focused on disaster relief, humanitarian assistance, and maritime security.

Oct. 14-15, 2012: Deputy Secretary of State William Burns travels to Japan and meets Foreign Minister Gamba and Defense Minister Morimoto.

Oct. 15, 2012: Philippine government and the Moro Islamic Liberation Front (MILF) sign a framework agreement that grants “exclusive powers” to the Bangsamoro Government, with the central government retaining authority over issues such as national security and foreign policy.

Oct. 16, 2012: Chinese fisherman is killed by a South Korean Coast Guard officer during a boarding of a fishing vessel charged with illegal fishing. South Korea subsequently impounds two Chinese ships and 24 survivors.

Oct. 16, 2012: Deputy Secretary Burns travels to Seoul to meet senior South Korean officials and to participate in the US-ROK Strategic Dialogue.

Oct. 17, 2012: Deputy Secretary Burns travels to China to meet senior government officials.

Oct. 17, 2012: Japan, South Korea, and the US confirm that they would cooperate in addressing North Korea’s nuclear activities through the Six-Party Talks following a meeting in Tokyo of Shinsuke Sugiyama, director general of Japan’s Foreign Ministry’s Asian and Oceanian Affairs Bureau, Glyn Davies, US special representative for North Korean issues, and Lim Sung Nam, South Korea’s chief negotiator for peace on the Korean Peninsula.

Oct. 17, 2012: Former Japanese Prime Minister Abe Shinzo and other senior government official, including two Cabinet ministers visit Yasukuni Shrine. South Korea and China express displeasure over the visits characterizing them as “extremely regrettable.”

Oct. 18, 2012: Deputy Secretary Burns travels to Myanmar and meets President Thein Sein, members of his government, and Aung San Suu Kyi.

Oct. 19, 2012: Chinese Vice Minister Fu Ying visits Manila and meets Philippine Foreign Affairs Under Secretary Erlinda Basilio to discuss reducing tensions and bolstering trade and economic ties. Fu also meets President Benigno Aquino and other senior officials.

Oct. 19, 2012: Deputy Secretary Burns visits New Delhi to meet senior government officials.

Oct. 19, 2012: China dispatches naval vessels, aircraft, and helicopters to the East China Sea for a one-day exercise to “strengthen the capacity to safeguard territorial sovereignty and maritime interests.”

Oct. 22, 2012: Foreign and defense ministers from India and Japan meet in Tokyo for a second round of their “2+2 dialogue.”

Oct. 22-23, 2012: Delegation of former US security officials, led by former National Security Adviser Stephen Hadley visit Tokyo and Beijing to discussion tensions regarding territorial claims in between Japan and China in the East China Sea.

Oct. 22-26, 2012: US and Cambodian navies conduct their third annual joint military exercises, called *Combat Afloat Readiness and Training (CARAT)*.

Oct. 23, 2012: Fourth US-China Asia-Pacific Consultations are held in San Francisco.

Oct. 24, 2012: US and ROK hold the 44th Security Consultative Meeting in Seoul.

Oct. 24, 2012: Assistant Secretary of State for East Asian and Pacific Affairs Kurt Campbell travels to Tokyo to meet Vice Foreign Minister Chikao Kawai and other senior officials.

Oct. 26, 2012: The World Trade Organization (WTO) General Council approves membership for Laos, making it the last member of ASEAN to join the multilateral trading system.

Oct. 26-27, 2012: Assistant Secretary Campbell visits Seoul to meet Deputy Foreign Minister Kim Kyou-hyun and others to discuss the DPRK, economic issues, and regional cooperation.

Oct. 29-Nov. 1, 2012: Australia, New Zealand, and China conduct *Cooperation Spirit 2012* in Brisbane. It is the first joint exercise to be held by the three nations’ military forces in humanitarian assistance and disaster relief.

Nov. 4-6, 2012: Ninth Asia-Europe Meeting (ASEM) is held in Vientiane, Laos.

Nov. 5-16, 2012: Japan and US militaries conduct *Keen Sword* naval exercise involving 37,000 Japanese and 10,000 US military personnel.

Nov. 6, 2012: Barack Obama is re-elected president of the United States.

Nov. 7 2012: Laos starts construction on a \$3.6-billion hydropower dam on the Mekong River that was delayed for 18 months amid opposition from downstream countries and activists.

Nov. 11-14, 2012: Chinese Communist Party (CCP) 18th Party Congress is held in Beijing. Seven new members are appointed to the Politburo Standing Committee including

Nov. 12-17, 2012: Secretary of Defense Panetta visits Asia with stops in Australia to attend the Australia-US Ministerial Consultations, Thailand to sign a Thailand-US Joint Vision Statement, and Cambodia to address the ASEAN defense ministers.

Nov. 14, 2012: Australia-United States Ministerial Consultations (AUSMIN) are held in Perth.

Nov. 15, 2012: Thailand and the US release a Joint Vision Statement for the Thai-US Defense Alliance that outlines the goals for what is described as a 21st century security partnership.

Nov. 15-16, 2012: Japan and North Korea meet in Ulan Bator to discuss past abductions of Japanese nationals by North Korea. Japanese negotiator Shinsuke Sugiyama and Song Il Ho, DPRK's ambassador for normalization talks with Japan agree to future discussions on the topic.

Nov. 15-17, 2012: ASEAN defense ministers meet in Siem Reap to exchange views on national defense and regional security issues.

Nov. 17-20, 2012: President Barack Obama visits Cambodia, Thailand and Myanmar.

Nov. 18, 2012: ASEAN heads of government initial the ASEAN Human Rights Declaration – years in negotiation – stipulating the individual to be the focus of human rights, though providing each state with implementation authority based on its national situation.

Nov. 18-20, 2012: The 21st ASEAN Summit, ASEAN dialogue partner meetings, the 15th ASEAN Plus 3 Summit, and the 7th East Asia Summit are held in Phnom Penh.

Nov. 19, 2012: At the US-ASEAN Summit in Phnom Penh, the “US-ASEAN Expanded Economic Engagement Initiative” (E3) is launched to expand trade and investment ties.

Nov. 20, 2012: Official negotiations for the Regional Comprehensive Economic Partnership (RCEP) are initiated by ASEAN leaders and their six regional free-trade partners (Australia, China, India, South Korea, Japan and New Zealand).

Nov. 20, 2012: Trade ministers of South Korea, China and Japan meet on the sidelines of the ASEAN Plus 3 Summit to officially open separate talks toward a three-way free trade pact.

Nov. 26-27, 2012: The First Vietnam-Japan Defense Strategic Dialogue at the deputy-ministerial level is held in Hanoi, co-chaired by Deputy National Defense Minister Lt. Gen. Nguyen Chi Vinh and Deputy Defense Minister Kanazawa Hironozi.

Nov. 28, 2012: US Department of the Treasury releases its *Semi-Annual Report to Congress on International Economic and Exchange Rate Policies*, which does not label China a currency manipulator but instead emphasizes China's actions to appreciate its currency and move to a more market determined exchange rate.

Dec. 1, 2012: North Korea announces a Dec. 10-22 launch window for a satellite launch from its launch facility at Sohae.

Dec. 1, 2012: Japan announces the postponement of planned talks to normalize relations with North Korea.

Dec. 3-12, 2012: Negotiators meet in Auckland for the 15th round of Trans-Pacific Partnership (TPP) negotiations.

Dec. 9, 2012: Vietnamese police disperse anti-China protests in Hanoi and Ho Chi Minh City that stemmed from tensions over territorial claims in the South China Sea.

Dec. 11, 2012: Philippine Energy Secretary Carlos Jericho Petilla announces that Manila will temporarily suspend the process for awarding contracts for three oil and gas blocks in the South China Sea.

Dec. 11-12, 2012: Philippines and the US hold their third Bilateral Strategic Dialogue in Manila.

Dec. 12, 2012: North Korea launches a satellite into outer space using a three-stage rocket.

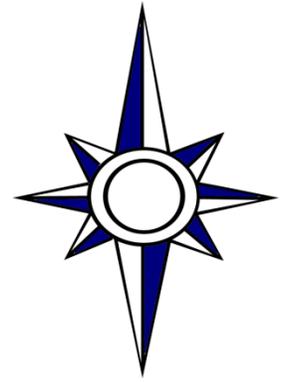
Dec. 14, 2012: China submits a continental shelf claim to the United Nations that asserts Chinese sovereignty in the East China Sea to the Okinawa trough.

Dec. 16, 2012: The Liberal Democratic Party wins 294 seats in the 480-seat lower house of parliament in Japanese general election.

Dec. 18-19, 2012: China and the US hold the 23rd Joint Commission on Commerce and Trade (JCCT) in Washington.

Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



US-Japan Relations: Meet the New Boss/Same as the Old Boss?

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

The Liberal Democratic Party won a Lower House election in a landslide and Abe Shinzo became prime minister for the second time amid public frustration with poor governance and anemic economic growth. The United States and Japan continued a pattern of regular consultations across a range of bilateral and regional issues with tensions between Japan and China over the Senkaku Islands and another North Korean missile launch topping the diplomatic agenda. The US military presence on Okinawa also featured with the deployment of the V-22 *Osprey* aircraft to Okinawa and the arrest of two US servicemen in the alleged rape of a Japanese woman. The year came to a close with Prime Minister Abe hoping for a visit to Washington early in 2013 to establish a rapport with President Obama and follow through on his election pledge to revitalize the US-Japan alliance.

The LDP “takes back” power

Prime Minister Noda Yoshihiko was easily re-elected by his peers as president of the ruling Democratic Party of Japan (DPJ) in September but quickly lost the confidence of the public after missteps that emboldened the opposition Liberal Democratic Party (LDP) and increased calls for a snap election. After taking a cautious approach to nuclear energy focused on improving safety standards and gradually reducing Japan’s dependence on nuclear power, Noda suddenly shifted gears in mid-September and announced plans for a “zero nuclear society” that would phase out nuclear power entirely by the 2030s, presumably to mollify anti-nuclear groups within the DPJ. But the announcement caused a considerable backlash from the business community and US officials also reacted coolly when briefed by Noda advisers in Washington, prompting the government to backtrack a few days later and call for further examination of Japan’s future energy mix. Though polls revealed public misgivings about nuclear energy, Noda’s flip-flopping was emblematic of poor policy coordination within the DPJ and played into the hands of the opposition that was arguing vehemently for an end to DPJ rule. Meanwhile, Abe Shinzo, who served as prime minister in 2006-2007, was elected president of the LDP to lead the charge and pressured Noda repeatedly to follow through on an agreement reached with opposition parties in the summer to call an election “soon” in exchange for passing his signature legislation authorizing a tax increase. Noda reshuffled his Cabinet in early October to improve his standing but was embarrassed by a scandal three weeks later when new Justice Minister Tanaka Keishu was forced to resign amid allegations of ties to organized crime. At that point Noda’s approval rating had plummeted as low as 18 percent, but as soon as he was able to secure passage of legislation authorizing the government to issue deficit-covering bonds (as well as other bills focused on electoral reform and social security), he somewhat surprisingly called Abe’s bluff and dissolved the Lower House for a snap election on Dec. 16.

The LDP put forth a policy platform under the theme “Take Back Japan” centered mainly on increased government spending and aggressive monetary easing to jumpstart the economy and bolstering Japan’s defense capabilities by strengthening the US-Japan alliance. The DPJ advocated for its agenda with a platform focused on “Resolve,” but Noda was put on the defensive from the start and struggled to repudiate Abe’s critiques of policy paralysis under the DPJ. Yet the LDP and DPJ did not monopolize the debate and the election campaign was noteworthy for the emergence of as many as 12 parties that contested seats. Ishihara Shintaro, who resigned as governor of Tokyo in October to form a new political party, joined forces with the Japan Restoration Party led by Osaka Mayor Hashimoto Toru, which started as a local political movement but took to the national stage in an attempt to create a “third force” in Japanese politics. Shiga Prefecture Gov. Kada Yukiko, a vocal critic of nuclear power, established the Tomorrow Party of Japan and formed an alliance with former DPJ kingmaker Ozawa Ichiro’s People’s Livelihood First Party to mobilize anti-nuclear sentiment (though organizational difficulties made for a poor showing on election day and the two parted ways after the election with Kada returning to local politics). In the end, the LDP won in a landslide by securing 294 seats and together with its coalition partner the Komei Party, which won 31 seats, secured a two-thirds majority that would enable the LDP to override the less powerful Upper House on most legislation. The DPJ won just 57 seats, slightly more than the fledgling JRP’s 54 seats. Exit polls showed that the election was largely a referendum on DPJ rule and the public had high expectations for economic revival. Abe was elected prime minister in a special session of the Diet on Dec. 26 and will have approximately six months to advance his policy agenda with the hope of securing a majority in the Upper House in an election scheduled for July 2013.

The second Abe Cabinet constituted a mixture of familiar faces and emerging leaders tasked with implementing a policy agenda in collaboration with LDP Secretary General Ishiba Shigeru, whom Abe defeated in a runoff in the LDP presidential race and reappointed to organize the party for the Upper House election. Abe called on former Prime Minister Aso Taro to serve as deputy prime minister and finance minister and appointed former Internal Affairs Minister Suga Yoshihide as chief Cabinet secretary. Former Minister of Economy, Trade and Industry (METI) Amari Akira was put in charge of economic revitalization, and former LDP Policy Research Council Chairman Motegi Toshimitsu was appointed METI. Ishihara Nobuteru, who performed well in the LDP presidential race, became environment minister and was put in charge of nuclear safety, and Hayashi Yoshimasa, also a candidate in the presidential race, took over at the Ministry of Agriculture, Forestry, and Fisheries. Kishida Fumio, who served as minister for Okinawa affairs in the previous Abe Cabinet, became foreign minister while former Senior Vice Minister for Foreign Affairs Onodera Itsunori took the helm at the Ministry of Defense.

Abe declared as his first foreign policy priority a desire to revitalize the alliance with the United States after what he perceived as three years of drift under DPJ rule. His emphasis on increased defense spending and exercising the right of collective self-defense augured well for bilateral security cooperation. Dialogue on energy policy, including nuclear safety, could also feature prominently, though the outlook on trade was less certain given the LDP’s opposition to entering the Trans-Pacific Partnership (TPP) trade negotiations if exemptions are prohibited (though some LDP leaders recognize that the US has never signed a free trade agreement without exemptions and might conclude that it is in Japan’s interest to shape the negotiations and join the US in

setting high standards for regional trade liberalization). Abe received a congratulatory phone call from President Obama shortly after the election and expressed interest in visiting Washington early in 2013.

Addressing multiple challenges

The fall season presented repeated opportunities for bilateral coordination on a broad range of bilateral and regional issues including a meeting between Prime Minister Noda and Secretary of State Hillary Clinton on the sidelines of the Asia-Pacific Economic Cooperation (APEC) Leader's Meeting in Vladivostok; visits to Japan by Defense Secretary Leon Panetta and Deputy Secretary of State William Burns; a discussion of financial issues between Treasury Secretary Timothy Geithner and Finance Minister Jijima Koriki during the World Bank/IMF meetings in Tokyo; two rounds of US-Japan-ROK consultations on North Korea and other issues, held in New York and Tokyo; the third session of the US-Japan-India Trilateral Dialogue held in Delhi; and a short meeting between President Obama and Prime Minister Noda during the East Asia Summit in Phnom Penh in November. But the issue that dominated the headlines and facilitated numerous consultations between Washington and Tokyo was an ongoing territorial dispute between China and Japan over the Senkaku Islands, which are uninhabited but located in a potentially resource-rich area of the East China Sea. Japan has administrative control over the islands but China has increasingly claimed them as its sovereign territory and pressed those claims with higher operational tempo at sea. Tensions with China helped propel the national security-oriented Abe to the top of the LDP before general elections. The Obama administration's public statements on the dispute have varied, prompting the Senate to issue language in the 2012 National Defense Authorization Act in late December reaffirming that any Chinese attempt to use coercion to alter Japan's administration control of the islands should not be accepted by the United States.

After Tokyo Gov. Ishihara Shintaro hinted at purchasing the Senkaku Islands this past spring from private Japanese owners, the Noda government decided on Sept. 11 to nationalize three of the islands, presumably to prevent any provocative actions that would upset the status quo. But the decision stoked anti-Japanese nationalism in China in the form of demonstrations and destruction of property owned by Japanese businesses, as well as increased probing activities by Chinese maritime surveillance vessels around the Senkaku islands and Chinese planes flying close to and in some cases intruding Japanese airspace. [See Jim Przystup's article on Japan-China relations in this issue for a full rundown of the activity.] The US does not take a position on the question of sovereignty but has determined that the Senkakus fall within the scope of Article V of the 1960 US-Japan Security Treaty, which obligates the US to defend Japan and all territories under its administrative control. US officials repeated this position on various occasions but in different ways. Secretary Panetta during his visit to Japan urged calm and restraint on all sides and noted that the US would stand by its treaty obligations, while Deputy Secretary of State Burns during his visit emphasized the importance of taking a calm and measured approach to the issue focusing on dialogue and diplomacy and avoiding coercion or intimidation or the use of non-peaceful means. Other US officials focused on the importance of diplomacy without mentioning US obligations under Article V. As China-Japan tensions mounted and each side tried to assert its position, a bipartisan group of former US officials including former Deputy Secretaries of State Richard Armitage and James Steinberg, former

National Security Adviser Stephen Hadley, and former Assistant Secretary of Defense Joseph Nye, visited Beijing and Tokyo with the endorsement of the State Department to discuss this issue and reiterate US policy. On Nov. 29 the US Senate approved an amendment to the National Defense Authorization Act for Fiscal Year 2013 stating US policy on the Senkakus and emphasizing US opposition to any efforts to coerce, threaten to use force, or use force to resolve territorial issues.

The US and Japanese governments also addressed bilateral security issues and the Panetta trip in particular highlighted key themes such as ongoing dialogue on roles, missions, and capabilities that could ultimately result in a review of the bilateral defense guidelines. They discussed cooperation on ballistic missile defense and intelligence, surveillance and reconnaissance, the realignment of US troops on Okinawa, and the deployment of the *V-22 Osprey* aircraft. (The two governments agreed on safety measures for the *Osprey* in mid-September and the aircraft was deployed to Okinawa in October.) Tensions over the US military presence on Okinawa resurfaced on Oct. 16 when Okinawa prefectural police arrested two US servicemen in the alleged rape of a Japanese woman. US Ambassador to Japan John Roos said the US government would cooperate with the investigation of the two sailors and Lt. Gen. Salvatore Angelella, commander of US forces in Japan, apologized and instituted a curfew for uniformed personnel. The alleged attack was reminiscent of the 1995 rape of a 12-year-old school girl by US servicemen stationed on Okinawa that led to the creation of the bilateral Special Action Committee on Okinawa (SACO). The SACO process produced an agreement to reduce the US military footprint on Okinawa with the relocation of Marine Corps Air Station Futenma as a central element of the overall realignment plan, which has yet to be fully implemented.

Developments in North Korea also garnered significant attention and two US-Japan-ROK consultations were held to address the issue, first in September between Secretary of State Clinton and counterparts Gemba Koichiro and Kim Sung-hwan during the UN General Assembly meetings in New York, and again in mid-October in Tokyo at the working level among diplomats from the three countries. That coordination took on particular urgency in December when North Korea announced a launch window for what was widely believed to be a ballistic missile test. North Korea launched a long-range *Unha-3* rocket on Dec. 12, deploying a satellite into a low-earth orbit. Japan requested a meeting of the UN Security Council, which issued a statement condemning the launch and referencing ongoing consultations on a response. The failure of that body to issue a swift response suggested an even greater need for coordination among the United States and its allies on the North Korean missile and nuclear threat in the weeks and months ahead.

Next steps

Both Prime Minister Abe and President Obama can be expected to focus on their domestic agendas to jumpstart their respective terms in office. Abe will likely prioritize fiscal stimulus and develop a budget while keeping a close eye on the Bank of Japan and its approach to monetary easing. President Obama will have opportunities to outline the agenda for his second term in his inauguration and State of the Union addresses. The two leaders could meet in Washington to reaffirm the importance of the US-Japan alliance and discuss security cooperation, economic ties, and an array of regional and global issues that currently animate the

relationship. However, Abe's public statement after a congratulatory call from Obama in December that there could be a summit meeting in Washington early in 2013 was reportedly rebuffed by the White House in meetings with Japanese Foreign Ministry officials, leading to uncertainty when the two leaders might actually meet.

Chronology of US-Japan Relations September – December 2012

Sept. 8, 2012: Osaka Mayor Hashimoto Toru announces his intention to form a national political party, Japan Restoration Party (JRP), with an eye toward the next Lower House election.

Sept. 8, 2012: Prime Minister (PM) Noda Yoshihiko meets Secretary of State Hillary Clinton on the margins of the APEC forum in Vladivostok to discuss a range of bilateral and regional issues.

Sept. 11, 2012: Japanese government nationalizes three of the Senkaku Islands by purchasing them from a private owner.

Sept. 11, 2012: Sasae Kenichiro is appointed Japanese ambassador to the US to succeed Fujisaki Ichiro.

Sept. 11, 2012: Seven Diet members resign from their respective parties to join the JRP.

Sept. 14, 2012: PM Noda announces a plan for Japan to phase out nuclear power by the 2030s.

Sept. 16-17, 2012: Defense Secretary Leon Panetta visits Japan to discuss alliance matters with Defense Minister Morimoto Satoshi and Foreign Minister Gamba Koichiro.

Sept. 19, 2012: Bank of Japan expands an asset purchase program from ¥70 trillion to ¥80 trillion to support monetary easing.

Sept. 19, 2012: Noda government backs off a pledge to phase out nuclear power by the 2030s in favor of further consultations on the issue.

Sept. 19, 2012: US and Japan agree on safety measures for the deployment of the *V-22 Osprey* aircraft to Japan.

Sept. 19, 2012: Japan formally launches a new Nuclear Regulation Authority charged with setting new safety standards and disaster response guidelines.

Sept. 20, 2012: Assistant Secretary of State for East Asian and Pacific Affairs Kurt Campbell testifies before the Senate Foreign Relations Committee Subcommittee on East Asian and Pacific Affairs regarding maritime territorial disputes and sovereignty issues in Asia.

Sept. 21, 2012: PM Noda is reelected as leader of the ruling Democratic Party of Japan (DPJ).

Sept. 26, 2012: PM Noda addresses the United Nations General Assembly in New York.

Sept. 26, 2012: Former PM Abe Shinzo is elected president of the opposition Liberal Democratic Party (LDP).

Sept. 28, 2012: Secretary of State Clinton meets Foreign Minister Gamba and ROK Foreign Minister Kim Sung-hwan on the margins of the UN General Assembly in New York.

Sept. 28, 2012: Public opinion survey by *Nikkei Shimbun* indicates 35 percent of respondents would vote for the LDP in the next election, compared to 14 percent for the DPJ and 12 percent for the JRP.

Oct. 1, 2012: PM Noda reshuffles his Cabinet.

Oct. 2, 2012: *Kyodo News* survey posts a 29 percent approval rating for the Noda Cabinet. The DPJ approval rating is 12 percent compared to 39 percent for the LDP.

Oct. 5, 2012: Bank of Japan leaves interest rates and the size of its asset purchase program unchanged and issues a statement indicating that the economy is leveling off.

Oct. 9-14, 2012: Japan hosts annual meetings of International Monetary Fund and World Bank.

Oct. 11-12, 2012: Treasury Secretary Timothy Geithner meets PM Noda and Finance Minister Jojima Koriki to address a range of economic issues including the strength of the yen and Noda's efforts to pass legislation authorizing deficit-covering bonds.

Oct. 12, 2012: International Monetary Fund issues its growth forecast for the Asia-Pacific region and encourages the Bank of Japan to further ease monetary policy to combat deflation.

Oct. 14-15, 2012: Deputy Secretary of State William Burns visits Tokyo and meets Foreign Minister Gamba, Defense Minister Morimoto, and other officials.

Oct. 16, 2012: Okinawa prefectural police arrest two US servicemen in the alleged rape of a Japanese woman.

Oct. 16, 2012: Special Representative for North Korea Policy Glyn Davies meets Sugiyama Shinsuke, director general of the Asian and Oceanian Affairs Bureau of the Ministry of Foreign Affairs, in Tokyo to discuss North Korea.

Oct. 17, 2012: ROK Special Representative for Korean Peninsula Peace and Security Issues Lim Sung-nam joins Sugiyama and Davies in Tokyo for a trilateral meeting on North Korea.

Oct. 17, 2012: LDP President Abe Shinzo visits the Yasukuni Shrine in Tokyo.

Oct. 19, 2012: US military imposes a curfew on uniformed personnel in Japan after two sailors were arrested for allegedly raping a Japanese woman on Okinawa.

Oct. 19, 2012: US and Japan issue a joint statement at the conclusion of a policy coordination dialogue on the Internet economy.

Oct. 21, 2012: *Asahi Shimbun* poll reveals an 18 percent approval rating for the Noda Cabinet; 49 percent of respondents believe a general election should be held before the end of the year.

Oct. 22-23, 2012: Bipartisan group of former US national security officials visits Tokyo and Beijing to discuss tensions over the Senkakus.

Oct. 23, 2012: Justice Minister Tanaka Keishu resigns three weeks after his appointment amid allegations of links to organized crime.

Oct. 25, 2012: Ishihara Shintaro announces his intention to resign as governor of Tokyo and form a new political party for the next Lower House election.

Oct. 25-26, 2012: Assistant Secretary of State Campbell meets Vice Foreign Minister Kawai Chikao and other senior officials in Tokyo to discuss a range of bilateral and regional issues.

Oct. 26, 2012: Noda Cabinet approves a \$5.3 billion economic stimulus package.

Oct. 29, 2012: Noda government convenes an extraordinary session of the Diet to try to pass pending legislation including a bill to allow the government to issue deficit-covering bonds.

Oct. 29, 2012: Assistant Secretary of State for South and Central Asian Affairs Robert Blake visits New Delhi for the third round of the US-Japan-India Trilateral Consultations.

Oct. 30, 2012: Bank of Japan expands its asset purchase program from ¥80 trillion to ¥91 trillion and issues a statement with the government emphasizing a commitment to combat deflation.

Oct. 31, 2012: LDP President Abe calls on PM Noda to dissolve the Lower House of the Diet and call a general election by the end of year.

Nov. 5, 2012: US military and Japan Self Defense Forces begin biennial exercises near Okinawa.

Nov. 6, 2012: Prosecutors on Okinawa indict two US sailors on charges of assaulting and raping a Japanese woman the morning of Oct. 16.

Nov. 12, 2012: Japanese government announces that gross domestic product shrank 3.5 percent on an annualized basis in the third quarter of 2012.

Nov. 13, 2012: Ishihara Shintaro officially launches his new political party, The Sunrise Party, for a run in the next Lower House election.

Nov. 14, 2012: During a debate in the Diet with LDP President Abe, PM Noda declares his intention to dissolve the Lower House on Nov. 16 and call a snap election.

Nov. 14, 2012: PM Noda congratulates President Barack Obama on his reelection in a telephone call and the two leaders pledge to further strengthen the US-Japan alliance.

Nov. 16, 2012: Diet passes legislation authorizing the government to issue deficit-covering bonds through fiscal year 2015.

Nov. 16, 2012: PM Noda dissolves the Lower House of the Diet and calls for Dec. 16 election.

Nov. 17, 2012: Ishihara Shintaro of the Sunrise Party and Osaka Mayor Hashimoto Toru of the JRP agree to merge their parties and establish a “third force” for the Lower House election.

Nov. 19, 2012: Former DPJ President Ozawa Ichiro is formally acquitted of charges that he was involved in falsifying political fund reports.

Nov. 19, 2012: *Mainichi Shimbun* survey finds 41 percent of the respondents support Japan joining the Trans-Pacific Partnership (TPP) trade negotiations, 18 percent opposed, and 35 percent undecided.

Nov. 20, 2012: President Obama and PM Noda discuss the TPP trade negotiations and other issues on the sidelines of the East Asia Summit in Phnom Penh.

Nov. 26, 2012: *Yomiuri Shimbun* survey finds 25 percent of respondents inclined to vote for the LDP in the proportional representation portion of the ballot in the next election. The JRP comes in second at 14 percent, followed by the DPJ at 10 percent.

Nov. 27, 2012: Kada Yukiko, governor of Shiga Prefecture, establishes a new political party, the Tomorrow Party of Japan, and forms an alliance with Ozawa Ichiro’s People’s Livelihood First Party to compete in the Lower House election.

Nov. 29, 2012: US Senate approves an amendment to the National Defense Authorization Act for Fiscal Year 2013 noting that the US takes no position on the ultimate sovereignty of the Senkaku Islands but that it acknowledges the administration of Japan over them; reaffirming the US commitment to the defense of territories under the administration of Japan.

Nov. 30, 2012: Noda Cabinet approves another stimulus package of approximately \$10 billion.

Nov. 30, 2012: Japanese government gives \$5 million to the US government as a gesture of goodwill with respect to tsunami debris from the March 11, 2011 disaster.

Dec. 1, 2012: North Korea announces its intention to launch an “Earth observation satellite” between Dec. 10 and 22.

Dec. 3, 2012: Japan’s Self Defense Forces begin preparations to deploy *Patriot Advanced Capability-3* missile interceptors to Okinawa in preparation for North Korea’s missile launch.

Dec. 3, 2012: *Yomiuri Shimbun* survey finds 19 percent of voters likely to vote for the LDP in the proportional representation portion of the Lower House election, with the DPJ and JRP tied at 13 percent.

Dec. 7, 2012: In the event North Korea follows through on its rocket launch, Defense Minister Morimoto orders the Self-Defense Forces to intercept it should it threaten Japanese territory.

Dec. 4, 2012: Official campaigning begins for Japan's Lower House election.

Dec. 10, 2012: *Jiji Press* survey indicates 32 percent of the public favors eliminating nuclear power from Japan's energy mix, while 54 percent suggest Japan should reduce its reliance on nuclear power but not eliminate it completely.

Dec. 11, 2012: *Mainichi Shimbun* survey projects the LDP and its coalition partner, the Komeito, could win over 300 seats in the Lower Election, with the DPJ falling from 308 to under 80. The JRP is projected to secure as many as 50 seats.

Dec. 12, 2012: North Korea launches a long-range *Unha-3* rocket and claims to have put a satellite into orbit.

Dec. 13, 2012: *Kyodo News* survey finds 22 percent of the public likely to vote for the LDP in the proportional representation portion of the Lower House election, with 11 percent support for the DPJ and 10 percent for the JRP.

Dec. 15, 2012: Nuclear Regulatory Commission Chairman Allison Macfarlane attends the Fukushima Ministerial Conference on nuclear safety.

Dec. 16, 2012: LDP returns to power with a landslide victory in the Lower House election, winning 294 seats and, together with the Komeito's 31 seats, securing a two-thirds majority in the chamber. The DPJ wins 57 seats and the JRP 54.

Dec. 17, 2012: Public opinion survey conducted jointly by *Asahi Shimbun* and the University of Tokyo shows 89 percent of newly elected lawmakers in the Lower House support revising Japan's constitution, and 79 percent favor revising the government interpretation of the constitution to exercise the right of collective self-defense.

Dec. 18, 2012: President Obama calls LDP President Abe to congratulate him on the results of the Lower House election.

Dec. 18, 2012: Defense Secretary Panetta announces plans for the first overseas deployment of the *F-35* Joint Strike Fighter to Iwakuni in 2017.

Dec. 19, 2012: According to a *Yomiuri Shimbun* survey, 58 percent of the public views the LDP election victory favorably. When asked about the reason for the landslide, 55 percent cited disappointment with the DPJ and 29 percent said the LDP is better than the other parties.

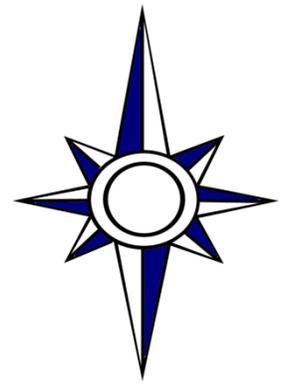
Dec. 20, 2012: Bank of Japan expands its asset purchase program by ¥10 trillion to ¥101 trillion.

Dec. 20-21, 2012: US House of Representatives and the Senate pass the conference report for the National Defense Authorization Act for fiscal year 2013, which includes \$26 billion for the transfer of US Marines from Okinawa to Guam.

Dec. 26, 2012: Abe Shinzo is elected prime minister in a special session of the Diet.

Dec. 27, 2012: *Kyodo News* survey posts a 62 percent approval rating for the Abe Cabinet.

Dec. 28, 2012: *Yomiuri Shimbun* survey indicates a 65 percent approval rating for the Abe Cabinet. When asked to choose among nine issues, with multiple answers allowed, 93 percent of respondents said recovery from the March 11 disasters and economic growth should be a top priority of the new government, followed by 81 percent who selected diplomacy and national security. 56 percent favored social security and tax reform. The LDP approval rating stood at 38 percent, with the DPJ and JRP tied at 8 percent.



**US-China Relations:
Strains Increase amid Leadership Transitions**

**Bonnie Glaser, CSIS/Pacific Forum CSIS
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The rare convergence of a US presidential election cycle and China's once-in-a-decade leadership transition caused both countries to focus their energies and attention domestically in the last four months of 2012. The US held its presidential election on Nov. 6 and China held its 18th Party Congress Nov. 8-14. The reelection of President Obama was a relief for Beijing. Although China has plenty of complaints about his policies, it preferred to deal with him for another four year term, both because of the uncertainty that the election of Mitt Romney would have brought to US foreign policy and because the Chinese generally favor the status quo when it comes to US leadership. Washington was simply glad to get the Chinese leadership transition underway since it appeared that Chinese leaders and the bureaucracy were distracted and many decisions had been put on hold pending announcement of the new leadership lineup.

Maritime disputes on China's periphery cause friction

China's maritime disputes with its neighbors in the East China Sea and the South China Sea continued to generate tension between Beijing and Washington. In early September, US Secretary of State Hillary Clinton visited Beijing after stopping in Indonesia, where she called on members of ASEAN to present a united front to China in dealing with territorial disputes in the South China Sea. In response, China urged the US to keep its commitment to remain neutral and to "make efforts that help, rather than harm, regional peace and stability." Clinton met Chinese President Hu Jintao, State Councilor Dai Bingguo, and Foreign Minister Yang Jiechi.

In the joint press conference that Clinton held with Yang, it was apparent that their talks had been contentious. Syria, Iran, cyber security, Korea, as well as the South China Sea were discussed. Once again, Clinton reiterated that the US does not take a position on the competing territorial claims in the South China Sea, but she urged China and ASEAN to engage in a diplomatic process to create a code of conduct in preparation for the upcoming East Asia Summit (EAS). Yang maintained that the sovereignty dispute should be handled through negotiations and consultation among the directly concerned countries. He also insisted that there was a consensus between China and the member-states of ASEAN to act in accordance with the principles and spirit of the 2002 Declaration on the Conduct of Parties in the South China Sea. Clinton and Yang discussed South China Sea issues again when they met on the margins of the United Nations General Assembly meeting in New York later in September.

Underscoring the growing importance of maritime issues to US interests, Assistant Secretary of State Kurt Campbell testified before the Subcommittee on East Asian and Pacific Affairs of the Senate Foreign Relations Committee on Sept. 20 on maritime territorial disputes and sovereignty

issues in Asia. On the South China Sea disputes, Campbell explained that the recent period of heightened tensions had begun in 2007, triggered by increasingly intense demand for natural resources, rapidly improving capabilities to extract resources in deep water, and declining fishing stocks in coastal and inland areas. He reiterated US interests in the South China Sea and stated that the goal of US strategy is to “set a context for peaceful approaches to disputes in the region, with the long-term goal of supporting a rules based order, undergirded by agreements and strong institutions that can support the management and, ultimately, resolution of the disputes.” The South China Sea was a prominent topic of discussion when Campbell met his counterpart Vice Foreign Minister Cui Tiankai in San Francisco on Oct. 23 for the fourth round of the US-China Asia-Pacific Consultations.

At the EAS in Phnom Penh in late November, President Barack Obama’s message on the South China Sea disputes appeared deliberately designed to avoid emboldening US partners Japan, the Philippines, and Vietnam in their disputes with China. Deputy National Security Adviser Ben Rhodes said that the president urged a reduction of tensions, adding that “There is no reason to risk any potential escalation, particularly when you have two of the world’s largest economies – China and Japan – associated with some of those disputes.” In a bilateral meeting between Obama and Wen Jiabao, the US president told Wen that regional hotspot issues should be resolved in a peaceful way and pledged that the US would not take sides on sovereignty and territorial disputes, according to Xinhua.

When several of China’s neighbors became alarmed in November about China’s new passports, which contained a map including disputed territory (which had been issued in May), the US publicly expressed concern, noting that the map had caused tension and anxiety among the states in the region. After raising the matter with Chinese officials, the US State Department spokesman indicated that US concerns were not assuaged and the US pressed China to rethink its new passport based on the negative signal it sent to its neighboring countries. The US also expressed concern and asked for clarification when the People’s Congress of China’s Hainan Province approved new regulations for the management of public order for coastal and border defense that authorized public security units to inspect, detain, or expel foreign ships illegally entering waters under Hainan’s jurisdiction.

Tensions spiked between China and Japan on their territorial dispute in the East China Sea in September after the Noda government in Tokyo purchased three of the five islands that Japan refers to as the Senkakus and China calls Diaoyu, effectively nationalizing them. Foreign Minister Yang declared the action “totally illegal and invalid” and a “gross violation of China’s sovereignty over its own territory.” China immediately dispatched patrol boats to the waters off the disputed islands and in the subsequent weeks and months Chinese surveillance vessels operated almost daily, sometimes sailing in the contiguous waters and at least 18 times entering the 12-mile territorial waters around the islands.

Even before the crisis erupted, the US made its position on the dispute clear. The State Department spokesman stated on Aug. 28 that the US calls the islands the Senkakus, does not take a position on what country has sovereignty over them, but maintains that the islands fall under the scope of Article 5 of the 1960 US-Japan Defense Treaty because they have been under

the administrative control of the government of Japan since they were returned as part of the reversion of Okinawa in 1972.

As tensions mounted along with US concerns that an accident or skirmish could result in escalation, the State Department dispatched a group of former national security officials from both Republican and Democratic administrations in late October to persuade the Japanese and Chinese to shelve the dispute and restore their mutually beneficial bilateral relationship. The group included Harvard Prof. Joseph Nye, former Deputy Secretary of State James Steinberg, former National Security Adviser Stephen Hadley, and former Deputy Secretary of State Richard Armitage. In Beijing, Armitage reportedly warned the Chinese that they should not mistake the US position of refusing to take a position on who has sovereignty over the islands for neutrality. Citing the language of the US-Japan Security Treaty, Armitage told reporters that the US could not be neutral when its ally is a victim of coercion, aggression, or intimidation.

Despite US hopes, Sino-Japanese tensions did not subside. In mid-December, China started flying surveillance aircraft in the airspace over the islands, further escalating an already dangerous situation. The State Department spokesman noted that US officials registered concerns about the flight with the Chinese government and “made clear that US policy and commitments regarding the Senkaku Islands are longstanding and have not changed.”

The US Senate’s move a week prior to add a clause to the 2013 National Defense Authorization Act stipulating that Article Five of the US-Japan Security Treaty applies to the disputed islands prompted China to express “serious concern and firm opposition.” In addition, the Foreign Ministry spokesman called the US-Japan treaty a “product of the Cold War,” and warned that it should not go beyond the bilateral scope nor undermine the interests of a third party.

North Korea’s missile launch

North Korea’s Dec. 12 missile launch posed an early test of US-China relations in the wake of Xi Jinping’s assumption to power in China. Prior to the launch, it was widely believed that Beijing discouraged Pyongyang from once again defying UN Security Council resolutions. When the North Koreans announced on Dec. 1 the two week window later that month for launching a satellite, China’s Foreign Ministry spokesman expressed concern. In a statement that left unclear what actions Beijing would take if Pyongyang proceeded with the launch, the spokesman noted that North Korea “has the right to peaceful uses of outer space,” but also maintained that “the right should be exercised within limitation of UN Security Council resolutions.” This marked the first time that China publicly adopted the position that UNSC resolutions imposed restrictions on North Korea’s launching of satellites. In subsequent days as the launch window approached, the spokesman unusually called on the DPRK directly to “act prudently” in light of those restrictions and the “situation on the Korean Peninsula.”

Prior to Pyongyang’s announcement of the pending launch, China dispatched a delegation to North Korea led by Politburo member Li Jianguo. It is likely that the Chinese delegation was informed of the planned launch during the Nov. 29-30 visit. Whether Beijing exerted any pressure on North Korea to forego the launch is unknown; it is possible that Pyongyang had delayed the launch until after China’s 18th Party Congress. Although China hoped it would not

take place in December, it was probably not willing to do more than verbally discourage the North Koreans. China continues to attach priority to preserving stability in North Korea under its new leader, Kim Jong Un, and desires to maintain close China-North Korean relations while gradually promoting economic reform and opening up in North Korea.

Nevertheless, the US and China consulted closely in an effort to persuade Pyongyang to postpone the launch. On Dec. 7, Secretary of State Clinton had a telephone conversation with Chinese Foreign Minister Yang Jiechi. Asked about that phone call on Dec. 10, China's Foreign Ministry spokesman acknowledged that China had kept in communication with the US and other parties concerning the planned launch. He added that "the Chinese side hopes that relevant parties could look at the big picture and the long-term, handle the current situation in a cool-headed and proper manner so as to avoid further escalation of tension and jointly uphold peace and stability of the Korean Peninsula and the region." He did not repeat the call for North Korea to "act prudently."

After the launch on Dec. 12, which successfully placed an object into outer space, China's Foreign Ministry spokesman reiterated that North Korea has the right to a peaceful space program, but has the obligation to abide by relevant UNSC resolutions. In addition, he noted that China "regrets" the launch – the first time that Beijing has used that word in response to a North Korean rocket launch. The spokesman also urged "all sides concerned" to remain calm and make joint efforts to safeguard peace and stability on the Peninsula. Asked what action the UN Security Council should take, he maintained that the response should be "prudent and appropriate," "conducive to maintaining overall peace and stability of the Peninsula," and "avoid further escalation of the situation." The US National Security Council (NSC) spokesman called the launch a "highly provocative act that threatens regional security, directly violates United Nations Security Council resolutions 1718 and 1874, contravenes North Korea's international obligations, and undermines the global non-proliferation regime." He noted that the US would strengthen and increase close coordination with its allies and partners.

It is unknown whether North Korea gave China advance notice of the launch. An editorial published in the English language edition of *Global Times* stated that North Korea's action proved that "China's strength is not sufficient to influence its neighbor's situation." It also noted that "Strategists in China remain divided as to whether China should adopt a new policy for the Korean Peninsula." The publication of articles in the Chinese media critical of North Korea's launch also suggests that the debate over the implications of North Korea's provocative actions for China and Chinese policy toward North Korea is ongoing. One such article by Lv Chao, research fellow at the Institute of Border Studies, Liaoning Academy of Social Sciences, posted on Huanqiu Wang, stated that "North Korea's satellite launch will bring destabilizing factors to the Korean Peninsula, and this also provides a new excuse for Japan's right wing to build up armaments, amend the constitution, and take other actions."

At the United Nations, the Security Council issued a press statement on Dec. 12 condemning the launch as a "clear violation" of UN resolutions and noting that it would urgently consider "an appropriate response." Reports suggested that the wording of the statement was intensely debated. One council diplomat reportedly said that China's UN Ambassador Li Baodong sought to remove from the original US draft the word "rocket," the phrase "ballistic missile technology"

and a reference to the launch as “undermining regional security.” The statement issued reflected compromise among the various parties: it dropped the word “rocket” and the mention that the launch had undermined regional security, but included the term “ballistic missile technology.”

Although the US, the ROK, and Japan favor a UNSC resolution and the imposition of tighter sanctions on North Korea, it seems doubtful that Beijing will support such actions. After North Korea’s April 13 launch, the US, European Union, Japan and South Korea proposed a list of about 40 North Korean companies and goods to designate for sanctions, but China agreed to only three of them.

Military exchanges: dialogues, exercises and high-level visits

An active agenda of bilateral military dialogues and exchanges took place in the last four months of 2012. The period began with a visit by a Chinese Maritime Safety Administration ship, the *Haixun 31*, to Honolulu on Sept. 7 to conduct a joint search-and-rescue drill with the US Coast Guard. On Sept. 17, the Chinese missile frigate *Yiyang* and the US missile destroyer *Winston Churchill* held their first joint counter-piracy exercise in the Gulf of Aden, off Somalia. The People’s Liberation Army’s (PLA) flagship newspaper, *Jiefangjun Bao*, reported positively on the latter exercise, noting that observers maintained that participants from both sides “have their advantages” and that both sides pledged to strengthen international cooperation in the escort missions to jointly safeguard peace and safety in the Gulf of Aden.

In mid-September, Chinese Defense Minister Liang Guanglie hosted US Defense Secretary Leon Panetta on his first visit to China as Pentagon chief. According to *Xinhua* reports, in their private discussion, Liang and Panetta discussed the bilateral military relationship, US weapon sales to Taiwan, the Sino-Japanese territorial dispute, the rebalancing of US policy toward Asia, the South China Sea, and security in cyber space and outer space. Chinese media also reported that Panetta told Liang that the US goal “is to have the United States and China establish the most important bilateral relationship in the world. And the key to that is to establish a strong military-to-military relationship.” In their joint press conference, Liang called for the US and China to build “a new type of military relations featuring equality, reciprocity, and win-win cooperation in an active and pragmatic way.”

In a speech to Chinese officers and cadets at the PLA’s engineering academy, Panetta explained the shift of the US strategic focus to the Asia-Pacific region and insisted that a “constructive US-China defense relationship complements that vision.” The rebalance is an attempt not to contain China, but to engage it and expand its role in the Pacific, Panetta maintained. He added: “We must be clear-eyed about the challenges and difficulties that we face as two major powers. We will not agree on every issue that comes before us, but we cannot let those disagreements and those challenges blind us to the great opportunities that exist. If we work together, if we cooperate together, we can solve problems together.

Panetta described China as a “key stakeholder” in the international system, and urged cooperation by all Asia-Pacific nations to achieve common objectives in areas like maritime security, humanitarian assistance and disaster relief, and peacekeeping. To promote greater

multilateral cooperation, he said, the US has invited China to send a ship to participate in the 2014 *Rim of the Pacific*, or *RIMPAC*, the world's largest multilateral naval exercise.

During his visit, Panetta stopped in the eastern port of Qingdao and visited the headquarters of the Chinese Navy's Northern Fleet, the first such visit by a US defense secretary. The visit included tours of several ships, including the frigate *Yantai*, the vessel that had participated in the joint counter-piracy operations with the US in the Gulf of Aden, and the conventionally-powered *Great Wall 197* submarine.

Additional military exchanges and drills took place from October to December. A delegation of the US Army military band visited China, performing jointly with the PLA military band in Beijing, Nanjing, and Shanghai. US Secretary of the Navy Ray Mabus traveled to China in late November. He held talks in Beijing with Gen. Liang Guanglie and Commander of the Chinese Navy Adm. Wu Shengli, and toured two ships and a submarine in the eastern port of Ningbo. A US-China joint humanitarian assistance and disaster relief exercise was held in Chengdu, the capital of Sichuan province. In early December, PLA Vice Adm. Zhang Yongyi met Vice Chief of Naval Operations Adm. Mark Ferguson at the Pentagon.

Both working-level and high-level dialogues were convened that advanced the US-China military relationship. In late September, the US and Chinese militaries held an annual meeting in Qingdao under the US-China Military Maritime Consultative Agreement, which seeks to strengthen maritime safety. On Oct. 10, a PLA delegation visited Washington for the Defense Policy Consultative Talks (DPCT) to discuss the US-Chinese military exchange agenda for 2013 and to lay the groundwork for the higher-level Defense Consultative Talks (DCT), which took place on Dec. 12. The 13th DCT was co-chaired by Under Secretary of Defense for Policy James Miller and Lt. Gen. Qi Jianguo, who was recently appointed deputy chief of the PLA General Staff. A Pentagon news release noted that both sides "emphasized the positive momentum of the US-China military-to-military relationship this year, and urged further cooperation in 2013." Topics on the agenda included maritime security in the East China Sea and South China Sea, North Korea's missile launch, the US rebalance to the Asia-Pacific region, the security situation in the Middle East, Afghanistan and Pakistan, and avoiding miscalculation in the areas of cyber, space, nuclear policy, and missile defense.

Chinese suspicions of US strategic intentions grow

Strains in the relationship were clearly signaled in early September during Secretary of State Clinton's visit to China. Striking an unusually discordant tone, Chinese Premier Wen Jiabao stated that "Generally speaking, Sino-US ties are still proceeding. But I have had some worries recently." Wen added: "China and the US should maintain mutual political respect and mutual strategic trust. The US should respect China's sovereignty and territorial integrity, and take notice of China's core interests and public sentiment."

Beijing's worries about US rebalancing to Asia continued to increase in the final months of 2012, even as the US provided repeated explanations about the strategy and offered assurances that it was not targeted at China. China's unease grew over Washington's strengthening ties with its neighbors, especially members of ASEAN. Agreement between the US and Japan to deploy a

second early warning radar in southern Japan heightened Chinese concerns about US efforts to counter Chinese military power, despite assertions by the State Department that missile defense in Asia is defensive and aimed at intercepting missiles only from North Korea.

A slew of articles in the Chinese media criticized the US pivot to Asia. For example, an article published in *Liaowang* cited efforts by the US to ease China's misgivings through successive visits to China by Secretary Clinton, National Security Advisor Tom Donilon, and Defense Secretary Panetta. Describing China's attitude of "listening to what they say, while watching what they do," the author, Jia Xiudong, noted the accelerated pace of US military deployments to the region and stepped-up US consultations with the Philippines, Singapore, Vietnam, and Japan on military access arrangements. "Obviously," Jia concluded, "the most important background factor for the US Asia-Pacific strategic adjustment is China's rise."

18th Party Congress and the leadership transition

The 18th Party Congress convened in Beijing Nov. 8-14, 2012, bringing roughly 2,300 representatives to the capital. The meeting opened with the government's Work Report, a comprehensive review of the Party's work over the past five years and policy guidance for the incoming leadership delivered by Hu Jintao, and closed with the announcement of the final personnel decisions on the much-awaited leadership transition.

The Work Report, which was drafted by a team of senior Party cadres headed by Xi Jinping, underscored the myriad domestic challenges that China faces and asserted that China "must aim higher and work harder and continue to pursue development in a scientific way, promote social harmony and improve the people's lives" in order to meet those challenges. Of particular importance was the "serious challenge" of combating corruption. If left unaddressed, the threat "could prove fatal to the party, and even cause the collapse of the party and the fall of the state." The Work Report also stressed the need to ensure economic development is "more balanced, coordinated and sustainable." To this end, pursuing structural economic reforms and systemic political reforms would not only improve domestic governance, but also bolster Beijing's legitimacy. Other guidance provided through the report included improving the government's efficacy and responsiveness, expanding social services in order to promote social stability, and maintaining the pace of Chinese military modernization.

The foreign policy section of the Work Report reaffirmed the Chinese leadership's desire to defend the country's expanding interests, and urged increased efforts to shape international norms so as to encourage the development of an international community more responsive to Chinese interests. Also noteworthy were calls to leverage developing powers to promote reform of the international order and to establish a "new type of great power relations" among the major powers. In a section on protecting resources, the Work Report for the first time defined China as a "maritime power" that will "firmly uphold its maritime rights and interests."

There were few surprises in the announcement of the key personnel arrangements. The Politburo Standing Committee, the Chinese Communist Party's top decision-making body, was cut from nine to seven members, which has raised hopes of greater unity and efficiency. Xi Jinping succeeded Hu as CCP general secretary and Li Keqiang was chosen as the next premier, a

position he will assume at the National People's Congress (NPC) in March 2013. Besides Xi and Li, the members of the elite committee are Zhang Dejiang (NPC chairman), Yu Zhengsheng (chairman of the Chinese People's Consultative Conference), Liu Yunshan (executive secretary of the Party Secretariat), Wang Qishan (head of the Central Commission for Discipline Inspection) and Zhang Gaoli (executive vice premier). The new lineup included mostly people loyal to Jiang Zemin, demonstrating the persisting influence of the 86-year-old former Party chief. Perhaps the only unexpected decision was Xi Jinping's appointment as head of the Central Military Commission. Both Deng Xiaoping and Jiang Zemin had retained that post for two years after stepping down from the head of the party, using it to keep exercising substantial power and influence. It was uncertain whether Hu Jintao had willingly abdicated the position or was forced to give it up.

In acknowledgement of the Chinese leadership transition, President Obama sent a message to Xi Jinping, congratulating him on his election as CCP general secretary. He recalled Xi's successful visit to the United States in February, and noted that he looked forward to working together "in the years ahead to continue building a cooperative partnership that benefits both of our peoples and advances peace and prosperity, especially through practical cooperation on regional and global economic and security challenges."

US-China economic and trade relations

Autumn 2012 opened with tense US-China bilateral spats at the World Trade Organization (WTO). In mid-September, China filed a trade complaint, challenging a new US law which allowed the Department of Commerce to impose countervailing duties on imports from non-market economies such as China and Vietnam. A month later, the WTO barred China from imposing its own duties on various US steel exports, thus siding with Washington in its dispute with Beijing.

Agitation over trade issues between Washington and Beijing only grew more pronounced as tensions brewed between China's Ministry of Commerce on one side, and the US Department of Commerce and the US International Trade Commission (USITC) on the other. On Oct. 10, the US Department of Commerce issued its final decision on a long-standing trade dispute with Beijing, and imposed tariffs on most imported Chinese solar panels. The tariffs ranged from 24 to 36 percent, but were still lower than those announced earlier in the year. China's Ministry of Commerce subsequently voiced strong dissatisfaction with the US Commerce Department's decision, saying that it "signals protectionism" and "hinders the development of new energy." On Nov. 16, China's Ministry of Commerce extended a November 2011 anti-dumping probe on coated white cardboard imported from the US for another six months to May 18, 2013. Later in November, the Ministry announced it was also opening an anti-dumping and countervailing duty investigation into solar grade polysilicon imports from the US, EU, and South Korea. While Chinese officials and industry executives pointed to the fact that the imports had been hurting domestic Chinese industry in both cases, Chinese media outlets consistently drew linkages between the investigations and the US Commerce Department's actions in October.

Throughout the fall months, the USITC consistently voted in favor of maintaining US Commerce Department antidumping measures and investigations, including against Chinese hardwood and

decorative plywood, honey, Chinese gift boxes, solar panels, and silica bricks. These rulings were harshly criticized by the Chinese Ministry of Commerce, which consistently urged the United States to abide by its commitments to maintain a “free, open and just international trade environment” and avoid the adoption of protectionist measures.

A potential further slide in economic ties was averted when the US opted to postpone issuing its semi-annual Report on International Economic and Exchange Rate Policies to Congress until after the US elections. Despite Republican candidate Mitt Romney’s pledges that if elected he would label China a currency manipulator on his first day in office, the Obama administration chose to once again refrain from taking that step. Consistent with past reports, the November report noted Chinese actions to encourage the yuan’s appreciation and called for Beijing to move toward a more market-determined exchange rate.

Trade friction nevertheless increased on the eve of the 23rd US-China Joint Commission on Commerce and Trade. Talks in the Chinese solar power industry ran up against another obstacle when the US Commerce Department set anti-dumping and countervailing duties on Chinese wind turbine towers. The US move prompted vigorous protest from China’s Ambassador to the WTO Yi Xiaozhun, who called the move “abuse” of anti-dumping and countervailing laws, and claimed that the US was blocking Chinese access to the solar market for “ideological reasons.”

US-China JCCT talks

On Dec. 18-19, the 23rd US-China Joint Commission on Commerce and Trade (JCCT) talks were held in Washington. In his final appearance as vice premier in charge of economic issues, Wang Qishan headed the Chinese delegation. US Trade Representative Ron Kirk and Rebecca Blank, acting US commerce secretary, served as the meeting’s US co-chairs. Other US participants included Secretary of Agriculture Tom Vilsack, Ambassador to China Gary Locke, Trade and Development Agency Director Leocadia Zak, and representatives from the State and Treasury Departments. On the Chinese side, senior officials from 25 ministries and agencies were in attendance.

Expectations for progress at the JCCT were low, in part due to the unfinished leadership transition in China, but also perhaps because of the mounting bilateral trade and economic disputes. Prior to the meeting’s commencement, Agriculture Secretary Vilsack stated that the US hoped to see some forward movement on several issues, but acknowledged that any progress would be “incremental” and “slow.”

Nevertheless, incremental progress was achieved. China and the US agreed to the following: 1) to conduct consultations on government procurement practices through both the Government Procurement Agreement (GPA) framework and bilateral dialogues, focused on projects for public service and on the entities that procure in the public interest; 2) to convene the 2013 Legal Exchange in the United States; 3) to continue close communication and exchange through existing channels to promote development of solutions to the issue of bad faith trademark registrations; 4) to expand the existing trade statistics reconciliation exercise to include services, and exchange statistical data and information on coverage, definitions, and methodologies to support this effort; 5) to hold a technical dialogue in Spring 2013 to discuss approaches to

improving cyber security in critical infrastructure; and, 6) with regard to a joint exchange on administrative licensing rules launched in April 2012, to continue their work on this issue into 2013 with the intent of facilitating commercial activity impacted by administrative licensing. Additionally, the US Department of Agriculture (USDA) and China's Ministry of Agriculture made a joint commitment to a biotechnology pilot program. Independently, the USDA also reaffirmed access for pears in the Chinese marketplace by way of a reciprocal trade commitment between the two countries beginning in 2013.

China also separately agreed or committed to publish a judicial interpretation on internet intermediary liability prior to the end of the year, building upon a pre-existing JCCT commitment; to not mandate any particular encryption standard for commercial 4G Long Term Evolution (LTE) telecom equipment; to engage in discussions with the US on measures related to fleet planning associated with the civil aviation industry; to take into account comments from the US on the issue of medical device pricing, and to treat foreign and domestic manufacturers equally; and to define a new chemical entity in a manner consistent with international research and development practices.

Representatives from both the US and China agreed to "take full advantage" of the JCCT platform in order to improve bilateral cooperation and create positive momentum for bilateral economic and trade relations. Chinese Vice Premier Wang described the two economies as "interdependent and inseparable" and emphasized that "neither can thrive without the other." He described the talks as "effective and fruitful," comments echoed by US Trade Representative Ron Kirk, who claimed the JCCT had become "one of the pillars of the stability in the relationship." However, while the talks demonstrated the countries' commitment to work together to resolve trade issues, Kirk also noted that "real success" would only be possible if both sides could deliver "tangible results."

Huawei and ZTE: misunderstood telecom or security concern?

Huawei Technologies Co. Ltd, the second largest telecommunications equipment manufacturer in the world, and a smaller Chinese telecom company, ZTE Corp., fell under heavy US criticism in the fall. Representatives from both companies in early September and late August respectively had announced that they intended to testify before the US House Committee on Intelligence regarding the alleged security and intelligence threat their operations in the US posed. In mid-September, the Committee held a hearing and representatives from both companies adamantly denied Chinese government control over the companies as well as any involvement in cyber espionage or hacking attacks.

On Oct. 8, the US House Committee on Intelligence issued a report recommending the federal government block mergers of US firms with Chinese telecoms Huawei and ZTE. The Committee stated that based on a year-long investigation, it had reached the conclusion that the two Chinese companies' efforts to extract information from US companies and their loyalties to Beijing posed a national security threat to the United States. The report stated that the Committee had obtained significant evidence that would cast doubt on both companies' innocence, including internal documents from former Huawei employees that proved it had provided telecom services to the "cyber warfare" unit within the Chinese PLA; evidence of economic espionage which

would soon be turned over the Federal Bureau of Investigation; and statements by former and current Huawei employees that the company had committed “potential violations” concerning immigration, bribery, corruption, and copyright infringement within the US.

In response, the Chinese Ministry of Commerce stated it “strongly oppose[d]” the Committee’s report. Ministry spokesman Shen Danyang claimed the report was drafted out of “suspicion and false basis” and argued that the Committee’s actions ran “contrary to the free market rules the United States has consistently advocated.” Chinese media also lashed out against the report, arguing that its findings were unfounded and not credible, charging Committee members with China-bashing, misplaced protectionism, and politicizing the issue. Chinese media later widely circulated a report citing US Ambassador Terry Kramer, the head of the US delegation for the World Conference on Information Telecommunications (WCIT), stating during a news conference in Beijing that the report released by the House Committee regarding Huawei and ZTE did not represent a “final conclusion” on the issue.

Throughout November, tensions continued to mount on the issue of cyber security. The Chinese Foreign Ministry waded into the fray on Nov. 1 when its spokesman Hong Lei refuted US intelligence community’s accusations that Chinese firms had hacked into US companies’ computer systems to steal commercial secrets. Two weeks later, the US-China Economic and Security Review Commission (USCC) released its own annual report to Congress and cyber security was a key component. According to the report, China now poses “the most threatening actor in cyberspace” and its cyber espionage efforts have become “increasingly creative and resourceful targeting” across multiple sectors. China’s Foreign Ministry spokesman condemned the USCC report’s findings and its recommendation for an in-depth assessment of Chinese cyberattack capabilities as “indulging in a Cold War mentality.”

Looking ahead to 2013

2012 was a difficult year for China-US relations, with heightened tensions on a number of issues. Both sides recognize that there is a lack of mutual strategic trust and have misgivings about the other country’s strategic intentions. Yet, both also appreciate the critical importance of the US-China relationship to regional and global peace and stability and will likely continue to seek to resolve problems, manage differences, and cooperate where interests overlap. A similar pattern of tension comingled with cooperation is likely in the coming year.

An early meeting in 2013 between Xi Jinping and Barack Obama would be advisable to set a positive tone, reaffirm US and Chinese shared commitment to cooperation, and perhaps establish a new consensus for the bilateral relationship. The US and China have been discussing the meaning of a “new type of major power relations,” first proposed by Xi during his visit to the US last February. Reaching an understanding on this concept along with a plan to implement it would be a worthwhile objective. Since Xi will not become president of China until the National People’s Congress in the spring, China-US ties may be adrift in the coming months. Unless a visit by President Obama to China is planned for the spring or summer, the first scheduled opportunity for the two leaders is at the G20 meeting in St. Petersburg in September.

It is likely that the US-China Strategic and Economic Dialogue will continue, though tweaks may be made to streamline the mechanism so it is more effective and efficient. It is important that the Strategic Security Dialogue, which brings together civilian and military officials to discuss sensitive security matters, not only continue, but be held more frequently than once a year. An active agenda for US-China military exchanges has already been agreed upon.

For both Xi and Obama, domestic priorities are likely to occupy most of their time in the coming year. The US needs to get its fiscal house in order, reduce unemployment, and manage rising healthcare costs among other challenges. China also has a long list of pressing issues, including the need to shift to a consumption-driven economy, provide better governance, reduce corruption, and reverse environmental degradation. If both sides can begin to effectively address their respective domestic problems, the chances of improving bilateral ties will increase commensurately.

Chronology of US-China Relations* **September – December 2012**

Sept. 3-15, 2012: US Special Representative for Global Intergovernmental Affairs Reta Jo Lewis travels to Beijing, Chengdu, and Guangzhou.

Sept. 4-5, 2012: US Secretary of State Hillary Clinton visits Beijing and meets Foreign Minister Yang Jiechi and President Hu Jintao. Noticeably, Clinton does not meet with Hu Jintao's presumed successor, Vice President Xi Jinping.

Sept. 5, 2012: Secretary of State Clinton expresses "disappointment" with China and Russia for blocking UN Security Council calls for stronger intervention in Syria.

Sept. 5, 2012: Huawei Technologies announces it is negotiating conditions under which it will testify before the US Congress regarding alleged security threats it poses.

Sept. 6, 2012: Secretary of State Clinton states that the US will not back away from differences with China over Syria and the South China Sea.

Sept. 7, 2012: A Chinese Maritime Safety Administration ship visits Honolulu to conduct a joint search and rescue exercise with the US Coast Guard.

Sept. 10, 2012: During her visit to China, Deputy Secretary of Homeland Security Jane Holl Lute and Chinese State Councilor and Minister of Public Security Meng Jianzhu agree to launch an annual dialogue mechanism between the two ministries.

Sept. 11, 2012: Director of the US Office of National Drug Control Policy Gil Kerlikowske and Chinese State Councilor and Minister of Public Security pledge to enhance US-China cooperation in drug control.

* Chronology and research assistance by CSIS interns Shirlene Yee and Ryan Pope.

Sept. 12, 2012: China's Foreign Ministry condemns the attacks on the US Consulate in Libya.

Sept. 12, 2012: In the US House of Representatives, the Committee on Foreign Affairs holds an oversight hearing titled, "Beijing as an Emerging Power in the South China Sea."

Sept. 17, 2012: Secretary of Defense Leon Panetta arrives in Beijing on his first visit to China as Pentagon chief.

Sept. 17, 2012: China files a trade complaint with the WTO to challenge a new US law allowing the Commerce Department to levy countervailing duties on imports from non-market economies which it believes are subsidized.

Sept. 17, 2012: A US guided-missile destroyer and other US Navy assets join with the Chinese frigate *Yi Yang* to conduct the joint anti-piracy drill in the Gulf of Aden.

Sept. 18, 2012: Secretary of Defense Panetta and Chinese Defense Minister Liang Guanglie announce China's participation in the US-hosted *2014 Rim of the Pacific Exercise (RIMPAC)*, the world's largest international maritime exercise.

Sept. 20, 2012: Assistant Secretary of State for East Asian and Pacific Affairs Kurt Campbell testifies before the Senate Foreign Relations Committee Subcommittee on East Asian and Pacific Affairs regarding "Maritime Territorial Disputes and Sovereignty Issues in Asia."

Sept. 26-27, 2012: Under Secretary of Treasury for International Affairs Lael Brainard visits China to discuss US and global economic developments and China's efforts to strengthen domestic demand-led economic growth.

Sept. 27, 2012: Secretary of State Clinton meets Foreign Minister Yang Jiechi on the sidelines of the 67th session of the UN General Assembly where they discuss disputes in the East China Sea and South China Sea.

Sept. 27-28, 2012: US and Chinese militaries hold an annual meeting under the Sino-US Military Maritime Consultative Agreement in the northern port city of Qingdao.

Sept. 29, 2012: President Barack Obama issues an executive order revoking a Chinese firm's purchase of four wind farms in Oregon citing national security concerns.

Oct. 8, 2012: US Congressional House Permanent Select Committee on Intelligence issues a report recommending the federal government to block mergers of US firms with Chinese telecoms, Huawei and ZTE.

Oct. 9, 2012: Shen Danyang, spokesman for China's Ministry of Commerce, states that China "strongly opposes" the US report regarding Chinese telecom companies Huawei and ZTE.

Oct. 10, 2012: US-China Defense Policy Consultative Talks take place at the Pentagon.

Oct. 10, 2012: As part of a long-standing trade dispute with Beijing, US Commerce Department imposes tariffs on most solar panels imported from China.

Oct. 11, 2012: China's Ministry of Commerce voices strong dissatisfaction with the US Commerce Department's decision to impose tariffs on Chinese solar panels.

Oct. 11, 2012: China's Foreign Ministry spokesman criticizes the annual report issued by the US Congressional-Executive Commission on China regarding the human rights situation in China.

Oct. 15, 2012: Shanghai New York University, the first institution of higher education jointly established by China and the United States, is officially founded.

Oct. 16-17, 2012: Deputy Secretary of State William Burns visits China, the fourth senior US official to visit China this year.

Oct. 20, 2012: Delegation of former security officials, led by former National Security Adviser Stephen Hadley arrives in China on a semi-official visit after stopping in Tokyo and Seoul.

Oct. 23, 2012: Fourth round of US-China Asia-Pacific Consultations is held in San Francisco, co-chaired by Assistant Secretary Campbell and Vice Foreign Minister Cui Tiankai.

Oct. 25, 2012: Ambassador Terry Kramer, head of the US delegation for the World Conference on Information Telecommunications (WCIT), states at a news conference in Beijing that the report released by the House Intelligence Committee regarding Huawei and ZTE does not represent a "final conclusion" and is not the position of the administrative branch.

Oct. 25, 2012: Chinese Defense Ministry spokesman Yang Yujun condemns the joint US-Japanese military exercises in Okinawa. Yang also announces the US and China will hold joint drills on humanitarian rescue operations and disaster relief in Chengdu in November.

Oct. 27-Nov. 5, 2012: A delegation of the US Army military band visits China; they stage joint performances with the PLA military band in Beijing, Nanjing, and Shanghai.

Nov. 1, 2012: Foreign Ministry spokesman Hong Lei refutes US intelligence agency accusations that Chinese firms hacked into US companies' computer systems and stole commercial secrets.

Nov. 6, 2012: Barack Obama is re-elected president of the United States.

Nov. 7, 2012: President Hu Jintao and Premier Wen Jiabao congratulate President Obama and Vice President Joe Biden on their re-election, noting the "positive" achievements in relations during the past four years.

Nov. 9, 2012: US International Trade Commission votes in favor of the US Commerce Department's tariffs and countervailing duties against Chinese solar panel imports.

Nov. 8, 2012: Chinese Communist Party (CCP) opens the 18th Party Congress.

Nov. 14, 2012: 18th Party Congress elects the Chinese Communist Party's Central Committee.

Nov. 14, 2012: US-China Economic and Security Review Commission releases its 2012 report.

Nov. 15, 2012: CCP announces the new seven-member Politburo Standing Committee.

Nov. 15, 2012: Chinese Foreign Ministry spokesman condemns the US-China Economic and Security Review Commission's recommendation for an in-depth assessment of Chinese cyber-attacks against the US and characterizes it as "indulging in a Cold War mentality."

Nov. 15, 2012: President Obama sends a message to President Hu Jintao acknowledging Hu's contributions to improving US-China relations and stating his continued support for building a cooperative relationship between the US and China.

Nov. 16, 2012: China's Ministry of Commerce extends an anti-dumping probe on coated white cardboard imported from the US for another six months to May 18, 2013.

Nov. 16, 2012: US International Trade Commission (USITC) votes to continue the Commerce Department's investigations against imports of hardwood and decorative plywood from China.

Nov. 19, 2012: USITC votes to keep in place anti-dumping duties on Chinese honey despite calls by the Chinese Ministry of Commerce to lift them.

Nov. 20, 2012: President Obama meets Premier Wen Jiabao on the sidelines of the East Asia Summit to discuss regional security, economic, and trade issues.

Nov. 25, 2012: Chinese state media reports that the Chinese Navy successfully landed fighter jets on the *Liaoning* aircraft carrier.

Nov. 26, 2012: Foreign Ministry spokesman Hong Lei announces that China will make a partial submission to the UN Commission on the Limits of the Continental Shelf on China's claims to a continental shelf that extends beyond 200 nm in the East China Sea.

Nov. 26, 2012: Chinese Ministry of Commerce announces it is beginning anti-dumping and countervailing investigations into imports of solar grade polysilicon from the US, European Union, and South Korea.

Nov. 27, 2012: US Secretary of the Navy Ray Mabus meets Defense Minister Liang Guanglie in Beijing to discuss security at sea and Washington's moves to bolster its military presence in the Asia-Pacific region.

Nov. 28, 2012: US Department of the Treasury releases its Semi-Annual Report to Congress on International Economic and Exchange Rate Policies which does not label China a currency

manipulator but instead emphasizes China's actions to appreciate its currency and move to a more market determined exchange rate.

Nov. 29, 2012: US Senate approves the Webb Amendment to the National Defense Authorization Bill for fiscal 2013, which stipulates that Japan has administrative control over the Senkaku Islands and that US obligations under article Five of the US-Japan Treaty of Mutual Cooperation and Security apply to the islands.

Nov. 29-30, 2012: A joint China-US humanitarian assistance and disaster relief military exercise is held in Sichuan Province's capital city, Chengdu.

Dec. 3, 2012: US Securities and Exchange Commission begins administrative proceedings against Chinese affiliates of Deloitte & Touche, Ernst & Young, Pricewaterhouse Coopers, BDO and KPMG for refusing to release audit work papers.

Dec. 5-12, 2012: Wang Jiarui, minister of the CCP Central Committee's International Department, visits the US as part of the East-West Institute's fifth US-China High-Level Political Party Leaders Dialogue.

Dec. 6, 2012: Vice Chief of Naval Operations Adm. Mark Ferguson meets Vice Commander-in-Chief of the PLA Navy Vice Adm. Zhang Yongyi at the Pentagon to discuss US-China military-to-military relations.

Dec. 7, 2012: Secretary of State Clinton has a phone conversation with Foreign Minister Yang Jiechi about North Korea's declared intention to launch a satellite.

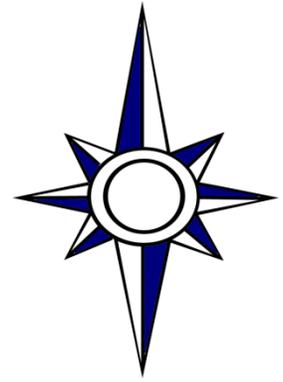
Dec. 11, 2012: Vice Premier Wang Qishan meets Under Secretary of International Affairs for the US Treasury Lael Brainard and exchanges views on China-US economic relations and the world economic situation.

Dec. 12, 2012: Deputy Chief of the PLA General Staff Headquarters Qi Jianguo and Under Secretary of Defense for Policy James Miller co-chair the 13th annual Defense Consultative Talks at the Pentagon.

Dec. 18, 2012: US Commerce Department sets anti-dumping and countervailing duties on Chinese wind turbine towers. China's Ambassador to the WTO Yi Xiaozhun issues a protest.

Dec. 18-19, 2012: The 23rd US-China Joint Commission on Commerce and Trade is held in Washington.

Dec. 28, 2012: USITC votes in favor of continuing the US Department of Commerce's anti-dumping probes on imports of silica bricks and shapes from China.



US-Korea Relations:
Political Change and a Rocket Launch

Victor Cha, Georgetown University/CSIS
Ellen Kim, CSIS

US-ROK relations saw several significant events as 2012 ended. President Obama won his reelection against Republican contender Mitt Romney and South Korea had a historic election, with Park Geun-hye of the Saenuri Party being elected as the first female president in the country's (and indeed East Asia's) history. Sandwiched between these elections, North Korea conducted a successful rocket launch, putting an object into orbit for the first time and marking a major milestone in its decades-long effort to develop an intercontinental ballistic missile capability. Meanwhile, the US and ROK successfully concluded an agreement extending South Korean missile ranges, but remained deadlocked on the revision of a bilateral agreement on civilian nuclear energy.

North Korea's successful rocket launch

The most significant event of the past four months was North Korea's dramatic rocket launch. In the face of international warnings, the country fired the long-range *Unha-3* rocket on Dec. 12, surprising many analysts as the launch came just two days after state media announced the extension of the initial launch window (Dec. 10-22) until Dec. 29. The three-stage rocket, fired from a Dongchang-ri launch site located in the western coastal region of the country, stayed on its intended trajectory with the first stage of the rocket falling in the Yellow Sea near the Korean Peninsula and the second stage in waters east of the Philippines. This was the country's second rocket launch since Kim Jong Un took power following the death of his father Kim Jong Il last year and, in retrospect, made clear North Korean confidence that the failed test in April was due to a technical glitch rather than a major design flaw. The counterfactual proposition is that a second failure within one year would have been disastrous for the young leader, and therefore, they must have had a great deal of confidence in the reliability of their technology.

Many North Korea-watchers had confidently predicted that Pyongyang, after the failed April test, would not test again in the calendar year as an "olive branch" to the next governments in Seoul and Washington. Then, when the North announced the intention to launch, many analysts believed Pyongyang would hold off their fireworks until after the ROK presidential elections. Wrong again! In the past, North Korean provocations have been dictated by two factors: 1) scientific needs (i.e., in the December launch, the need to demonstrate the correction for the earlier failure in April) and 2) coercive bargaining dynamics (i.e., to force a crisis de-escalation negotiation with the US). Since the death of Kim Jong Il, the third variable has been a powerful domestic legitimacy dynamic to prove the mettle of a new untested leadership with significant and successful advances. (For more detail on this domestic legitimacy argument, read Victor

Cha's *Foreign Affairs* article "Next of Kim" published on Dec. 19, 2012.) The *Unha-3* launch was like streetcars – if not on Dec. 12, an act like it would have come along sooner or later. While we did not predict the date of the launch, we were convinced that another provocation was to follow the April 2012 test in short order to bolster Kim Jong Un's credentials as a leader, contrary to what many other analysts believed. After all, 2012 marks the 100th anniversary of the birth of Kim Il Sung, and the timing of the launch coincided with the one-year anniversary of Kim Jong Il's death. Doubters of this view need only look at Kim Jong Un's 2013 New Year's speech in which an entire paragraph is devoted to the satellite launch:

Our reliable scientists and technicians successfully launched the artificial earth satellite Kwangmyongsong 3-2, carrying out the instruction of the General with credit and fully demonstrating the high level of space science and technology and overall national power of Juche Korea. That we successfully manufactured and launched the scientific and technological satellite by entirely relying on our own efforts, technology and wisdom was an event of national jubilation that raised the dignity and honor of the Sun's nation onto the highest level and a great event which inspired all the service personnel and people with confidence in sure victory and courage and clearly showed that Korea does what it is determined to do.

Now, rumors circulate that another act by the North is in the offing. Some predict a nuclear test as early as January 2013 based on Korean press reports. This, too, would not surprise us. An ongoing study at CSIS finds that North Korea predictably conducts some type of provocation in the weeks following the inauguration of the South Korean president. Take this seriously.

What should not be discounted was the success of the launch. The test saw the successful separation of the three stages of the rocket and, more importantly, the rocket putting a payload into orbit. This signifies that North Korea, after four failed ballistic missile tests since 1998, has overcome a major hurdle in its pursuit to develop long-range ballistic missile capability. With this successful launch, the country joined only China and Russia as non-allied countries that could potentially reach the US with an intercontinental ballistic missile. Based on the recent analysis of the salvaged rocket debris, South Korea's Ministry of National Defense concluded the North Korea's ballistic missile can deliver a 500 to 600 kg warhead over a distance more than 10,000 km (6,200 miles), a range that means a payload that size could reach the West Coast of the US. This is a serious national security threat. Some experts say it is still five years before the North can overcome other technical hurdles, which may be true. But the fact of the matter is that there is nothing today stopping them from doing this as the missile program has been developing unimpeded for decades. Five years comes pretty quickly.

Pyongyang has consistently denied its rocket launch was intended for military purposes, but South Korean military officials confirmed the international community's suspicion with its recent conclusion that the launch was aimed at developing missile technology rather than a space rocket. The conclusion was based on initial findings from an analysis of the material retrieved from the *Unha-3* rocket that the North used red fuming nitric acid as an "oxidizer" for the first-stage propellant, a material that is highly toxic and usually used in missiles, according to the officials. There is little doubt that North Korea is following the path taken by China and the Soviet Union, developing its rocket program for the purpose of the military application despite

rhetoric to the contrary. It was only after successful development of the military application that the Soviets and Chinese pursued the civilian application. Meanwhile, claims were made about missile cooperation between Iran and North Korea. During a press briefing, South Korean officials stated that they found North Korea's oxidizer container had similarities to the one produced by Iran. Speculation was further fueled by new reports that Iran sent military scientists to North Korea to provide technical support and that they were observing the launch at the site. Both Iran and North Korea quickly rejected such claims, with the latter predictably asserting that its rocket was "indigenously produced, 100 percent."

Pyongyang's rocket launch in defiance of the UN Security Council (UNSC) resolutions prompted a flurry of meetings and phone calls among countries in the region to discuss their response, while rebuking North Korea's provocation. Despite wide international condemnation, by the end of the year there were no concrete actions from the UNSC due to Chinese opposition. Officials are hopeful for some progress in New York in the new year. This is an imminent challenge facing the second Obama administration and incoming Park Geun-hye administration.

New missile guidelines

There was an important agreement reached between the US and South Korea on missile guidelines in October. Starting from 2011, the nearly two-year negotiation aimed to revise a 2001 agreement under which South Korea was barred from deploying ballistic missiles with a range of more than 300 km (186 miles) and a payload of more than 500 kg (1,100 pounds). The new guidelines allow South Korea to extend its maximum range to 800 km (500 miles), enough to reach any target in North Korea even from southern parts of the country. The new guidelines also gave greater flexibility in the use of the payload. While South Korea agreed to limit the payload to 500 kg for ballistic missiles with an 800 km range, the country is now able to use heavier payloads (up to two tons) for missiles with shorter ranges. Under the new guidelines, South Korea will also be able to deploy drones carrying up to 2.5 tons of reconnaissance equipment and weapons.

ROK interest in developing extended-range missiles stemmed in no small part from a desire to enhance defense and deterrence capabilities in the face of recent North Korean provocations. A key US strategic concern was the potential for a regional arms race. It was also an open question whether longer-range missiles would actually enhance deterrence without South Korea acquiring other requisite supporting and intelligence capabilities. The US was worried about the worst of two worlds with granting a missile range extension – it would not increase response time to a North Korean provocation (thus not enhancing deterrence), but it would heighten tensions on the peninsula and in the region. China was predictably opposed to any revision; Japan also expressed reservations. During the low points in the negotiations, the ROK pseudo-threatened that they would unilaterally develop missiles of their desired ranges once the old agreement expired, to which the US pseudo-threatened that they would openly oppose their ally. In the end, this largely became a White House-Blue House negotiation in which President Lee personally appealed the revision issue to President Obama on several occasions in a way that was effective.

123 Still in Deadlock

Unlike the missile deal, the US and South Korea remain deadlocked in a high-stakes civil nuclear cooperation agreement negotiation that is aimed at revising the old agreement before it expires in March 2014. At the center of contention is the South Korean desire for the US to grant advance, long-term consent for the ROK to reprocess US-origin nuclear material on the back end of the fuel cycle and to enrich its own fuel on the front end. ROK proposals rest on the need to assure itself and its global customers fuel supply for its reactors, and the need for an alternative method to deal with nuclear waste. Seoul insists that a new method, known as pyroprocessing, would offer a solution to the waste problem. Washington has only agreed to a joint 10-year study of the technology, but doubts the technology's market feasibility and nonproliferation safety. Negotiations for the US have been managed by the nonproliferation bureaus, which has made Washington reluctant to accede to its ally's demand. Moreover, North Korea and its nuclear program add another complication to what is already a difficult negotiation. Given the 1992 Joint Declaration reached between the North and South Korea where both countries pledged not to pursue nuclear reprocessing and enrichment capability, Washington considers allowing South Korea access to reprocessing and enrichment capability would make its negotiation with North Korea to denuclearize even more challenging.

Two years of slow-paced talks are now gaining a sense of urgency. Given the highly complex nature of these negotiations, the two governments must reach some form of agreement in 2013 to ensure necessary procedures and legislative approvals can be put in place by the 2014 expiration of the original agreement. The 123 agreement is likely to become one of the first issues, along with the North Korea issue, that will be discussed between the second Obama administration and the new ROK government. Whether the election of Park Geun-hye will bring about change in South Korea's negotiation position is unclear. But a failure to reach agreement would have a major impact on both South Korean and US nuclear industries. Not only is the ROK dependent on US nuclear material for its emerging role as a global supplier, but US reactors are built with indispensable Korean components. An inability to reach an agreement would also be a major blow to the alliance as it could have a political impact on the overall relationship, particularly if Koreans take offense at what they perceive as unequal treatment among US allies. This, in turn, could potentially have a degrading impact on the US "pivot strategy" in Asia.

Elections and the future US-ROK alliance

2012 was the first time since the 1992 that the US and South Korean presidential elections were held in the same year. This situation created interest in both countries about the implications for US-ROK relations. Many US government officials publicly expressed confidence in continuation of robust US-ROK relations, regardless of the election results in both countries. Behind the scenes, there was unspoken nervousness in the diplomatic and policy communities about US-ROK relations backsliding should a progressive government return to power in Seoul. As a result, it was an open secret that many alliance managers gave a quiet sigh of relief when Park Geun-hye was elected in South Korea.

Yet, the prospect of US-ROK bilateral relations under Obama-Park administrations is far from certain. Although President Obama during his phone call to congratulate Park expressed the

desire to continue close cooperation with Seoul, there are a number of thorny issues pending between the two countries, including the defense burden-sharing issue. Faced with pending military budget cuts, Washington will be pressing Seoul in negotiations in 2013 to increase its contributions to the alliance. Another time-sensitive issue is the revision of a bilateral civil nuclear agreement that is set to expire in March 2014. While they remain deadlocked in their negotiations, the government transition process in both countries does not leave much time for the new administrations to bridge their differences and reach a deal by mid-summer of 2013. In the US, the prospect for submission of the agreement to Congress before the summer of 2013 looks bleak. Implementation of the KORUS free trade agreement also remains an agenda item and the US is likely to encourage Korea to consider seriously membership in Trans-Pacific Partnership in the coming year. For Park, she must balance her desires for more outreach to North Korea, where she has called for unconditional humanitarian assistance, with US desires to punish Pyongyang for its missile tests. She must also weigh carefully her approach to China – a country she feels very comfortable with (Park speaks Chinese) – with maintaining strong alliance ties. The US “pivot” complicates Seoul’s relations with Beijing because of Chinese paranoia associated with any bolstering of US-ROK military alliance relations. An early summit would be helpful in setting the direction on most of these policies, but this is not likely to happen until both sides have instituted their Cabinets by early spring of 2013.

Chronology of US-South Korea Relations* **September – December 2012**

Sept. 4, 2012: President Barack Obama announces that if he is reelected, he will continue to confront North Korea unless it abandons its nuclear program.

Sept. 9, 2012: Secretary of State Hillary Clinton meets President Lee Myung-bak on the sidelines of the Asia-Pacific Economic Cooperation (APEC) forum in Vladivostok. She urges South Korea and Japan to find a calmer approach toward Dokdo/Takeshima and stresses the need for cooperation among South Korea, US, and Japan in resolving North Korea’s nuclear issues.

Sept.13, 2012: South Korea officially condemns the attack on the US Consulate in Benghazi, Libya, and the killing of U.S. Ambassador Christopher Stevens and his colleagues.

Sept. 18-20, 2012: Lim Sung-nam, South Korea’s chief negotiator to the Six-Party Talks, visits Washington and meets Special Representative for North Korea Policy Glyn Davies and Assistant Secretary of State for East Asian and Pacific Affairs Kurt Campbell to share evaluations of the situation on the Korean Peninsula.

Sept. 22-26, 2012: Robert King, US special envoy for North Korean human rights issues, visits Seoul to discuss the latest human rights situation in North Korea.

Sept. 25, 2012: South Korea’s Cabinet approves a revised bill to extend missions of troops in Afghanistan until the end of 2013.

* Chronology compiled by Daye Lee Shim and Esther Chung

Sept. 28, 2012: Secretary Clinton meets her South Korean and Japanese counterparts in New York and asks the two nations to lower tensions in Northeast Asia, while reiterating that Washington will not intervene directly in bilateral issues between Seoul and Tokyo.

Oct. 2, 2012: Acting Under Secretary for Arms Control and International Security Rose Gottemoeller calls for North Korea to join the Chemical Weapons Convention (CWC).

Oct. 4, 2012: President Lee Myung-bak seeks parliamentary support for his drive to reform South Korea's armed forces, stressing that time is running short as the country is scheduled to assume wartime operational control over its forces from the US in 2015.

Oct. 5, 2012: US government official states that the Congress is expected to approve the proposed sale of *Global Hawk* unmanned aerial vehicles to South Korea as a means of preparing the country to retake wartime operational control of its troops from the United States by 2015.

Oct. 6, 2012: US military official states that the US is planning to redeploy a chemical unit to South Korea to strengthen the combined deterrence against North Korea, nine years after the withdrawal of the 23rd Chemical Battalion from South Korea in 2004.

Oct. 7, 2012: Blue House announces a new missile agreement with the US. White House Press Secretary Jay Carney reiterates that the missile deal is designed to improve ROK's ability to defend specifically against DPRK ballistic missiles and the impact of revisions is thus limited.

Oct. 9, 2012: In response to North Korea's warning that its missile range can reach the US mainland, State Department spokeswoman Victoria Nuland urges North Korea to stop bragging about its missiles and defends Washington's decision to allow Seoul to extend its missile range.

Oct. 16, 2012: Vice Foreign Minister Ahn Ho-young and Deputy Secretary of State William Burns co-host the US-ROK Strategic Dialogue in Seoul.

Oct. 16-18, 2012: US-Japan-ROK trilateral meeting is held in Tokyo.

Oct. 17, 2012: ROK Ambassador to the US Young-jin Choi states during an annual parliamentary audit session that the civil nuclear cooperation agreement will become the priority issue to be discussed between new governments in the US and ROK in 2013.

Oct. 18-20, 2012: Special Representative Davies travels to Seoul and meets counterpart Lim Sung-nam, National Security Advisor Chun Yung-woo, and other senior officials.

Oct. 19, 2012: National Security Advisor Chun Young-woo says that South Korea should think about alternative plans if the civil nuclear cooperation agreement is not revised as it wants.

Oct. 23, 2012: US Joint Chiefs of Staff Chairman General Martin Dempsey and ROK Joint Chiefs of Staff Chairman General Jung Seung-jo attend the 36th US-ROK Military Committee

Meeting and reaffirm their commitment to not tolerate any aggression from North Korea and to further strengthen the Alliance's deterrent capabilities.

Oct. 24, 2012: Secretary of Defense Leon Panetta and Minister of Defense Kim Kwan-jin attend the 44th US-ROK Security Consultative Meeting in Washington and agree to pursue more active bilateral security consultation centered on the Korea-US Integrated Defense Dialogue (KIDD). They also decide to identify specific types of nuclear threats by North Korea and develop joint deterrence strategies designed for each threat type by 2014.

Oct. 26, 2012: Assistant Secretary of State Campbell discusses the North Korean nuclear program in Seoul, emphasizing that the US-ROK alliance will remain strong regardless of the presidential election results in Washington and Seoul.

Oct. 27, 2012: Special Representative Davies says that regardless of the winner in the US presidential election, there will be no major changes in US policy toward North Korea.

Nov. 1, 2012: Foreign Minister Kim Sung-Hwan tells media that China will be an important partner in maintaining peace and security on the Korean Peninsula, explaining the need for Seoul-Washington-Beijing trilateral talks in the near future.

Nov. 5, 2012: ROK military officials acknowledge that the US-made cruise missiles that ROK was planning to acquire might be partially incompatible with the *F-15K*.

Nov. 6, 2012: President Obama wins reelection in the US presidential elections.

Nov. 7, 2012: US Ambassador Sung Kim expresses confidence in the continued stability of the US-ROK alliance, regardless of the outcomes of presidential elections in the US and ROK.

Nov. 8, 2012: Korea Trade-Investment Promotion Agency (KOTRA) reports that with President Obama's reelection, Korean exporters are likely to face higher trade barriers.

Nov. 8, 2012: ROK presidential candidate Park Geun-hye says that if elected in December, she would pursue "balanced diplomacy" between the US and China.

Nov. 12, 2012: Department of State spokeswoman Nuland tells *Yonhap* that the Kim Jong Un regime has a clear choice between having improved relations with the US and continued isolation from the international community.

Nov. 13, 2012: Chairman of the Joint Chiefs of Staff Gen. Dempsey travels to Seoul and visits the Demilitarized Zone (DMZ).

Nov. 14, 2012: ROK government returns remains of two US soldiers killed during the Korean War as the Ministry of Defense completes an eight-month excavation for Korean War remains.

Nov. 16, 2012: US Ambassador Sung Kim states that the US and ROK are ready to resume talks with DPRK, but only if DPRK displays a sincere commitment to dialogue.

Nov. 29, 2012: *Yonhap* reports that a US delegation made a secret visit to DPRK in August in an attempt to prevent it from taking provocative actions before the US presidential elections.

Nov. 30, 2012: White House Press Secretary Jay Carney dismisses the US secret trip to Pyongyang, saying that it is even “news” to him.

Dec. 1, 2012: DPRK announces its plan to launch a satellite between Dec. 10 and Dec. 22. Department of State spokeswoman Nuland calls the launch a “highly provocative act” and urges DPRK not to proceed with the launch.

Dec. 4, 2012: Incoming Chairman of the US House Committee on Foreign Relations Ed Royce (R-CA) highlights DPRK’s planned rocket launch as a “wake-up call” for the US and a threat to peace and security in Northeast Asia.

Dec. 5, 2012: Department of State deputy spokesman Mark Toner announces that the US government will continue with diplomatic push to dissuade DPRK from carrying out the rocket launch, but also states that sanctions will be taken into consideration in case of a launch.

Dec. 6, 2012: Combined Forces Command announces that it has raised its alert level by one notch in response to DPRK’s threat to launch a long-range rocket. US Navy ships move into the region of the Korean Peninsula to closely monitor Pyongyang’s potential rocket launch.

Dec. 7, 2012: US extends Iran sanctions exemptions to nine countries including ROK, China, India, and Turkey for reducing purchases of Iranian oil over the past six months.

Dec. 8, 2012: ROK Minister of Knowledge and Economy Hong Suk-woo announces that the US and ROK have agreed to increase cooperation on shale gas.

Dec. 10, 2012: DPRK announces that it will extend the planned rocket launch window by one week to Dec. 29 due to a technical problem with the rocket’s first-stage control engine module.

Dec. 12, 2012: DPRK launches its *Unha-3* rocket. The UN Security Council condemns the launch and convenes a meeting to discuss the appropriate measures in response to the launch.

Dec. 13, 2012: North American Aerospace Defense Command (NORAD) states the DPRK satellite is circling the earth with a speed of 7.6 kilometers per second.

Dec. 14, 2012: South Korean Navy rescue ship retrieves the North Korean rocket debris.

Dec. 16, 2012: Kim Jong Un leads memorial service for Kim Jong Il, marking the first anniversary of his father’s death.

Dec. 17, 2012: US Department of State announces that it will implement tougher sanctions on North Korea. It also adds that it will continue to engage the regime through bilateral and multilateral dialogues and interactions.

Dec. 18, 2012: US pressures China to endorse UN sanctions on North Korea in response to its rocket launch. China has not shown any signs of complying.

Dec. 19, 2012: Park Geun-hye wins the South Korean presidential elections.

Dec. 21, 2012: President-elect Park and President Obama hold a phone conversation and agree to lessen the security crisis in the region that resulted from the North Korean rocket launch.

Dec. 21, 2012: *Chosun Ilbo* reports that Kim Jong Un at a banquet celebration for the recent rocket launch orders scientists in North Korea to build more powerful rockets.

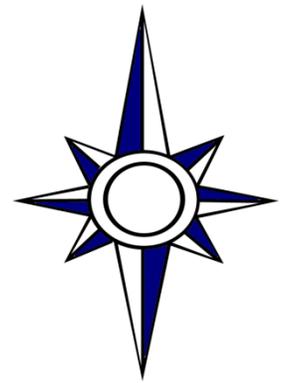
Dec. 24, 2012: UN Security Council decision in response to the DPRK rocket launch is delayed due to China's implicit opposition to tougher sanctions against North Korea.

Dec. 27, 2012: *Yonhap* reports that the incoming Park administration will not differ much in its foreign policy than that of the Lee administration, as both administrations see the US-ROK alliance as the center of South Korea's relations with other nations.

Dec. 28, 2012: Foreign Minister Kim Sung-hwan visits a US base at the DMZ and states that the US-ROK alliance will be "far outlasting" regardless of leadership change in South Korea.

Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



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US-Southeast Asia Relations: High-Level Attention

The importance of Southeast Asia in the US “rebalance” to Asia was underscored by President Obama’s visit to Thailand, Burma (Myanmar), and Cambodia in November, covering both bilateral relations and the region’s centrality in Asian multilateralism. Secretaries Clinton and Panetta also spent time in the region, the latter reinvigorating defense ties with Thailand and linking US security interests among Australia, India, and Southeast Asia. While visiting Jakarta in September, Clinton reinforced US support for the ASEAN plan to negotiate a formal South China Sea code of conduct, endorsing the six-point principles Indonesian Foreign Minister Marty Natalegawa negotiated after the failed ASEAN Ministerial Meeting in July. At the East Asia Summit, the majority of ASEAN states, Japan, and the US insisted that the South China Sea appear on the agenda despite objections from Cambodia and China. Obama’s visit to Myanmar occasioned the declaration of a “US-Burma partnership,” though the visit was marred by violence against the Rohingya population in Rakhine (Arakan) state. Washington is also enhancing military ties with the Philippines, Thailand, and Indonesia as part of the “rebalance.”

Southeast Asia in the Obama administration’s Asia policy

Commentators on the US “rebalance” to Asia have tended to emphasize the two ends of the Asia-Pacific littoral – northeast Asia (Japan and the ROK) and more recently Australia. Yet, the Obama administration is accentuating Southeast Asia, both through bilateral relations and through the regional organizations in which ASEAN plays a central role. The region’s salience was underlined by the president’s first overseas trip after his reelection. From Nov. 17-20, he visited three mainland countries, Cambodia, Myanmar, and Thailand – the first sitting US president to visit the first two. The primary purpose of the Cambodia visit was to attend an ASEAN Summit and the annual East Asian Summit (EAS).

Also in the region at the same time were Secretary of Defense Leon Panetta and Secretary of State Hillary Clinton. Both were in Australia for the annual meeting of ministers (AUSMIN) and stressed the necessity of the US allies pulling their weight given newly constrained US defense budgets. Assistant Secretary of State for East Asia and the Pacific Kurt Campbell in Perth a few days before President Obama’s Southeast Asia trip told the Australian press that Washington was not happy about Australian defense budget cuts, insisting that Australia must pull its weight and not become dependent on the US. (Of course, the decline in the Australian defense budget parallels the US situation.) The AUSMIN joint communiqué released on Nov. 14 highlighted the importance of the Trilateral Strategic Dialogue among Washington, Canberra, and Tokyo as well as trilateral defense exercises to enhance “air, land, and maritime cooperation” throughout east Asia. Indonesia’s “strong regional leadership” in both ASEAN and the EAS was singled

out. The US and Australia pledged “to continue to work with Indonesia on increased defense cooperation.” Also on defense relations, the AUSMIN partners acknowledged “India’s growing regional and global role,” promising “multilateral exercises to enhance Indian Ocean cooperation in maritime security....”

As for ASEAN, in a lengthy address delivered on Nov. 15 at CSIS in Washington, National Security Advisor Tom Donilon stated that the Asian rebalance was also “rebalancing within the Asia-Pacific with a renewed focus on ASEAN.” He went on to cite Ernie Bower, the director of the CSIS Southeast Asia Program, who stated that President Obama’s “new patterns for US engagement in Asia [have] ASEAN as its core.” This could well be recognition that future Asian security issues will be debated predominantly in regional organizations with ASEAN as their central constituency and with ASEAN procedures as the *modus operandi*. Donilon also noted that although ASEAN ministerial meetings, the ASEAN Regional Forum (ARF), and the Shangri-La Dialogue all placed security and strategic concerns on their agenda, only the EAS brought the region’s political leaders together annually to consult.

Although the formal EAS agenda has been relatively noncontroversial – education, energy, environment, disaster management, pandemic diseases, and finance – in 2011, Washington added two new items: nonproliferation and maritime security. While China was less than enthusiastic about the US proposals, Washington not only got the topics on the EAS agenda but also managed to get 16 of the 18 leaders to reaffirm the importance of such international norms as freedom of navigation, respect for international law, and peaceful resolution of disputes – all of which are components of the UN Convention on the Law of the Sea (UNCLOS).

Parallel to the president’s Southeast Asian visits, Defense Secretary Panetta’s Nov. 12-17 trip with stops in Australia, Thailand, and Cambodia served to reinforce US security commitments to the region. In Thailand, Panetta and Thai Defense Minister Sukampol Suyannathat signed a Joint Vision Statement for the Thai-US Defense Alliance, reinvigorating military ties that had weakened in the wake of the 2006 Thai military coup. Earlier, in June, in a New Delhi speech, Panetta averred that “the US will expand its military partnerships and its presence in an extended arc from East Asia into South Asia. Our defense cooperation with India is one of the linchpins of this strategy.” Further mending fences during a September trip to New Zealand, Panetta announced that the US would lift restrictions on military exercises that had been imposed in 1986 when Wellington refused the US Navy access to New Zealand ports as long as the ships were not declared “nuclear free.” While New Zealand is maintaining its prohibition on nuclear ships, the US is allowing New Zealand ships once again to call at US DoD and Coast Guard facilities. US Marines have also begun training in New Zealand. The New Zealand armed forces are keen to resume exercises with the US after being held in abeyance for 26 years.

US presses ASEAN States on South China Sea

US officials continue to press their ASEAN partners to emphasize their plans for a formal code of conduct in the South China Sea as the best way to resolve territorial disputes among the claimants. In a Jakarta visit in early September, Secretary of State Clinton said that a peaceful resolution of contested claims “must be resolved ... by diplomatic means, based on the principles of international law and the Law of the Sea.” Clinton endorsed ASEAN’s six-point principles on

the South China Sea that had been reached in the aftermath of the failed ASEAN Phnom Penh summit in July through the diplomatic efforts of Indonesia's Foreign Minister Marty Natalegawa. The Indonesian foreign minister warned that without a code of conduct on the South China Sea "we can be certain of more incidents and more tension for our region."

In testimony on Sept. 20 before the US Senate Foreign Relations Subcommittee on East Asia and Pacific Affairs, Assistant Secretary of State Campbell laid out an array of dispute settlement mechanisms for the South China Sea claims, including international arbitration – although he undoubtedly knew prospects for that approach were slim to none. The main purpose of Campbell's appearance before the subcommittee was to once again make the case for the Senate to ratify UNCLOS, which provides the legal basis for global navigational rights. Any putative code of conduct would be based on UNCLOS, ASEAN's Treaty of Amity and Cooperation (to which Washington has acceded), and the 2002 Declaration on the Conduct of Parties in the South China Sea. In addition to navigation rights, a future code of conduct, according to Campbell, would "explore new cooperative arrangements for managing the exploitation of resources in the South China Sea ... in areas of unresolved claims." While the Senate has not ratified UNCLOS, both Republican and Democratic administrations have stated that the United States will abide by its provisions.

At the November ASEAN Summit in Phnom Penh, the Chair – Cambodia – tried to repeat its July effort to exclude the South China Sea from regional dialogue. The Cambodian Foreign Ministry stated on Nov. 18 that Southeast Asian leaders "had decided that they will not internationalize the South China Sea from now on." Led by the Philippines, other ASEAN members disputed the Cambodia statement, obviously made at China's behest. Joining ASEAN objections to limit South China Sea discussions was Japanese Prime Minister Noda Yoshihiko, who stated that blocking South China Sea debates could damage peace and stability in the region. (Japan has its own dispute with China over islands in the East China Sea.) Philippine President Benigno Aquino articulated the dominant ASEAN position succinctly: "Multilateral problems should have a multilateral solution." Directly contradicting China, which had stated there is no urgency in negotiating a code of conduct, Singapore's Prime Minister Lee Hsien Loong at the EAS said he hoped ASEAN and China would begin formal talks soon that "will help manage the disputes and prevent conflict which will be bad for everyone."

Japan and India have also become actively involved in the South China Sea issue. With its concerns about China's claims to the Senkakus, Japan has begun assisting Southeast Asian coast guards and is participating in multinational naval drills in Southeast Asia. Tokyo is offering hardware and training in the region and in its biggest Southeast Asian security package yet is scheduled to provide the Philippine Coast Guard with 10 cutters worth \$12 million each. According to a Nov. 27 *New York Times* article, Japanese officials have indicated they may offer a similar package to Vietnam. The Indian Navy was given the right to operate in the South China Sea soon after it was announced that Hainan Province approved laws that gave its maritime police the authority to search vessels transiting its territorial waters. India's state-run Oil and Natural Gas Corporation, has a 45 percent interest in exploration with Petro Vietnam. India Navy Adm. D. K. Joshi said his country's navy is preparing exercises to defend its rights in the region.

ASEAN: controversy over human rights and economic engagement

At its November meeting in Phnom Penh, ASEAN was expected to adopt a human rights charter – a significant feat given the variety of regimes in the group, some of which have less than sterling human rights standards. On Nov. 5, a team of international human rights organizations, including the Geneva-based International Commission of Jurists and London-based Amnesty International, urged ASEAN to postpone the adoption of the draft charter because it did not meet international standards and would fail to protect rights within the region. The NGOs particularly objected to the provision that stated rights could be restricted on the grounds of “national security” and “public morality” and that the enjoyment of human rights should be “balanced” subject to “national and regional contexts” and “different cultural, religious, and historical backgrounds.” These stipulations would place the ASEAN declaration outside existing human rights laws and standards in Europe, the Americas, and Africa. Moreover, UN human rights chief Navi Pillay and others criticized the absence of transparency in the drafting process and the fact that prior to the ASEAN vote, no version of the charter had been published and no international human rights groups had been consulted. The deputy director for Asia of Human Rights Watch stated: “As written, the declaration provides giant loopholes for ASEAN governments to justify abusing rights in the name of national security and local context.” Washington joined the critics, though the charter was signed on Nov. 18. The Phnom Penh Statement does place ASEAN’s human rights commitment under the UN Charter and the Universal Declaration of Human Rights, though as in all such ASEAN statements, implementation is left up to each state and its legal processes. ASEAN has never been able to impose a governance structure on the region. Like many of its declarations, the new human rights sentiments seem to be more about aspirations than commitments.

While the Obama administration expressed disappointment with the manner in which the ASEAN human rights declaration was reached, the US president and the 10 ASEAN leaders welcomed the launch of the US-ASEAN Expanded Economic Engagement Initiative (E3), which is designed to expand trade and investment ties, business opportunities, and jobs in all eleven countries. The specific industries targeted will lay the groundwork for ASEAN countries to adhere to the high standards found in the Trans-Pacific Partnership (TPP), which Washington is negotiating with some of the ASEAN states. Currently, ASEAN is the fourth largest export market for the US, includes two treaty allies, several emerging regional powers, and sits astride some of the world’s most important trade routes. The US-ASEAN Leaders Meeting, in addition to launching E3, also raised the summit to an annual event. Further expanding its involvement in Southeast Asian maritime security, Washington announced its intention to join the Regional Cooperation Agreement on Combating Piracy and Armed Robbery against Ships in Asia (ReCAAP). In part, these US commitments are designed to show China that the US will sustain its high-level focus on Asia through the 21st century.

Restrictions eased on US-Myanmar relations

Honoring Aung San Suu Kyi’s 17-day September visit to the US, the Obama administration announced plans to lift some import sanctions at the same time the Myanmar opposition leader urged greater economic engagement between the two countries. The announcement about the

lifting of some sanctions was made in New York in a meeting between Secretary of State Clinton and Myanmar's President Thein Sein. Lifting sanctions is a gradual process involving both the executive branch and Congress and could take some months, particularly for businesses tied to Myanmar's military. The hope is that easing trade and investment prohibitions will enable the country to create jobs and move beyond natural gas, oil, and timber as sources of economic activity. By early November, the US announced it was ready to vote in support of assistance to Myanmar at the World Bank's board meeting.

Renewed violence between the Muslim and Buddhist communities in Rakhine state on Oct. 21 threatened to derail the country's progress on human rights, especially when the government rejected an ASEAN proposal to involve the UN in a mediation effort. Myanmar's 800,000 Rohingya are seen by the government as illegal immigrants from Bangladesh even though they have lived in Myanmar for generations. The State Department condemned the violence, and the timing was particularly unpropitious for President Obama's Nov. 19 visit when he offered \$170 million for a series of new US Agency for International Development projects. Several human rights organizations argued the president's trip was premature, especially with hundreds of political prisoners still behind bars, the sectarian violence in Rakhine state, and the military's continued offensive against the Kachin Independence Army in the north. In Bangkok on Nov. 18, somewhat defensively, Obama averred: "This is not an endorsement of the Burmese government." Rather it is "an acknowledgement that there is a process under way inside the country that even ... two years ago nobody foresaw." President Thein Sein's office subsequently issued a statement that the government would "devise a transparent mechanism to review remaining prisoner cases" by the end of the year, the Red Cross would be allowed to resume prisoner visits, and the UN High Commission for Human Rights would be permitted to set up an office in the country. In a speech at the University of Yangon, Obama announced the creation of a "joint US-Burma partnership" to advance democratic reform with an ambitious agenda to promote transparent governance and rule of law as well as peace and reconciliation among the country's many ethnic groups, most particularly the Rohingya, of whom the riots of the last few months left more than 100,000 homeless.

Improvements were also made in strategic relations when Myanmar announced it would sign the International Atomic Energy Agency protocol that requires transparency in all its nuclear facilities and allows UN nuclear inspectors on its territory. While Myanmar's defense minister at the 2012 Singapore Shangri-La Dialogue announced that the country had abandoned all military cooperation with North Korea, this was the first time official statement that it would open the country to nuclear inspectors. Myanmar will also be invited to participate in the annual *Cobra Gold* multinational military exercise in Thailand scheduled for February 2013. Thailand has lobbied for Myanmar's participation for some time. Initially, the small contingent will be observers in the humanitarian assistance/disaster relief portion of the exercise.

The buildup of US allies in Southeast Asia – the Philippines and Thailand

One sign of the seriousness of intent in the US rebalance to Asia is whether its formal Southeast Asian allies are especially favored. For the Philippines and Thailand, this seems to be true. In late August, Washington announced it would deploy a new, powerful "X-band" early warning radar to Japan and the Philippines, giving Manila a greater overview of activities in the South

China Sea. Also this year, the US pledged to triple military assistance, deployed two nuclear-armed submarines for port calls at Subic Bay, and sent thousands of US forces for joint exercises. According to an Aug. 31 article in *Asia Times Online*, when Beijing sanctioned the Philippines by banning banana imports over a standoff at Scarborough Shoal, the US offered to buy the surplus fruit. In general, the US has increased ships visits and joint exercises with the Philippines as part of the “pivot” toward Asia.

Despite claims by Philippine human rights groups that the Aquino government has lied about continuing human rights violations to obtain an extra \$13 million in US military aid, Washington appears ready to accept Manila’s claim that extra-judicial killings have been suppressed, while ignoring rights groups’ protests. Visiting US House of Representatives members in October accepted claims by President Aquino that the human rights situation in the Philippines had been ameliorated and that Manila was prosecuting cases of extrajudicial killings. In fact, no prosecution of these cases has occurred.

Perhaps the most important indicator of the Philippines importance to the US rebalance in Southeast Asia are the plans for Subic Bay – a natural harbor about 60 miles north of Manila that was used by the US Navy’s Seventh Fleet’s until 1992. Known now as the Subic Bay Freeport Zone, the port is set to host a new contingent of US ships, aircraft, and marines on a rotating basis. According to Visiting Forces Agreement Director Edilberto Adon, Subic will once again act as a support and servicing facility for the US Navy. However, as Michele Flourney, a former US defense official stated at a Nov. 29 conference at the Australia National University, Washington should be careful that its designation of the Philippines strategic importance not be used by Manila to provoke China into thinking that Washington has endorsed Philippine territorial claims in the South China Sea. The Obama administration, like its predecessors, has emphasized the importance of multilateral negotiations based on UNCLOS while not taking sides with respect to any particular claims.

The other longstanding US ally in Southeast Asia is Thailand. Burnished during Secretary of Defense Panetta’s Nov. 16-17 visit and a one-day stopover on Nov.18 by President Obama, the two defense establishments signed a Joint Vision Statement for the Thai-US Defense Alliance, elevating Thailand’s status to a major non-NATO ally. The goal is to revive the security arrangements that had been radically diminished in the wake of the US exit from the region in 1975. Panetta promised “an enduring presence in the Asia-Pacific” and recognized Thailand as a “regional leader.” While Washington has no plans to turn U-Tapao Air Base into a US fortress, Thailand’s air bases and ports have been a vital part of the US military’s logistical network in Asia during both the Iraq and Afghanistan wars, and the Pentagon holds dozens of drills every year with Thai forces. The US is aware of Bangkok’s close ties with China and sees the revitalized relationship as offering Thailand better hedging opportunities.

Indonesia-US comprehensive partnership

Since 2008, upon the initiative of President Susilo Bambang Yudhoyono, Indonesia and the US have engaged in a comprehensive partnership. Most of its activities have been in the military realm with the sale of *Apache* helicopters, Foreign Military Financing Funds to upgrade Indonesian Air Force *C-130* cargo planes, and the sale of two dozen refurbished *F-16s*. Talks

are also underway for new radar systems, drones, and training aircraft. According to a Sept. 18, 2012 CSIS Commentary, nearly 200 security engagements took place this year, involving military training, senior officials visits, exercises, and staff talks on maritime security, peacekeeping, humanitarian assistance, and disaster relief as well as the professionalization of the Indonesian armed forces.

The third annual Indonesia-US Joint Commission Meeting held on Sept. 20 in Washington focused on the more difficult areas of trade and investment and democracy promotion. Progress in these areas is important for foreign investors as well as demonstrating to other Southeast Asian leaders that the US is committed to multidimensional engagement in Southeast Asia that goes beyond balancing against China. Indonesian regulations on foreign investment have led to the country's ranking of 129 out of 185 in the World Bank's annual Ease of Doing Business Survey. These obstacles have led a number of major multinational companies to bypass Indonesia in the global supply chain for the more welcoming environment in Vietnam.

Cambodia: a human rights imbroglio

Washington's frustration with Hun Sen's Cambodia was underscored in a Nov. 15 press briefing by National Security Council Senior Director for Multilateral Affairs and Human Rights Samantha Power. Alluding to Hun Sen's efforts at the July ASEAN Summit to block any reference to disagreements over the South China Sea on behalf of China and to Cambodia's egregious human rights behavior, Power stated:

All I would say about our engagement with the Cambodians on a bilateral basis is that the thrust of the message ... is on the importance of free and fair elections, the end of land seizures, the protection and promotion of human rights. That's the core function of the engagement with Hun Sen. He is the host, Cambodia is the host of these important summits and these diplomatic gatherings, but our message to him on a bilateral basis is very much about the human rights abuses that are being committed within Cambodia's borders....

In late October, the Cambodian government threatened unspecified legal action against US-funded radio stations – *Voice of America* and *Radio Free Asia*, both of which broadcast in Khmer – as being anti-Cambodian and favoring opposition parties. In early November, the US-based Human Rights Watch charged that material assistance to Cambodia ended up in the hands of rights-abusing military units that have used US-donated trucks to forcibly move villagers from their land. Moreover, Human Rights Watch detailed more than 300 murders of political opponents, human rights activists, and labor leaders in Cambodia over the past 20 months.

In tense talks on Nov. 19 in Phnom Penh, President Obama spoke bluntly to Hun Sen about human rights, political prisoners, the persecution of land activists, and an unfair electoral system. In his defense, Hun Sen noted that other countries had dismantled political parties and imprisoned their politicians, but that in Cambodia people were free to join opposition parties and “do whatever they want in the framework of the law.” Hun Sen went on to say that there were no political prisoners in Cambodia, only people who broke the law. Obama's talks with the Cambodian prime minister were closed to all media, including those from the US. According to

Deputy National Security Advisor Ben Rhodes, the president emphasized the need to create an independent election commission for the upcoming 2013 national polls. Obama also called upon Hun Sen to release the political prisoners and provide an environment in which opposition parties could fairly campaign. Needless to say, Cambodian media reported none of this. Hun Sen has ruled the country for decades and has demonstrated little tolerance for dissent.

No joint statement followed the talks as normally occurs with leaders who host the US president. Probably anticipating the President Obama's "woodshed" treatment of his regime, Hun Sen administered his own snub to the US. At the airport, there were no signs welcoming Obama. By contrast, the area was strewn with welcoming signs and flags for Chinese Premier Wen Jiabao, who was arriving on the same day for the EAS.

Despite US distaste for the Hun Sen government, as Vannarith Chheang points out in Pacific Forum's *PacNet* #80, there is more than one variable in the relationship. The US has become Cambodia's biggest market for garments and textiles, an industry that employs 350,000. Even in the realm of defense, the two sides conduct joint training exercises in disaster relief, peacekeeping, counterterrorism, and demining operations. Two *CARAT* exercises have been held, the most recent this past October on maritime interdiction, and an annual bilateral defense dialog has been going since 2008.

An assessment

US relations with Southeast Asia fall along three dimensions (a) economic, (b) security, (c) political. The private sector is very much interested in expanding trade and investment in Southeast Asia. In 2011, US exports to ASEAN exceeded \$76 billion, up 42 percent since 2009. The US has more than twice as much investment in ASEAN as it has in China. Economic activity seems to be robust. To back that activity, the US government promotes rule of law as well as trade and investment treaties such as the TPP. On the security dimension, US military forces have been training and exercising with all ASEAN counterparts for many years, bilaterally through such exercises as *CARAT* and multilaterally through exercises like *Cobra Gold*. Here the purposes include interoperability, military sales, and the development of compatible strategic understandings of the threat environment. Perhaps, the most problematic dimension is the political one because, in this category, Washington promotes its values of liberal politics and human rights. For some ASEAN governments, these are generally welcome (Indonesia, Philippines, and to a degree Thailand); for some they are tolerated (Singapore, Malaysia); for one it is too soon to tell (Myanmar), and for the three Indochinese states (Laos, Vietnam, Cambodia) they are seen as unwelcome interference in their domestic affairs. The differing dynamics of these three dimensions will continue to determine US relations with Southeast Asia – both compatibilities and contradictions.

Chronology of US - Southeast Asian Relations September - December 2012

Sept. 2-9, 2012: The 20th Asia Pacific Economic Cooperation (APEC) Leader's Meeting is held in Vladivostok.

Sept. 3, 2012: Secretary of State Hillary Clinton visits Indonesia and says that China should start discussions with ASEAN to develop a code of conduct on the South China Sea and that the ASEAN states should present a united front in those talks.

Sept. 3, 2012: Secretary Clinton in a joint press conference with Indonesian Foreign Minister Marty Natalegawa supports Papua's continued inclusion in the Unitary Republic of Indonesia but condemns ongoing violence there.

Sept. 3-8, 2012: A US Navy *P-3C* surveillance aircraft joins the Philippine *Coast Watch 2012* exercise that incorporates the Philippine Coast Guard and maritime police.

Sept. 5, 2012: *Jakarta Globe Online* reports that Secretary Clinton expressed support for Indonesian mediation in Southeast Asia toward creation of a South China Sea code of conduct.

Sept. 6, 2012: Secretary Clinton becomes the first US secretary of state to visit Timor Leste (East Timor) since its independence from Indonesia 10 years ago.

Sept. 6-7, 2012: Secretary Clinton visits Brunei.

Sept. 14, 2012: Indonesian President Susilo Bambang Yudhoyono condemns the killing of US diplomats in Benghazi, Libya.

Sept. 14, 2012: Singapore government condemns the attack on the US consulate in Benghazi leading to the death of US Ambassador Chris Stevens and other US diplomats.

Sept. 15, 2012: Thailand sends a condolence letter to the US on the killing of the US ambassador to Libya in Benghazi.

Sept. 16, 2012: Myanmar's opposition leader Aung San Suu Kyi leaves for a 17-day trip to the US.

Sept. 17, 2012: Hundreds of Muslim protesters burn US flags in the southern Philippine city of Marawai, triggered by a video made in the US that mocks Islam.

Sept. 17, 2012: Police fire tear gas and water cannons at hundreds of protesters around the US Embassy in Jakarta protesting the US-made video insulting Islam.

Sept. 19, 2012: Aung San Suu Kyi receives the Congressional Gold Medal and has a private meeting with President Obama.

Sept. 19, 2012: Three hundred protesters against the US-made video insulting Islam leads to the temporary closure of the US Consulate in Medan, Indonesia's third largest city.

Sept. 20, 2012: Third annual US-Indonesia Joint Commission Meeting chaired by Foreign Minister Marty Natalegawa and Secretary of State Hillary Clinton is held in Washington. The US agrees to sell eight *Apache* gunship helicopters to Indonesia.

Sept. 21, 2012: The US lifts a 26-year ban on the visit of New Zealand warships to US Coast Guard and Navy bases around the world as Secretary of Defense Leon Panetta visits Wellington.

Sept. 21, 2012: The US removes sanctions against Myanmar President Thein Sein, permitting US citizens to do business with him.

Sept. 22, 2012: US Congress passes legislation supporting lending from international financial institutions to Myanmar, reversing a ban based on concerns that loans would benefit the previous military junta.

Sept. 24, 2012: The State Department says the US is “deeply troubled” by convictions of three Vietnamese bloggers who were sentenced to jail for criticizing their government – a violation of the International Covenant on Civil and Political Rights.

Sept. 24, 2012: US Pacific Fleet Commander Vice Adm. Scott Swift visits Brunei to promote defense relations. Discussions include US Navy participation in the inaugural Military Medicine and Disaster Relief Exercise next year under the auspices of the ASEAN Defense Ministers Meeting Plus.

Sept. 25, 2012: Myanmar President Thein Sein arrives in New York for the annual meeting of the UN General Assembly.

Sept. 26, 2012: Meeting President Thein Sein in New York, Secretary Clinton announces that the US will begin lifting the decade-long ban on imports from Myanmar.

Sept. 26, 2012: Thai Prime Minister Yingluck Shinawatra attends a dinner hosted by President Obama on the 180th anniversary of US-Thai relations. She states that Thailand is ready to cooperate with the US as a strategic partner.

Oct. 3-5, 2012: The Philippines hosts the Third ASEAN Ministers Forum in conjunction with the first expanded ASEAN Maritime Forum, an affiliate of the East Asia Summit. All 18 EAS members are represented. Maritime security is a primary focus.

Oct. 4, 2012: The initial company-size rotation (200-250) of US Marines completes their deployment in Darwin, Australia. Company-size rotations are scheduled to continue through 2013. It will be several years before larger contingents up to 2,500 will be deployed.

Oct. 7, 2012: The aircraft carrier *USS George Washington* exercises with the Malaysian Navy and Air Force.

Oct. 8, 2012: Myanmar opposition leader Aung San Suu Kyi declares willingness to serve as president if the country's constitution is amended to permit her to become a candidate. President Thein Sein says he could accept her in that office if the people of Myanmar supported her.

Oct. 8-17, 2012: The annual joint *Philippine-US Amphibious Landing Exercise (Phiblex)* is held in various locations in the Philippines. Both sides state the scenarios are not directed at a China contingency, though US Marine Corps Gen. Craig Timerberlake states the training is designed "to respond to issues, [including] national security."

Oct. 10, 2012: Cambodian authorities threaten US government's *Voice of America* and *Radio Free Asia* with unspecified legal action for being anti-Cambodia and favoring opposition parties. A VOA spokesman says the stations value free speech and objectivity in their broadcasts.

Oct. 15, 2012: Former Cambodian King Norodom Sihanouk, 89, dies in China. His body is repatriated to Cambodia on Oct. 17.

Oct. 16-17, 2012: Assistant Secretary of State for Human Rights Michael Posner meets Myanmar ministers for a human rights dialogue. Aung San Suu Kyi also attends.

Oct. 18, 2012: Senior defense officials from Thailand and the US meet in Washington for US-Thailand Defense Strategic Talks.

Oct. 18, 2012: *Reuters* reports that the US, Thailand, and other participants in the annual *Cobra Gold* military exercises will invite Myanmar as an observer at the 2013 annual joint maneuvers.

Oct. 20, 2012: Off the coast of Vietnam, the aircraft carrier *USS George Washington* welcomes Vietnamese officials to witness live firing exercises.

Oct. 22-26, 2012: Cambodian and US naval forces conduct their second *Carat* exercise – the first occurring in 2010. Training covers maritime interdiction, salvage operations, and disaster response. Civic action projects on land are also scheduled.

Oct. 27, 2012: Indonesian police arrest 11 terrorist suspects who were planning to attack the US Embassy in Jakarta among other Western targets. The suspects had collected explosives and a bomb-making manual.

Oct. 28, 2012: US State Department, responding to the killing of Rohingya in Myanmar's Rakhine state, urges "both sides [Muslims and Buddhists] to exercise restraint and immediately halt all attacks."

Oct. 30, 2012: US State Department condemns a Vietnamese court decision sentencing two musicians to prison for writing and distributing protest songs, one of which criticized the government for not taking a harder line against China in their South China Sea disputes.

Oct. 31, 2012: A bipartisan Congressional group sends a letter to President Obama urging him to condemn human rights violations under Hun Sen in his forthcoming trip to Cambodia.

Nov. 4-14, 2012: US Marines and elements of the Brunei Land Forces conduct a *CARAT* exercise, focusing on urban training against hostile forces in buildings.

Nov. 5, 2012: US State Department issues a statement urging Laos to delay construction of a huge dam on the Lower Mekong River until environmental impacts can be assessed and the other riparian states consulted.

Nov. 13-14, 2012: Secretary of State Clinton and Defense Secretary Panetta begin an Australia-Southeast Asia visit in Perth to strengthen security relations in the region.

Nov. 15, 2012: Thailand and the US release a Joint Vision Statement for the Thai-US Defense Alliance that outlines the goals for what is described as a 21st century security partnership.

Nov. 17-20, 2012: President Obama visits Cambodia, Thailand and Myanmar.

Nov. 16, 2012: Reaffirming military ties with Cambodia, Defense Secretary Panetta also deplores the Hun Sen government's continued human rights abuses.

Nov. 16, 2012: Secretary Panetta attends the ASEAN Defense Ministers Meeting in Siem Reap.

Nov. 16, 2012: US lifts restrictions on most imports from Myanmar prior to President Obama's visit to the country.

Nov. 16, 2012: Secretary Panetta and Thai counterpart sign a new joint defense declaration for the 21st century, the first such document since 1962.

Nov. 16-17, 2012: Secretary of State Clinton visits Singapore.

Nov. 17, 2012: President Obama visits Thailand, the first stop on his three country Southeast Asian trip.

Nov. 18, 2012: The ASEAN heads of government initial the ASEAN Human Rights Declaration – years in negotiation – stipulating the individual to be the focus of human rights, though providing each state with implementation authority based on its national situation.

Nov. 18, 2012: Myanmar naval officers visit the amphibious assault ship *USS Bonnehomme Richard* in the Andaman Sea – the first such military contacts in decades.

Nov. 18-20, 2012: The 21st ASEAN Summit, ASEAN dialogue partner meetings, the 15th ASEAN Plus 3 Summit, and the 7th East Asia Summit are held in Phnom Penh.

Nov. 19, 2012: At the US-ASEAN Summit in Phnom Penh, the “US-ASEAN Expanded Economic Engagement Initiative” (E3) is launched to expand trade and investment ties.

Nov. 19-20, 2012: President Obama visits Myanmar, highlighting Washington's support for the country's democratic transition. The trip is the first-ever to the country by a sitting US president.

Dec. 6, 2012: State Department officials meet monks in Mandalay to discuss the government's crackdown during the previous week on protests at the Latpadaung copper mine. They also talk about sectarian tensions in Arakan state against the Muslim Rohingyas.

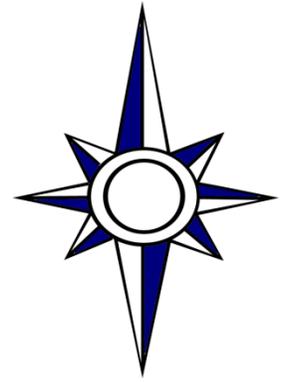
Dec. 11-12, 2012: Third US-Philippine Bilateral Strategic Dialogue is held in Manila. Agreement is reached to boost US ship, aircraft, and troop rotations through the Philippines.

Dec. 18, 2012: US Ambassador to Malaysia Paul Jones presents a memento to the Malaysian Defense Minister Ahmad Zahid Hamidi in recognition of the humanitarian assistance provided by Malaysian personnel in Afghanistan.

Dec. 19, 2012: A senior Pentagon official states the US is poised to take "nascent steps" to train Myanmar officers in non-lethal skills such as humanitarian assistance and military medicine.

Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



China-Southeast Asia Relations:

China Gains and Advances in South China Sea

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China's efforts to maintain recent gains and further strengthen its South China Sea maritime territorial claims dominated China-Southeast Asia relations during the final months of 2012. Aggressive patrols by Maritime Safety Administration and fishing fleets along with diplomatic initiatives and administrative measures were supported by Chinese media commentary that emphasized patriotism and the validity of China's sovereignty claims. Diplomatic initiatives included several high-level exchanges that emphasized the promise of increased beneficial relations for those who support or acquiesce to Chinese territorial claims. Meanwhile, ASEAN remained in disarray and the prospect for moving forward on a binding code of conduct in the South China Sea seemed unlikely.

Tensions in the South China Sea

Chinese officials showed firm determination to hold recent gains and make further advances in asserting control of the South China Sea. Their actions followed extraordinary use through the summer months of administrative measures, maritime security and fishing fleets, oil exploration plans, extra-legal trade sanctions, and diplomatic threats to coerce and intimidate the Philippines in response to perceived encroachment by Philippine security forces and fishermen in Scarborough Shoal/Huangyan Island. These measures in the South China Sea were strongly supported by Chinese media commentary that stressed patriotic themes of protecting Chinese sovereign claims. They were further reinforced during the massive outpouring of often violent Chinese behavior against Japanese properties and people along with coercive and extra-legal measures in response to perceived Japanese encroachment in disputed East China Sea islands.

Chinese leaders and commentaries persisted with the pattern seen earlier this year, establishing a Chinese choice for regional governments and other concerned powers, including the United States. On the one hand, countries that pursue policies and actions at odds with Chinese territorial claims are threatened with the kinds of extraordinary coercive and intimidating measures – short of direct military force – employed against the Philippines and Japan. On the other hand, those that mute opposition or acquiesce regarding Chinese claims are promised a future of ever-greater mutually beneficial relations.

ASEAN remained divided and ineffective in dealing with China's approach. China exploited this weakness as it used close relations with the ASEAN Chair, Cambodia's Hun Sen, in efforts to keep South China Sea issues from being featured prominently in ASEAN and ASEAN-facilitated leadership meetings, notably the East Asian Summit (EAS) attended by President Barack Obama and other leaders from the broader Asia-Pacific region. Even the Philippines seemed intimidated

as it sought improved relations during September and October despite China's strong-arm occupation of Scarborough Shoal. However, Philippine President Benigno Aquino challenged efforts by Hun Sen to deflect attention to South China Sea issues during ASEAN and ASEAN-related leadership meetings in Phnom Penh in November. Also, Philippines Foreign Secretary Albert del Rosario was outspoken in publicly condemning what he called Chinese dictatorial practices; he achieved notoriety in December by calling on Japan to increase its military power in order to balance China's coercive pressures.

No others in ASEAN joined the Philippines in publicly confronting China over South China Sea territorial issues. More cautiously, some did join the Philippines in pressing Cambodia to delete a passage from the final document of a November ASEAN leadership meeting that said there was agreement among ASEAN members that the South China Sea territorial issues should be not be internationalized, a stance favored by China. Some also discussed South China Sea disputes during the EAS meeting despite China's preference that the issues not be discussed. Several Southeast Asian and other governments registered concerns in November when China issued new passports featuring a map showing China's broad claim to the South China Sea and other disputed territory around China's periphery. Pronouncement in November by China's Hainan provincial authorities with jurisdiction over the South China Sea that police forces would board foreign ships seen carrying out illegal activities in the region also raised concerns. On Dec. 31, the Chinese Foreign Ministry spokeswoman endeavored to calm concern over the issue by telling the media that the Hainan provincial regulations represented no change from regulations passed in 1999 limiting enforcement to within 12 nautical miles of Hainan's coast. At the EAS and in other venues, the US adopted a posture designed to calm tensions over territorial issues in the East China Sea and the South China Sea, which Chinese commentators viewed approvingly as more moderate than US interventions on South China Sea issues in the recent past.

Consolidating and advancing gains

Prime Minister Wen Jiabao told the EAS on Nov. 20 that Huangyan Island, China's name for Scarborough Shoal, "is China's inherent territory, and there is no question over its sovereignty." He added, in reference to recent China's actions to occupy the disputed territory with maritime and fishing surveillance forces and bar any Philippine access or intrusions, that "We have effectively responded to regional emergencies which were not provoked by us" and that "it is proper and necessary for China to safeguard its sovereignty." Wen reiterated China's preference that the concerned parties in South China Sea territorial disputes should follow the practices set forth in the China-ASEAN 2002 Declaration on the Conduct of the Parties in the South China Sea and that the territorial issues should not be broadened to include other powers; they should not be "internationalized," according to Wen.

Apart from the Chinese occupation of Scarborough Shoal, measures taken over the past months to advance Chinese control and claims over disputed areas of the South China Sea included:

- Plans reported in September for building a communications network covering all South China Sea territories claimed by China.

- The November launch of the first of what are planned as regularly scheduled patrols in the South China Sea carried out jointly by maritime security forces from Chinese provinces bordering the sea.
- Plans announced in November for building and improving infrastructure on Woody Island, the headquarters of the newly created Sansha administrative district covering South China Sea claimed territories, so as to better enforce China's "legal rights."
- The issuance of new passports showing China's broad South China Sea claims.
- The announcement by Hainan provincial authorities calling for police forces in the South China Sea to board vessels seen conducting illegal activities, which was clarified by the Chinese Foreign Ministry five weeks later.

Meanwhile, Chinese fishing boats in late November encountered a Vietnamese state-owned ship affiliated with the national oil and gas company conducting seismic survey outside the mouth of the Gulf of Tonkin; two of the fishing boats maneuvered in back of the Vietnamese ship and cut its seismic survey cables.

Strong support for advancing Chinese interests in the South China Sea and other disputed sea areas along China's rim came in outgoing party leader Hu Jintao's keynote report to the 18th Chinese Communist Party (CCP) Congress in November. Hu emphasized "maritime power building," which was interpreted by *Xinhua* as referring to the "comprehensive strength in maritime exploration, marine economy development, marine environmental protection and marine control." Along these lines, the head of the Chinese state-controlled energy enterprise CNOOC told delegates to the Congress of the vast energy resources available in the South China Sea and the head of China State Shipbuilding Corporation told delegates that China needed stronger efforts to build ships capable of protecting Chinese maritime rights in disputed seas.

According to prominent Chinese foreign policy specialists visiting Washington after the US presidential elections and a reading of Chinese media coverage, there was a sense of "triumph" among Chinese on how China had been able to advance its claims in the South China Sea and other disputed seas. Adverse reactions to China's repeated use of coercive and intimidating tactics from within ASEAN and among other concerned powers like the US were seen as small and muted, unlikely to dampen the enthusiasm for a more active and assertive Chinese stance on sensitive issues of sovereignty and security. ASEAN divisions not only precluded effective action during the meetings in Phnom Penh in November, but progress in ASEAN efforts to develop a code of conduct among disputants also appeared stalled. Among other things, China adhered to a position that progress on the code was linked to Beijing's interpretation of the China-ASEAN 2002 Declaration on the Conduct of the Parties in the South China Sea, which means that actions by the Philippines and other claimants that raise territorial disputes diminish Chinese willingness to move forward on a meaningful code of conduct.

Among signs of opposition to China's advances and preferred courses of action, some ASEAN members resisted Cambodia's efforts to affirm that there was an ASEAN consensus not to internationalize the South China Sea issues, and several joined the US and other powers in

discussing South China Sea issues during the EAS meeting. Also, the ASEAN secretary general and several governments registered concerns about the Chinese announcement of possible boarding of vessels by Chinese police in the South China Sea. The new Chinese passports with maps showing broad Chinese claims to the South China Sea and other disputed territories were also criticized.

The role of the United States

China followed the usual practice in emphasizing the positive in China-US meetings, which in the case of Southeast Asia occurred notably during the ASEAN-related meetings including the EAS in November. Sharp charges against the Obama administration's policy of reengagement with Asia continued to voice the judgment that the US approach represented thinly veiled efforts to contain China. However, Chinese commentary in recent months also reflected approvingly a perception that the US was shifting the emphasis of its reengagement from a security and strategic competition with China to a broader and wide ranging engagement of the region. The commentary highlighted the view that in the process the US was adopting a more muted and moderate stance on territorial disputes along China's rim, allegedly reflecting a calculation of China's great importance to the United States.

Chinese media flagged with prominent headlines President Obama's reassurance to Prime Minister Wen in Phnom Penh on Nov. 20 that the US "will not take sides on disputes" in the seas bordering China. They noted positively the president's voiced conviction that China's peaceful rise and success is in the interests of the United States as it is "crucial to world security and prosperity." A commentary by a specialist at the Chinese Foreign Ministry-affiliated think tank said that the "smarter" Obama government reengagement with Asia features a change in favor of China, which involves a "more cautious" approach toward territorial disputes in the region, whereas the US was said in the recent past to have been "active and even aggressive in interfering in the regional territorial disputes."

Outlook – competing views

Following the EAS in Phnom Penh, some American and Asian media portrayed China as ascendant, ASEAN in disarray and the US in a passive position regarding the South China Sea disputes and perceived Sino-American competition for influence in the region. They saw few impediments to continued Chinese advances. Other commentaries by Ernest Bower from CSIS and Australian Peter Drysdale took a positive view of Obama's efforts at reengagement with Asia during his Southeast Asia trip. Bower favorably compared Obama's "walking softly" with China's continuing to wield a "big stick" in disrupting ASEAN unity and coercing and intimidating various countries in order to have its way over the South China Sea.

Facts on the ground impressed Bonnie Glaser who advised in congressional testimony in September and in a separate CSIS report that Chinese actions in the South China Sea are deliberate and systematic, and do not reflect the bureaucratic politics and poor coordination sometimes seen in recent Chinese foreign relations. She concluded that "The clear pattern of bullying and intimidation of other claimants is evidence of a top leadership decision to escalate China's coercive diplomacy" with broad implications for Southeast Asian claimants and other

concerned powers. International Crisis Group specialist Stephanie Kleine-Ahlbrandt seemed to agree and advised in her review of China's "reactive assertiveness" in the South China Sea and other nearby disputed waters that "if there is a perceived slight, no matter how minor, expect China to pounce" with the kinds of coercive and intimidating measures seen recently in the South China Sea.

China-Philippines relations – down, up, and down again

The tension in China-Philippines relations over Scarborough Shoal and other South China Sea issues saw President Hu Jintao fail to meet his Philippine counterpart, Benigno Aquino, during the APEC Leaders' Meeting in Russia in September even though he met with other Southeast Asia. The move was depicted as a "snub" in Philippine media. Against that backdrop, Aquino sent Interior Secretary Mar Roxas to meet Xi Jinping, China's vice president and soon-to-be president and top party and military leader, at a China-Southeast Asia trade fair in Nanning. Chinese and Philippine media reported the meeting positively and the overall relationship seemed to begin improving. In October, Fu Ying, the vice foreign minister with responsibility for relations with the Philippines and a former Chinese ambassador to Manila, traveled there as part of a normal foreign ministry exchange. Fu was received positively by Aquino, Foreign Secretary del Rosario, and other leaders. The Philippines offered some earthquake relief aid to China and there were pledges to double trade relations within four years and increase tourist exchanges.

As noted above, the ASEAN meetings in Phnom Penh in November saw another downturn in relations as the Philippine president and foreign secretary highlighted continuing disputes with China, with del Rosario voicing especially strong charges against Beijing's behavior in the South China Sea. Chinese commentary warned Manila against the "risks" of raising tensions over the disputed islands, asserting that "a rude Manila" helps no one.

Attentive leadership diplomacy emphasizes the positive

In contrast with obvious problems in China-Philippines relations, senior Chinese leaders held cordial meetings with counterparts from a majority of Southeast Asian states during the past several months. The meetings came despite preoccupation with domestic issues, notably the preparations for and results of the 18th CCP Congress in November. During leadership meetings and in a wide array of official media coverage on developments in Chinese-Southeast Asian relations, Chinese commentary emphasized the broad benefits for both sides as positive relations advance between China and regional states, ASEAN, and related multilateral organizations.

Singapore's Prime Minister Lee Hsien Loong was received cordially by Chinese leaders during his six-day visit to China in September. Media coverage highlighted Singapore's role as the fourth largest foreign investor in China, with \$6.33 billion of new investment in 2011 and growing Chinese investment in Singapore, which increased over 50 percent in 2011, reaching a value that year of \$1.07 billion. Bilateral trade grew 11 percent in 2011, reaching \$63 billion, making it China's third largest trading partner Southeast Asian countries.

Continuing the extraordinary Chinese leadership attention to Cambodia's Hun Sen during 2012, Premier Wen Jiabao met the Cambodian leader on the sidelines of the second China-Eurasia

Expo held in Urumchi, China in September. They discussed Chinese support for Cambodia's leadership in the ASEAN and broader Asian leadership meetings in Phnom Penh in November, and repeated past pledges to double in five years China-Cambodian trade of \$2.5 billion in 2011. Wen also met Hun Sen at the outset of his visit to Phnom Penh in November and, according to Chinese media, reached agreement that the South China Sea disputes should not be a stumbling block in relations between China and ASEAN.

Indonesia's President Susilo Bambang Yudhoyono was among the Southeast Asian leaders Hu Jintao met during the annual APEC Leaders Meeting in Russia in September. The two presidents stressed their common interests in stability in the South China Sea, according to Chinese media. Hu strongly endorsed Indonesia's "leading role" within ASEAN and in ASEAN's convening of broader Asian regional organizations. Among economic benefits in China-Indonesia relations, Chinese media highlighted the growth of trade, advancing over 40 percent in 2011 to \$60 billion. Prime Minister Wen followed up by meeting Yudhoyono in Phnom Penh just prior to the start of the ASEAN-related meetings there in November.

South China Sea claimant Vietnam also received attention from China's top leaders. Hu Jintao met with Vietnamese President Truong Tan Sang at the APEC meeting in Russia and Vice President Xi Jinping met Vietnamese Prime Minister Nguyen Tan Dung at the China-Southeast Asia trade fair in Nanning in September. Chinese commentary emphasized the need to manage differences in a "cool headed" way and cited Vietnamese leaders' determination to deal with them with a "brotherly" spirit.

Regarding Malaysia, another South China Sea claimant, Prime Minister Wen met Malaysian Prime Minister Najib Razak in Phnom Penh prior to the ASEAN meetings in November. The two leaders reportedly reached "broad agreement" on South China Sea issues, according to Chinese officials. Hu Jintao met the Sultan of Brunei, another South China Sea claimant, during the APEC meeting in September.

Prime Minister Wen met Laotian President Choummaly Sayasone on the sidelines of the Ninth Asia-Europe Meeting, which was held in Laos in early November. Wen's attendance was notable as the summit came just before the opening of CCP Congress, and Laotian leaders expressed appreciation of the prime minister's willingness to travel to Laos for the meeting.

Visiting Thailand following the meetings in Phnom Penh in November, Prime Minister Wen met Thai counterpart Yingluck Shinawatra and reviewed advances in economic relations regarding Chinese involvement in various infrastructure projects and purchases of Thailand's surplus rice.

More general themes in Chinese media coverage of Southeast Asian issues stressed growing trade, investment, tourist and cultural exchanges, and road and rail projects linking China with the region. China-ASEAN trade is projected to reach \$500 billion by 2015. While investment from more developed ASEAN countries has long been important for China, Chinese investment in ASEAN has increased recently, reaching a cumulative level of \$18 billion in 2011. China's offer of a \$474 million "maritime cooperation fund" was the headline result of the inaugural meeting in October of the Expanded ASEAN Maritime Forum (EAMF), which included the ASEAN members plus the eight other member countries of the EAS.

At the ASEAN-related meetings in Phnom Penh in November, Prime Minister Wen Jiabao also offered strong support for the proposed Regional Comprehensive Economic Partnership (RCEP), which will include ASEAN members, China, Japan, South Korea, India, Australia, and New Zealand. According to Chinese media and officials, the RCEP is preferable to the US-backed Trans-Pacific Partnership (TPP), which is said to divide ASEAN and to insist on “high standards” that exclude some Asian countries.

China-Myanmar relations

Relations between China and Myanmar saw several new developments in the last four months of the year as senior Chinese officials made several high-profile visits to Naypyitaw in an attempt to shore up bilateral relations and protect China’s business, trade, and economic interests.

Myanmar’s decision last year to put the controversial Myitsone Dam project, a giant Chinese hydroelectric project on the Irawaddy River, on hold, was a setback in bilateral relations, and Beijing appears concerned with the status of a large number of projects and investments in the country. More recently, local villagers and Buddhist monks staged large-scale protests opposing the expansion of a Chinese-led copper mine project in central Myanmar, prompting the largest crackdown on protesters since the government came into power nearly two years ago. Following a series of visits by senior Chinese officials in recent months, the Myanmar government has also indicated that the copper mine expansion project will continue as planned. Ma Xiaotian, deputy chief of the General Staff of the People’s Liberation Army (PLA), visited in September as part of his four-nation visit in the region. During the visit, Ma indicated that both sides should continue to consolidate and further develop the existing cooperative relations and emphasized that both governments will continue to work for the “smooth implementation of major cooperation projects.” Wu Bangguo, chairperson of the National People’s Congress Standing Committee, also visited Naypyitaw in September, and said the “two countries should take positive measures to deepen win-win cooperation and ensure the successful advancement of such large projects like China-Myanmar oil and natural gas pipeline project so as to encourage the enterprises to gain confidence in bilateral trade exchanges.”

While both sides continue to emphasize the longstanding positive ties, Chinese officials appear to be concerned with a number of recent developments that may affect relations between the two countries. First, Chinese officials are concerned with the continued ethnic unrest and tensions in Myanmar. In October, the Chinese Foreign Ministry issued a statement calling for Myanmar officials to address the ethnic tensions in Rakhine and to resolve the dispute through peaceful negotiation and consultation so as to restore stability along the China-Myanmar borders. Second, US President Barack Obama’s visit to Myanmar in November has drawn mixed views and responses in Beijing. The Chinese Foreign Ministry spokesperson made limited comments on the issue, indicating the visit is a “matter between the United States and Myanmar.” Some Chinese commentators, however, have expressed reservation about the visit, echoing views similar to those of Deputy Foreign Minister Cui Tiankai who indicated in an article earlier this year regarding the US pivot or rebalancing that “The United States must ... convince China ... that there is no gap between its policy statements on China and its true intentions.” As discussed in a recent article in *The Christian Science Monitor*, other Chinese experts see improvements in

US-Myanmar relations as a positive development, where all sides can work together and benefit from closer cooperation rather than competition.

Outlook

It remains unclear how vigorously China will continue to advance its ambitions in the South China Sea. Patriotic and other domestic pressures for a more assertive stance could run up against pragmatic considerations of avoiding an international controversy in the face of a long list of preoccupations and priorities facing China's new leadership. Whether the Philippines will sustain its uniquely strident public opposition and how other South China Sea claimants, concerned countries in ASEAN, and the US will adjust policies in light of sometimes controversial Chinese initiatives and advances also remains uncertain.

ASEAN divisions over China seem hard to bridge, making prospects dim for progress on a code of conduct or other issues sensitive to Beijing. Brunei, a South China Sea claimant, has become the ASEAN Chair, replacing pro-China Cambodia. Meanwhile, China has been worked hard to sustain close ties with Brunei. Wen Jiabao was the first Chinese prime minister to visit the country in November 2011; his visit was followed by CCP Politburo Standing Committee Member Jia Qinglin in April and Foreign Minister Yang Jeichi in August, along with Hu Jintao's meeting with the Brunei Sultan at APEC in September. How the relationship evolves in the early months of 2013 will be important to watch.

Chronology of China-Southeast Asia Relations September – December 2012

Sept. 1-2, 2012: Cambodian Prime Minister Hun Sen visits Beijing and meets Prime Minister Wen Jiabao who pledges to give Cambodia \$500 million in loans for infrastructure projects. According to Cambodian officials, Chinese investment in the country was nearly \$2 billion in 2011, more than double the combined investment by ASEAN and 10 times more than the US.

Sept. 2-11, 2012: Ma Xiaotian, deputy chief of the General Staff of the People's Liberation Army (PLA), leads a military delegation visit to Myanmar, Malaysia, Singapore, and Vietnam.

Sept. 3, 2012: Vietnam and China hold their third Strategic Defense Dialogue in Hanoi. Vietnamese Deputy Defense Minister Nguyen Chi Vinh and Chinese counterpart Ma Xiaotian co-chair the dialogue.

Sept. 7, 2012: Chinese Defense Minister Liang Guanglie visits Vientiane and meets his Laotian counterpart. They agree to continue bilateral visits, personnel training, and border patrols to strengthen strategic coordination and cooperation between the two militaries.

Sept. 20, 2012: Chinese Vice President Xi Jinping attends the China-ASEAN Exposition and trade fair in Nanning and meets several ASEAN leaders and senior officials.

Sept. 21-26, 2012: China, Laos, Myanmar, and Thailand carry out the sixth round of joint patrols on the Mekong River to help secure transportation routes and tackle cross-border crime.

Oct. 3-5, 2012: ASEAN Maritime Forum (AMF) is held in Manila. This year's AMF is the first to include the eight non-ASEAN members of the East Asia Summit.

Oct. 19, 2012: Chinese Vice Foreign Minister Fu Ying arrives in Manila and meets Philippine Foreign Secretary Albert Del Rosario. They agree to continue the dialogue and consultations for cooperation in the South China Sea.

Oct. 23, 2012: China and Vietnam hold third bilateral Public Security Ministerial Meeting in Hanoi. Since its inception in 2008, the forum has provided a channel for bilateral cooperation in controlling cross-border crimes including illegal immigration, human and drug trafficking, and money laundering.

Nov. 4-6, 2012: Chinese Premier Wen Jiabao attends the ninth Asia-Europe Meeting (ASEM) in Vientiane. In meeting his ASEAN and European counterparts, Wen calls for closer multilateral cooperation on business and trade, financial markets, and energy security issues.

Nov. 18-20, 2012: Premier Wen Jiabao visits Phnom Penh to take part in a series of meetings, including the China-ASEAN Summit, the ASEAN Plus3 Summit, and the East Asian Summit. Wen's message throughout emphasizes the positive effects of cooperation and development to enhance trust and stability in the region.

Dec. 1, 2012: Li Jianguo, vice chairperson of the National People's Congress Standing Committee, arrives in Vientiane and meets Laotian leaders. They agree on a four-point proposal to help boost bilateral ties, including deepening cooperation in agriculture, trade, infrastructure, and high-level party-to-party exchanges.

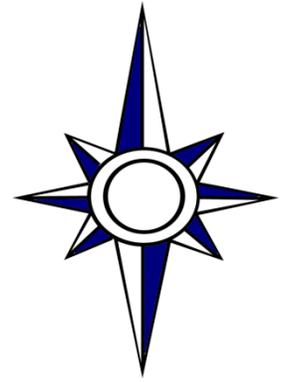
Dec. 6, 2012: China and Indonesia hold the first bilateral meeting of the Maritime Cooperation Committee in Beijing. They launch the China-Indonesia Maritime Cooperation Fund to promote closer maritime cooperation projects.

Dec. 9, 2012: Vietnamese police disperse anti-China protests in Hanoi and Ho Chi Minh City that stemmed from tensions over territorial claims in the South China Sea.

Dec. 11, 2012: Philippine Energy Secretary Carlos Petilla announces Manila will suspend the process for awarding contracts for three oil and gas blocks in the South China Sea.

Dec. 13, 2012: Chinese Minister of Public Security Meng Jianzhu meets Cambodian National Police Commissioner Neth Savoeun in Beijing. They agree to enhance law enforcement exchanges, promote cooperation in combating telecommunications fraud, narcotics, and carry out joint police investigations.

Dec. 25, 2012: Zhang Guoqing, head of China North Industries Group Corporation (NORINCO), visits Naypyitaw and meets President Thein Sein. They agree to continue implementing bilateral agreements and deals, indicating that joint cooperation will not weaken in spite of mass protests in Myanmar on the projects.



**China-Taiwan Relations:
New Faces, Familiar Policies**

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Leadership changes have occurred on both sides of the strait. As predicted, the 18th Party Congress saw Xi Jinping appointed as general secretary in Beijing. In Taipei, President Ma announced in September a complete reshuffle of his cross-strait and foreign policy team. In both cases, the personnel changes do not foreshadow any policy changes in the coming months. While Ma remains unwilling to address political issues in direct negotiations, some interesting Track 2 dialogues occurred. In October, Beijing gave visiting DPP politician Hsieh Chang-ting unusual high-level attention, and following his return Hsieh has tried, thus far unsuccessfully, to promote change in DPP policy. Against the backdrop of increasing tensions over the Diaoyu Islands, Ma is focused on asserting Taiwan's interests primarily through his East China Sea Peace Initiative.

18th Party Congress and PRC policy

The 18th Congress of the Chinese Communist Party (CCP) saw the long-anticipated emergence of a new party leadership under General Secretary Xi Jinping. In the lead-up to the Congress, Taiwan Affairs Office (TAO) Minister Wang Yi authored two important articles. The first, an article in the party theoretical journal *Qiushi*, addressed primarily to party members, was entitled "The Accomplishments and Theoretical Renewal in Cross-Strait Work during the Past Ten Years." Wang noted that the goal was reunification, that the interests of all Chinese would be best served by peaceful reunification and that the "peaceful development" of cross-strait relations based on Hu Jintao's Six Points would pave the way for peaceful reunification. During the past 10 years, policy had been successful because the forces for Taiwan independence had been blocked and significant progress had been made in opening dialogue and reaching agreements that gave substance to peaceful development. This article was in part a puff piece for Hu Jintao's policies. But at a time when there has been some questioning of Hu's policy within China, the article explained how party members should interpret past developments and why those policies would best served China's longer-term interests.

Wang Yi's second article was an interview published in *Xinhua* and aimed at a more general audience. The theme of the interview was "We have the firm determination, full confidence and patience needed in solving the Taiwan issue." Wang predictably linked the Taiwan issue to nationalism, repeating that reunification was a sacred mission for the CCP. In explaining his confidence about eventual reunification, Wang cited two factors. First, the mainland's increasing comprehensive national strength and rising international status are certain to determine the future development of the cross-strait relations. Second, Beijing's policies have gained more understanding from Taiwan society and would provide a way to move from exchanges to

harmony to reunification. Both articles seemed designed to reassure skeptics that Beijing's policies are working and would continue to produce progress toward unification.

Hu Jintao presented the 18th Congress [Work Report](#) on Nov. 8. Wang Yi's theoretical article accurately previewed some of the main themes in the report. Since the 17th Congress report had been written when Chen Shui-bian was raising cross-strait tensions, it was natural that the 18th Congress report incorporated key elements of Hu Jintao's more recent policies including elaboration of key elements in the "Peaceful Development" policy and mention of the "1992 consensus." The report also addressed Beijing's current concern about how to make progress toward political talks. The key sentence stated, "We hope that the two sides will jointly explore cross-strait political relations and make fair and reasonable arrangements for them under the special condition that the country is yet to be reunified." The report also briefly mentioned Beijing's hope for developing military confidence building measures and a peace agreement, emphasizing Beijing's goal of strengthening a shared sense of Chinese national identity.

Beijing recognizes that domestic political factors constrain Ma from pursuing political talks. Hence, patience is needed. Nevertheless, as Congress spokesman Cai Mingzhao commented, political issues must eventually be addressed. Since President Ma's reelection in January, Wang Yi has commented frequently on the need to build the mutual trust needed for political talks. The key sentence in the work report reflects Beijing's desire to find a way forward. When asked about the report's mention of political relations, Wang Yi commented that "fair" arrangements should take into account each side's concerns and not be coercive and that "reasonable" arrangements should be consistent with the one-China principle. Trust can be built by gradually expanding areas of agreement and reducing differences.

President Ma shuffles his team

On Sept. 19, Chiang Pin-kung resigned as chairman of the Straits Exchange Foundation (SEF), part of a raft of other changes made by President Ma: Lin Join-sane, secretary-general of the ruling Kuomintang (KMT) was selected to replace Chiang, Chiang's deputy Kao Koong-lian was persuaded to stay on, and Wang Yu-chi, former spokesman for the Office of the President, replaced Lai Shin-yuan as chairman of the Mainland Affairs Council (MAC). The personnel shuffle extended beyond cross-strait relations with Jason Yuan returning to Taipei from his post as Taiwan's representative in Washington to become secretary-general of the National Security Council. King Pu-tsung, who led President Ma's 2012 reelection campaign, was named representative in Washington.

These changes drew criticism as the replacements are all new to the organizations they now lead and to many of the issues they will face. However, President Ma's selections reflect his intention to maintain close personal control over cross-strait and national security policy. Therefore, he believed it is important for his policies to be implemented by trusted individuals with no possibility of alternative agendas or communication barriers. Ma claimed as much, stating on Sept. 27 that "Lin is unfamiliar with handling cross-strait affairs," but "is very familiar with administrative affairs and has excellent communication skills." Former DPP legislator Shen Fu-hsiung praised Wang Yu-chi's promotion in a more colorful way, using the common Chinese expression that Wang is a "tapeworm in Ma's guts."

President Ma's policy goals

President Ma and his new lieutenants stated the administration's objectives in cross-strait relations clearly and consistently. The highest-profile statement was Ma's Republic of China (ROC) [National Day address](#) on Oct. 10 when he listed negotiating implementation of some aspects of the Economic Cooperation Framework Agreement (ECFA), expanding interactions across the strait based on the "1992 Consensus," and revising the Act Governing Relations between the People of the Taiwan Area and the Mainland Area as his priorities. Some of these initiatives may bump up against domestic political issues. Taipei did not respond positively to Hu Jintao and Wang Yi's calls at the 18th Party Congress for proceeding with cross-strait political talks.

The administration showed more willingness to facilitate Track 2, and even Track 1.5, discussions on political issues, enabling private organizations to invite government officials (in their private capacities) and scholars from Taiwan and the mainland to attend and deliver speeches. Former ROC Foreign Minister C.J. Chen and former Democratic Progressive Party (DPP) SEF Chairman Hong Chi-chang led a delegation from the non-partisan Taipei Forum to China in December, with Chen telling scholars in Shanghai that although the two sides had made great progress in cross-strait relations, direct political discussions remain too sensitive. Rather, he said, civil organizations should work to build understanding.

Although TAO Deputy Minister Sun Yafu and other Chinese officials were not permitted to come to Taiwan for a conference sponsored by the pro-unification Chinese Integration Association shortly after the inauguration, Sun did make an extended visit in December that included his speaking at a conference sponsored by the Chinese Integration Association. Senior representatives of the Kuomintang (KMT) and DPP also participated. Sun then attended a conference hosted by KMT Vice Chairman Chiang Hsiao-yen, at which former KMT Chairman Wu Poh-hsiung encouraged think tanks and civic groups to discuss political issues, making clear the Ma administration's support for such meetings. Though such forums tend to result in representatives of the two sides talking past each other rather than to each other, they do represent a cautious step forward.

The Ma administration remains unwilling to undertake talks on a peace agreement. Speaking on Nov. 10, after Hu Jintao's Work Report had been presented, Wang Yu-chi reiterated Ma's three premises for launching such talks and stated that a referendum would be needed before the government would act. However, Ma did reiterate his support for the establishment of reciprocal SEF/ARATS representative offices, which he had referred to in other speeches as far back as May, as "a necessary step." Ma also referred to the establishment of SEF/ARATS representative offices in a message to Xi Jinping after Xi's election as general secretary of the CCP.

Taipei hopes that reciprocal offices can be established by the end of 2014 and recognizes that amendments updating the [Act Governing Relations between the Peoples of the Taiwan Area and the Mainland Area](#) will be needed for the establishment of those offices. Government officials also mentioned possible amendments to articles in the Act on trade and economic exchanges; Taiwan identification cards for some mainland citizens; double taxation avoidance; limits on

Chinese people serving in public office in Taiwan after gaining citizenship; and regulations on Chinese advertisements. There was also discussion of easing the prohibition on ROC citizens serving at various levels in the Chinese People's Political Consultative Conference (CPPCC), though President Ma said on Dec. 26 that this was not appropriate.

Cross-strait developments

The months around the 18th CCP Congress naturally did not see significant breakthroughs in cross-strait relations. Nevertheless, some modest steps were taken to implement agreements. The two sides have made slow progress in preparing for implementation of the Currency Settlement Memorandum of Understanding (MOU) signed on Aug. 31. The core of the MOU is an arrangement for the direct settlement of RMB and NT\$ accounts between designated banks. Although each side has designated its settlement bank and the MOU was to have come into effect on Oct. 30, no announcement has yet been made that the arrangement is operational. Once it is, financial institutions in Taiwan will be authorized to conduct certain banking, savings, trade, investment, brokerage, and other transactions in RMB and reciprocal arrangements will be made for the NT\$ in China.

At the second meeting of the Cross-Strait Economic Cooperation Committee (CSECC) in November 2011, it was agreed that the two sides would authorize the reciprocal establishment of trade organization offices early in 2012. It was not until Dec. 18, 2012 that the semi-official Taiwan External Trade Development Organization (TAITRA) opened its office in Shanghai. The China Chamber of Commerce for Import and Export of Machinery and Electronic Products has not yet opened its office in Taipei. The length of time taken to open these semi-official offices reflects the care both sides must take on even non-controversial issues. These trade offices, established under ECFA, join existing semi-official tourism offices established under the SEF-ARATS Tourism Agreement. They are important as elements in an expanding institutionalized framework for cross-strait relations. The Fourth CSECC meeting was held Dec. 11 in Guangzhou. Although some minor steps were announced, including the formal approval of the exchange of trade offices, no new agreements were concluded.

Frank Hsieh challenges the DPP

Former DPP Premier "Frank" Hsieh Chang-ting visited Xiamen and Beijing in early October. Beijing gave Hsieh much more high-level attention than past visiting opposition figures because he is the only senior DPP figure who has made concrete proposals concerning a political basis on which the DPP might conduct dialogue with Beijing. TAO Minister Wang Yi met Hsieh, and State Councilor Dai Bingguo hosted a dinner for him. Hsieh was received in these meetings as chairman of the Taiwan Reform Foundation, which he heads.

Upon return, Hsieh said that in the course of his wide-ranging discussions he had explained his view that while the DPP did not accept the "1992 consensus," the spirit of the 1992 meetings could be viewed as "different interpretations of constitutions (憲法各表)," in other words, as a "constitutional consensus." This amounted to a reformulation of what Hsieh had earlier called his "Constitutional one China" view, meaning that since the ROC Constitution was based on a one China concept, the Constitution could provide a basis for cross-strait political talks. *Xinhua* noted

his meetings but did not report Hsieh's views or discussions. Subsequently, Beijing officials have carefully avoided any comment on Hsieh's proposals.

Hsieh's visit was a major event in the ongoing internal DPP debate on its "China" policy. The reactions within the DPP predictably followed the pattern that has evolved in that debate. Party fundamentalists like Yu Shyi-kun, Yao Jia-wen, and Kao Jyh-peng criticized Hsieh. A few pragmatists, such as Tung Chen-yuan, saw the visit as a constructive step. Party Chairman Su Tseng-chang only commented that Hsieh's visit was a personal one and that the views expressed were Hsieh's, not those of the DPP. Wu Jaushieh, executive director of the DPP Policy Coordination Committee, opined that the DPP would never accept one China. Despite the criticism, Hsieh has actively promoted his ideas for dialogue, arguing that the DPP will not be able to win a national election and return to power if it does not adjust its policy toward Beijing.

After a long period of consultation, the DPP announced on Nov. 21 the establishment of its "China Affairs Committee" and that Chairman Su Tseng-chang would serve as its convener. Committee membership is undecided, though both Frank Hsieh and Yu Shyi-kun indicated initially that they would not join. As fundamentalists had expressed concern about the committee, Su stated that basic DPP policies had not changed and would continue to be based on the 1999 Resolution on Taiwan's Future. When asked for comment on the committee, the TAO spokesman said that Beijing would never accept the "one country on each side" concept, which views Taiwan and the PRC as separate countries. Ten days earlier, TAO Minister Wang Yi had reiterated CCP policy toward the DPP stating there would be no contact with the DPP as a party until it renounced Taiwan independence and the "one country on each side" idea.

East China Sea developments

As tensions continued over territorial claims to the Diaoyu/Senkaku Islands (technically Taiwan refers to the islands as Tiaoyutai) in the East China Sea and Spratly Islands in the South China Sea, Taiwan faced two unique challenges: avoiding the perception that it was or should cooperate with the People's Republic of China (PRC), and simply trying to maintain its claimant status for possible future negotiations. Taiwan balanced potentially provocative moves such as drills, official inspections, and fly-bys and sail-bys with more diplomatic measures.

During a visit to nearby Pengjia Islet on Sept. 7, President Ma elaborated on the East China Sea Peace Initiative that he proposed in August, suggesting that Taiwan, China, and Japan carry out separate bilateral dialogues and then a single trilateral negotiation on economic, environmental, and security issues in the disputed area. He carefully noted that safeguarding sovereignty was the priority for the ROC. A few days later the Japanese government announced it would purchase the disputed islands increasing tensions further. In October, Japan's foreign minister said that Tokyo endorsed the spirit of Ma's initiative, but not the implementation plans. Taipei and Tokyo held a preparatory meeting in November concerning fisheries talks planned for early 2013. Ma told US visitors on Dec. 6 that his government is drafting a code of conduct for the East China Sea.

Chinese officials have continued to encourage Taipei to work with Beijing to defend the sovereignty of the Chinese nation. On Sept. 18, Jia Qinglin, then a Politburo Standing Committee member, said that both sides should work together through their own means to defend the

nation's territorial integrity. While there has been collaboration between civilian activists from Taiwan, the PRC, and Hong Kong, from the beginning President Ma always very carefully claimed sovereignty for the ROC. In September then-MAC Minister Lai Shin-yuan called cooperation with Beijing "unseemly." In October, Taiwan's Foreign Ministry purchased advertising space in leading newspapers criticizing the Japanese government's purchase of the Senkakus (it did not address China's aggressive behavior), arguing not only that the ROC held legal sovereignty over the Tiaoyutais but also that the islands historically had been included in the same administrative units as the island of Taiwan.

In the South China Sea, Taiwan has sought inclusion in any discussions on a code of conduct. Former Premier Lien Chan pressed Taiwan's case in meetings with Southeast Asian leaders at the Asia Pacific Economic Cooperation (APEC) meetings in Vladivostok in September, and reported that "many of them" welcomed Taiwan's participation (though his counterparts didn't say this themselves). China is widely perceived as having blocked such talks during the ASEAN Summit in November. Taiwan announced in late December that it would begin exploring for oil and gas near Taiping Island in 2013.

Chinese passports stir controversy

Taipei pushed back, strongly at times, against passports issued by Beijing since May, which include maps of disputed territories and images of two Taiwan tourist sites. On Nov. 23, the MAC released a statement condemning inclusion of the images and President Ma's spokesman said the images were inappropriate, expressing hope that Beijing would not undermine progress in cross-strait relations. On Dec. 12, Lin Join-sane formally told Chen Yunlin that the passports "could harm cross-strait relations" but later Lin sought to downplay the controversy and called the offending images "style considerations," causing the DPP to demand his resignation. On Dec. 13, Wang Yu-chi told Taiwan's legislature that the government was considering barring holders of this passport from entering Taiwan and said later that SEF had protested to ARATS in writing. Subsequently, ARATS replied that Taipei's concerns were invalid.

International space

At the APEC Leaders Meeting in Vladivostok, Hu Jintao again received Taipei representative Lien Chan. After the meeting, Lien told the press that Hu said Beijing would seriously consider Taiwan's desire to participate in the International Civil Aviation Organization (ICAO). Despite this second occasion on which Hu was said to have expressed this willingness, there has been no progress toward Taiwan's participation. TAO Minister Wang Yi noted in September that Beijing was willing to discuss the issue, but that Taiwan has not been willing to do so. Not wanting to be seen as dependent on Beijing, the Ma administration has been reluctant to consult Beijing.

When asked for comment on Hu Jintao's reported statement, the TAO spokesman said on Sept. 12 that so long as cross-strait relations are improving and mutual trust is growing, Beijing could consider Taiwan's desire for greater international space in a practical way. These remarks explicitly made the linkage between progress on cross-strait relations and Beijing's approach to international space issues. This creates a dilemma. Since Ma does not believe he has domestic support for addressing political issues, he is further constrained from approaching Beijing on

international space. Since Ma is unwilling to negotiate, Beijing will not grant the additional international space that would give Ma the political benefits that might make it easier for him to address political issues. For now, the political will to break this dilemma is lacking.

Looking ahead

In the months leading up to the National People's Congress in March, personnel decisions will flesh out Xi Jinping's team for managing cross-strait relations, including membership in the Taiwan Affairs Leading Small Group, the TAO and ARATS. Wang Yi is expected to get a more responsible position; whether he will have a continuing role in cross-strait issues will be important. It is possible that TAO Deputy Chen Yuanfeng, who was promoted to the Central Committee, may be in line to replace Wang.

ECFA negotiations on liberalizing trade in goods and services were ongoing throughout the fall. Despite hopes on both sides to finalize an agreement on services by the end of 2013, a deal had not been reached at yearend. Reports indicate that China is pressing for more access to Taiwan's market – ironically, it also wants to receive most-favored nation treatment from Taiwan and observance of its WTO status as a developing economy. It is expected that the Currency Settlement MOU will come into operation, and its implementation will provide initial insight into the role of the RMB on Taiwan.

President Ma said his government is drafting a code of conduct for the East China Sea. Although Beijing has not commented publicly, it is probable that Beijing will see reasons related to the disputes in both East and South China Sea for opposing such a proposal.

Farther into the future, the negotiation on reciprocal SEF/ARATS offices will be important. Taipei hopes the offices can be established by the end of 2014, though it may take longer, given the delays that have occurred in almost every other cross-strait negotiation. Issues include the roles, functions, and staffing of the offices, and the level and identity of the individuals to lead each office. Once established, the offices will represent a substantial step forward in institutionalizing cross-strait relations. How the specifics are handled could have implications for the de facto acknowledgement of each side's jurisdiction that President Ma has often discussed.

Chronology of China-Taiwan Relations September – December 2012

Sept. 1, 2012: Republic of China (ROC) Defense Minister Kao Hua-chu visits Pratas Atoll in the South China Sea.

Sept. 3, 2012: Cross-strait Cultural Forum is held in Beijing.

Sept. 4, 2012: Taiwan legislators from Kuomintang (KMT) and Democratic Progressive Party (DPP) visit Taiping Island in Spratlys and observe a live-fire drill.

Sept. 5, 2012: Delegation of retired Taiwan legislators visits Beijing and meets Politburo Standing Committee BSC member Jia Qinglin.

Sept. 6, 2012: President Ma Ying-jeou says the Coast Guard should patrol Diaoyutais regularly.

Sept. 7, 2012: President Ma makes visit to Pengjia Islet with several Cabinet members.

Sept. 7, 2012: Association for Relations Across the Taiwan Straits (ARATS) Vice President Wang Zaixi says Beijing is glad to hear of President Ma's visit to Pengjia and that the two sides should work together to protect sovereignty.

Sept. 7, 2012: Lien Chan meets Hu Jintao at APEC.

Sept. 9, 2012: Secretary Clinton meets Lien Chan at APEC.

Sept. 10, 2012: ARATS President Chen Yunlin leads 60-member cultural delegation to Taiwan.

Sept. 10, 2012: Taipei and Beijing protest Japan's decision to buy the Senkakus.

Sept. 12, 2012: Taiwan Affairs Office (TAO) spokesman says that China and Taiwan share the claim to the Diaoyus and should unite in face of aggression.

Sept. 17, 2012: Bank of Taiwan named cross-strait currency clearance bank.

Sept. 18, 2012: Lien Chan meets Jia Qinglin in Nanjing.

Sept. 23, 2012: Taiwan becomes a full member of the South Pacific Regional Fisheries Management Organization (SPRFMO).

Sept. 25, 2012: 78 fishing boats with 12 Taiwan Coast Guard cutter escorts arrive in the Diaoyutai area; exchange shots from water cannon with Japan Coast Guard ships.

Sept. 26, 2012: President Ma reiterates desire for peaceful resolution.

Sept. 27, 2012: President Ma receives fishermen protesting Japanese actions in Diaoyutais.

Sept. 30-Oct. 2, 2012: US-Taiwan Defense Industry Conference held in Hershey, Pennsylvania.

Oct. 1, 2012: Lockheed Martin announces \$1.85 billion contract to upgrade Taiwan *F-16s*.

Oct. 2, 2012: Taiwan Vice Defense Minister Andrew Yang meets US Deputy Defense Secretary Ashton Carter at Pentagon.

Oct. 4, 2012: Taiwan Deputy Minister of Economic Affairs Cho Shih-chao notes plans to reach cross-strait services trade agreement by year end.

Oct. 5, 2012: DPP's Frank Hsieh gives lecture at Xiamen University.

Oct. 6, 2012: Frank Hsieh meets TAO Minister Wang Yi.

Oct. 7, 2012: Frank Hsieh meets State Councilor Dai Bingguo and Chen Yunlin. Su Tseng-chang says Hsieh's trip was personal.

Oct. 10, 2012: President Ma reiterates desire for progress under 1992 consensus.

Oct. 11, 2012: Executive Yuan proposes legislation allowing People's Republic of China (PRC) students in Taiwan for more than half of a year to qualify for National Health Insurance.

Oct. 16, 2012: Straits Exchange Foundation (SEF) Chairman Lin Join-sane on an initial visit to mainland China travels to Beijing, Tianjin, Shanghai, and Kunshan.

Oct. 16, 2012: TAO Minister Wang Yi publishes article in *Qiushi* on ten-year accomplishments.

Oct. 17, 2012: SEF Chair Lin Join-sane meets Jia Qinglin.

Oct. 19, 2012: Frank Hsieh says independence can't be basis of DPP's appeal to voters.

Oct. 29, 2012: Taiwan's Defense Ministry confirms that three former military officers were arrested for selling classified information to China.

Nov. 6, 2012: President Ma says he would visit mainland "as the president of Taiwan if our Chinese counterpart respects that fact." Wang Yi describes such a visit as "difficult."

Nov. 8, 2012: General Secretary Hu Jintao delivers Work Report to 18th Chinese Communist Party (CCP) Congress.

Nov. 10, 2012: PRC Commerce Minister Chen Deming urges Taiwan to give China most favored nation treatment.

Nov. 14, 2012: TAO's Wang Yi and Chen Yuanfeng elected to CCP Central Committee.

Nov. 15, 2012: Taiwan Tourism Association opens its second office in Shanghai.

Nov. 15, 2012: Chairman Ma sends a congratulatory message to Xi Jinping.

Nov. 21, 2012: DPP establishes China Affairs Committee with Su Tseng-chang as convener.

Nov. 21, 2012: New PRC passport with images of Taiwan tourism sites and maps with disputed territories comes to light in *Financial Times* report.

Nov. 23, 2012: Mainland Affairs Council (MAC) issues statement calling PRC passports "unacceptable" and a threat to mutual trust.

Nov. 23, 2012: Taiwan Ministry of Foreign Affairs says now not an appropriate time for Dalai Lama to visit Taiwan.

Nov. 30, 2012: Taiwan-Japan preparatory fisheries talks are held in Japan.

Dec. 5, 2012: Wang Yu-chi says mainland must be more specific about contents of a cross-strait peace agreement before Taiwan can consider it.

Dec. 6, 2012: President Ma says Taipei is working on an East China Sea code of conduct.

Dec. 9, 2012: US announces the release of a \$289 million Raytheon contract for Taiwan radars.

Dec.10, 2012: Chinese Integration Association's Taipei Conference, attended by Sun Yafu.

Dec. 11, 2012: Fourth Cross-strait Economic Cooperation Committee (CSECC) meeting is held in Guangzhou.

Dec. 11 2012: Beijing designates Taipei branch of Bank of China as settlement bank.

Dec. 11, 2012: Taipei Forum delegation visit to Shanghai and Beijing.

Dec. 15, 2012: China submits documents to United Nations explaining its claims to the Diaoyu/Senkaku Islands and areas in the East China Sea.

Dec. 17, 2012: Su Chi, former secretary general of the National Security Council under President Ma says two sides of the strait should undertake political dialogues to build trust.

Dec. 18, 2012: Taiwan External Trade Development (TAITRA) office opens in Shanghai.

Dec. 19, 2012: President of Honduras says his country will open trade office in China with a view toward establishing diplomatic relations with the PRC

Dec. 24, 2012: Director of Taiwan's intelligence service criticizes Sun Yafu's "pro-unification" remarks in Taiwan.

Dec. 24, 2012: SEF sends complaint over Chinese passports to ARATS.

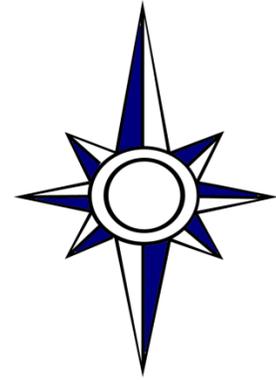
Dec. 25, 2012: Taiwan Foreign Minister David Lin says that dual recognition by Honduras of the ROC and PRC is not acceptable.

Dec. 26, 2012: President Ma says ROC citizens joining Chinese People's Consultative Conference Chapters is "not appropriate."

Dec. 27, 2012: Taiwan Bureau of Energy informs legislature that Taiwan will begin undersea oil exploration near Taiping Island in the Spratlys in 2013.

Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



South Korea-North Korea Relations: Will “Trustpolitik” Bring a Thaw?

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Writing as a new year begins it seems apt to look forward as much as back. If the past four months saw little movement on inter-Korean relations, it is hardly surprising. South Korea’s current president (since 2008), Lee Myung-bak, is detested by the North – but he is on the way out. Formally, Lee’s term of office ends on Feb. 25, but the way the electoral cycle works in Seoul – presidents are allowed only a single five-year stint – has rendered him a lame duck for the past year, as attention shifted to the hard-fought race to succeed him. In that contest, despite deep overall ideological rivalries, the one certainty was that Seoul’s policy towards Pyongyang will change going forward. Both major candidates, as well as the independent progressive Ahn Cheol-soo, who made much of the running before eventually withdrawing, had promised to end Lee’s hard line and try to mend fences with the North. With her victory, the task of defining that changed policy falls to Park Geun-hye.

Fences to mend

That said, the detail among the candidates differed substantially. In a useful service, the [US] National Committee on North Korea (NCNK) – whose website is a valuable and perhaps insufficiently known resource generally – put together [summaries of the candidates’ positions](#) on the Northern question. The most radical was Moon Jae-in of the opposition Democratic United Party (DUP), who in effect was ready to resume and deepen the “Sunshine” policy practiced for a decade (1998-2007) by the late Kim Dae-jung and Roh Moo-hyun. Moon, who served as Roh’s chief of staff, went so far as to advocate an inter-Korean economic union – complete with its own five-year plan. This also would have included a Korean Peninsula Infrastructure Development Organization: a name surely suggestive of the now sadly defunct Korean Peninsula Energy Development Organization (KEDO), which did much to lay the foundations for more robust North-South cooperation. (KEDO’s too soon forgotten story is told by three participants – Robert Carlin, Joel Wit, and its former Executive Director, Charles Kartman – in [a book published last year](#).) The authors also did [video interviews with 38north.org](#) documenting their experience.

But this was not to be. The South Korean electorate did not go for “Sunshine” 2.0. In fact most polls suggest that North Korea hardly figured at all in the election. Either way, the main issues and preoccupations were domestic. Although Moon received 48 percent of votes cast (in a high turnout of 75.8 percent) in the presidential election held on Dec. 19 – and was the overwhelming choice of younger Koreans, according to exit polls – he was narrowly but clearly defeated by Park Geun-hye; daughter of the dictator Park Chung-hee (1961-79) and candidate of the conservative ruling Saenuri (New Frontier) Party. Park’s 51.6 percent of the total vote – the first

time any candidate has ever gained an absolute majority – past contests have usually been three-horse races – will make her, as one excited commentator put it, Korea’s first female leader since Queen Seondeok of the Silla kingdom in the 7th century CE.

That fact, radical in itself, suggests that South Korea’s next president should not be judged, as her foes tend to, solely by her personal and party pedigrees. Not that those are irrelevant, but the somewhat enigmatic Park is clearly a more moderate conservative than the man she succeeds and there is no love lost between them. Already in a 2011 [Foreign Affairs Article](#), Park called for “trustpolitik” between the two Koreas. That is a catchy slogan rather than a policy – Song Min-soon, a liberal ex-foreign minister, called it no more than “hopeful generalities” – but evidently it signals a desire to build confidence and mend fences.

Putting flesh on that idea will be more complex, however. The concrete policy dilemmas on North Korea which Park Geun-hye now faces were rather well, if pointedly, summed up in early December – when she was not yet South Korea’s leader-in-waiting – in an unusually cogent document from the very people she will soon have to deal with, north of the DMZ.

Pyongyang pinpoints Park’s dilemmas

Having to spend many a dreary hour reading North Korea’s stodgy and rancid propaganda, it makes a rare but refreshing change when every now and then Pyongyang says something halfway sensible. On Dec. 3 the official *Korean Central News Agency* (KCNA) published an [“open questionnaire”](#) by the Secretariat of the Committee for the Peaceful Reunification of Korea (CPRK), “demanding Park Geun Hye make clear before all the fellow countrymen what her basic stand on the ‘policy toward the north’ is and how she will develop the north-south relations in the future as desired by the whole nation and public at home and abroad.” CPRK had seven questions, whose general tenor was: Will the real Park Geun-hye please stand up? For example, “How is she going to keep promises made between the north and the south while shunning the joint declarations agreed by the top leaders of the two sides...?” Or again, “How will she ensure ‘mutual respect’ and achieve ‘trust’ and ‘cooperative relations’ while insisting on ‘unification based on liberal democratic order’?” For that matter, “Is [her] call for ‘scrapping nuclear program first’ different from the [Lee Myung-bak] watchwords of ‘no nukes, opening and 3 000 dollars’?” (President Lee brashly offered to raise DPRK income per head to \$3,000 if it gave up nuclear weapons and opened its economy; the North scorned this.) Or again, “Is it possible to put north-south ties on a normal track while resorting to anti-DPRK smear campaign such as ‘north Korean human rights act’?” And so on.

This is useful on several levels. First, the skilled Janus act – facing both ways, and not only on North Korea – which won Park the election, by appealing to both conservatives and the center ground, will be hard to sustain after February once she returns to her childhood home in the Blue House. Then hard choices will be necessary, regarding conditionality, priorities, means and ends, and the proper balance of stick and carrot. The CPRK’s questions cover many of the thorny issues which Park is no doubt already mulling. Let us examine a few.

First, it seems fair for the North to want Park to recommit to the two summit agreements, and it would be a good start if she feels able to do that. Whether she will is less clear, given her

hedging on the nuclear issue which CPRK correctly identifies. Despite the open-ended sound of “trustpolitik,” some of Park’s statements about the need for nuclear progress – much to be desired, of course; but the question is whether to make this a formal precondition – are hard to distinguish from Lee Myung-bak’s stance. Kim Dae-jung’s principle of separating politics from economics appears a wiser course, although vulnerable to criticisms of one-sidedness (and of course no more cash must pass under the table, as happened in his day).

Similarly, human rights criticisms of North Korea, while richly merited – they include, of course, the abduction during and after the 1950-53 Korean War of many thousands of South Koreans; so for Seoul to raise this is its right, not meddling – are hardly likely to restore even a modicum of “sunshine” if they are front-loaded. All Pyongyang’s interlocutors face the same problems of which concerns to prioritize – and also how best to coordinate with one another. Sequencing and linkages are key, and there are no easy answers or quick wins. The aim is to achieve a lasting transformation of the North, so some important issues may have to wait.

More joint ventures like the Kaesong Industrial Complex (KIC) would seem a win-win way forward. Another of CPRK’s questions was: “Does she think it possible to have north-south dialogue and cooperation with the ‘May 24 measure’ left intact?” This refers to the notional ban on inter-Korean trade (with the very large exception of the KIC) imposed by Lee Myung-bak after Seoul decided that the *Cheonan* was Pyongyang’s doing. Since the only effect of this has been for Chinese trade and investment to fill the gap left by South Korea’s withdrawal, it would be sensible for Park to separate politics from economics and lift the ban. Another easy but helpful step would be to resume tourism to the Mount Kumgang resort, suspended since a tourist was shot dead there in 2008, before the operator Hyundai Asan goes bankrupt and its (nominally confiscated) hotels and other assets at Kumgang fall too far into disrepair.

Obviously Park Geun-hye neither can nor should give the North everything it wants. But she and her advisors could do worse than study the CPRK’s questionnaire closely as a checklist of the kinds of issues Pyongyang is liable to raise, and the stance it is likely to take regarding them, once inter-Korean talks restart – as they surely will this year, if maybe not right away.

No aid? Then we shoot

Park should also ponder carefully the lessons of her predecessor’s North Korea policy. In South Korea’s rather abrupt political transitions, ex-presidents are history (and sometimes toast) the moment they step down. Indeed they become largely irrelevant as soon as their successors are elected, even though they still have another two months nominally in office.

Against that backcloth, and amid wide consensus that Lee Myung-bak’s North Korea policy was a failure – some might say, a disaster – Lee’s camp evidently felt the need to put their side of the story forward. Early in January, several Seoul dailies carried what was essentially the same report, attributed to an unnamed Blue House official. This confirmed that the administration had held several secret discussions about arranging a summit meeting. This fact was already known – indeed the North had ungallantly publicized it – but some fresh details emerged.

In his Liberation Day (August 15) speech in 2009 President Lee said the South was ready to start talks with the North “any time and at any level.” A week later, coincidentally, a rare senior Northern delegation visited Seoul to offer condolences for the recently deceased ex-President Kim Dae-jung, who had inaugurated the “Sunshine” policy and held the first inter-Korean summit in June 2000. The visitors included party secretary Kim Ki Nam and Kim Yang Gon; the latter is both in effect Pyongyang’s spy chief and in charge of inter-Korean affairs. They met Lee and privately told him the North was willing to hold a summit.

Kim Yang Gon was again the North’s point man for secret talks in Singapore in October with the South’s presidential chief of staff Yim Tae-hee. But Pyongyang demanded \$500 million worth of rice and fertilizer aid, which Seoul refused. Talks continued in the North’s border city of Kaesong on Nov. 7 and 14, with the same demand which the South again nixed. According to the source: “Won Tong-yon, a ranking member of the [North’s] Asia-Pacific Peace Committee, even presented a rough draft of a summit agreement, which contained demands for tens of thousands of tons of rice and fertilizer, and we couldn’t accept that.”

By early 2010, the North realized that Lee really was unmovable on aid, and abruptly altered its stance. Vowing a “holy retaliatory war,” in March, the Korean People’s Army (KPA) sank the frigate *Cheonan* and in November they shelled Yeonpyeong Island. Talks continued even after the *Cheonan* incident, but the North then as now denied responsibility for that attack.

Though obviously partisan, this account seems credible on the facts. Yet, questions remain as to Lee Myung-bak’s judgment and motivation. A source in Lee’s camp claims, as quoted by the [Chosun Ilbo on Jan.3](#), that had they agreed to aid, “the North would have demanded cash at every step of the process until the summit took place.” Is that fair? Pyongyang is certainly greedy and grasping. But, since during the “Sunshine” era Seoul sent 500,000 tons of rice and 300,000 tons of fertilizer in most years, an alternative reading is that the North just wanted restoration of the *status quo ante* – like its constant refrain that the South should recommit to the two Pyongyang summit accords, the latter of which (signed by his predecessor Roh Moo-hyun) Lee in effect abrogated. Of course North Korea too has failed to honor agreements, above all the wide-ranging but never implemented general and nuclear accords of 1991-92. Still, its feeling betrayed is understandable, even if its revenge in 2010 is obviously unconscionable.

Also, as with his *nordpolitik* generally, it is fair to ask what Lee seriously hoped to achieve. As we have noted before, insisting on nuclear disarmament as a precondition of substantive North-South progress was bound to get nowhere. Did Lee really not grasp that? Or if he did, does this warrant a more cynical interpretation, as critics allege – that in fact he just wanted to kill the “Sunshine” policy, and never seriously expected Pyongyang to play ball? Perhaps too kindly, I incline to the deluded rather than the cynical reading. Which interpretation is right may become clearer as time passes, if the key players give interviews or write memoirs (as for an earlier phase Lim Dong-won, “Sunshine’s” *eminence grise*, has done, in [a book now available](#) in English).

Parsing Kim’s New Year speech

Although technically this takes us a day into 2013, it would be perverse and remiss not to take note of Kim Jong Un’s New Year speech – particularly since sections of what North Korea

sometimes dubs the “reptile press” have got over-excited about it. This is where a project like *Comparative Connections* comes into its own. The hard, sometimes dreary graft of minutely chronicling a bilateral relationship, in all its ups and downs, does at least furnish a more nuanced sense of what really is new – as distinct from the ceaseless ebb and flow of the DPRK’s rhetorical tides, alternately breathing fire and calling for peace. (For an earlier example, see the “peace offensive” with which Pyongyang opened 2011 – this after its twin attacks in 2010 – which [we chronicled in *Comparative Connections*](#) last January.

Hope springs eternal, but it should not triumph over experience. Perhaps over-impressed by the innovation – actually a reversion to his grandfather’s day – of Kim Jong Un personally giving a speech, instead of the joint New Year editorials which replaced this during the 17 years (1995-2012) of the Kim Jong Il era, a surprising amount of Western media comment took a few perfunctory passages in Kim’s talk at face value. “[North Korean Leader Makes Overture to South](#)” was the *New York Times* headline, to an article which claimed that the most significant feature of Kim Jong-un’s speech was its marked departure of tone regarding South Korea. “A key to ending the divide of the nation and achieving reunification is to end the situation of confrontation between the North and the South,” Mr. Kim said. “A basic precondition to improving North-South relations and advancing national reunification is to honor and implement North-South joint declarations.”

True, this is better than calling Park Geun-hye a “political prostitute,” or cartooning Lee Mung-bak as a “rat being bloodily killed.” Yet as readers of *CC* or anyone who follows Korea knows, the phrases by Kim singled out by the *NYT* are bog-standard DPRK boiler-plate. There is nothing new about this at all. A closer reading would add two further points. One is Leonard Cohen’s eternal question: “Who is it whom I address?” (From ‘Teachers’ on his first album [The Songs of Leonard Cohen](#), 1967). Typically North Korea addresses South Korea in the abstract, or the world at large. That is grandstanding, not dialogue. Moreover it elides and undercuts the ROK government, quite deliberately, thereby demeaning the latter’s legitimacy as a counterparty. Had Kim Jong Un mentioned Park Geun-hye by name, that would have been a radical change. But he did not.

Second, rather than taking a phrase or two out of context, all DPRK documents must be read and parsed as a whole. The overall tone of Kim Jong Un’s speech was typically militant. It included this robustly worded threat: “If the aggressors dare launch a preemptive attack against our sacred country, the People’s Army should mercilessly annihilate them and win victory in the war for the country’s reunification.”

From here to paternity

Well, if that is the kind of reunification Pyongyang can still envisage – in 2013 as in 1950 – then it is hard to take Kim’s call for an end to confrontation seriously. Despite a decade of “Sunshine,” eclipsed though this has been during the past five years, “trustpolitik” does indeed remain to be built, and seemingly rebuilt, from the ground up. We shall see whether new principals on either side will do better than those who came before. Though at first sight an odd couple – she is twice his age – Park and Kim were both born into political dynasties. As it happens, they each also lost their mothers in their early 20s; respectively, to an assassin’s bullet meant for Park Chung-hee and to breast cancer.

On a private visit to Pyongyang back in 2002, Park was the dinner guest of the late Kim Jong Il; they spoke for an hour with no aides present. The host reportedly told his visitor, “I hold your father in high esteem in terms of how he developed the nation.” That was and is not the DPRK’s public line, naturally. But there may be a tacit basis for understanding here between a young married man, whose sole claim to rule is who his father and grandfather were, and a middle-aged single woman – the nation and people are her family, she likes to say – whose paternity is also crucial to her success and appeal. At all events, the next five years between the two Koreas can hardly be worse than the past five years.

Chronology of North Korea-South Korea Relations September – December 2012

Sept. 5, 2012: The Presidium of the Supreme People’s Assembly (SPA), North Korea’s rubber-stamp parliament, announces that an unusual second SPA session this year will be held on on Sept. 25, prompting speculation that economic reforms will be announced.

Sept. 5, 2012: Kim Jong Un sends condolences to the family of Unification Church founder Moon Sun-myung, who died on Sept. 3. Though seen as staunchly anti-communist, and originally expelled from North Korea where he was born, later in life Moon met with Kim Il Sung, and church companies invested in a hotel and auto plant in North Korea.

Sept. 7, 2012: Seoul High Court upholds a 4-year jail term for a defector named only as Ahn, who came to the South 17 years ago, for plotting to kill Park Sang-hak, a fellow defector and prominent anti-DPRK activist, with a poisoned needle.

Sept. 7, 2012: Seoul Central District Prosecutors’ Office files for an arrest warrant for a 50 year old North Korean spy named only as Kim. Arriving in June as a refugee, he confessed to being an agent of the DPRK Ministry of State Security so that he could “form a normal family” with a woman who came from China with him and who is also being investigated.

Sept. 7, 2012: ROK Minister of Strategy and Finance (MOSF) Bahk Jae-wan tells a special committee on long-term fiscal policy that “the unification of South and North Korea is a future that is not very far off, which makes the assumption that the countries will not be unified within the next 30 to 40 years seem absurd.” No reasons for his views are reported.

Sept. 10, 2012: Two ROK firms, steelmaker Posco and Hyundai Group, break ground for a 1.5 sq km \$177 million distribution center in Hunchun city in Yanbian Korean Autonomous Prefecture, China.

Sept. 13, 2012: Left-leaning Seoul daily *Hankyoreh* reports that some ROK firms in northeast China are closing down because Seoul forbids them to hire DPRK workers, who are increasingly available in the area and much cheaper than their Chinese counterparts.

Sept. 17, 2012: ROK businesses in the Kaesong Industrial Complex (KIC) tell the *Korea Times* that Choco Pies, a popular South Korean snack, are being used in the KIC as an incentive to boost productivity. Workers reportedly resell them at a premium in Northern markets.

Sept. 18, 2012: Unification Ministry (MOU) says ROK government will pay out 7.5 billion won (\$6.7 million) to compensate Southern firms hit by Seoul's ban since May 2010 on trade with the North (the KIC is exempt). Hitherto only loans had been offered, on a more generous scale; 253 companies have been lent a total of 56.9 billion won.

Sept. 19, 2012: Sources in Seoul tell *Yonhap News Agency* that the ROK government is considering taking over the assets of small investors in the shuttered Mount Kumgang resort, worth a total of 133 billion won (\$118 million).

Sept. 20, 2012: An official (presumably ROK) at the KIC says that the previous day a letter signed by most of the 123 Southern firms invested there was submitted to the DPRK authorities, protesting tax changes unilaterally imposed in August. These include a fine for accounting fraud of up to 200 times the sum involved.

Sept. 25, 2012: The North's SPA holds an unusual second session. The main business is to announce an extension of compulsory schooling from 11 years to 12.

Sept. 26, 2012: 65.7 percent of South Koreans, 6 percent more than a year ago, are unhappy with Lee Myung-bak's hardline policies on North Korea, according to a poll by the Institute for Peace and Unification at Seoul National University. 57 percent support reunification, while 54 percent favor increased cooperation and exchanges. 69 percent fear that the North could attack again.

Oct. 5, 2012: Korean Council for Women Drafted for Military Sexual Slavery, an ROK civic group supporting former "comfort women," says it will formally protest a 500,000 won (\$447) fine levied on it last month by MOU for issuing an unauthorized joint statement with a similar group in the DPRK, denouncing Japan. The ROK group says it had notified MOU of its plans, but the ministry refused to accept the notice.

Oct. 5, 2012: *Choson Sinbo*, daily paper of pro-North Koreans in Japan, says that South Korea's upcoming presidential election in December "can become an opportunity to end the catastrophic North-South relations."

Oct. 6, 2012: An 18 year old Korean People's Army (KPA) soldier from a border unit runs across the Demilitarized Zone (DMZ) to defect, after reportedly shooting dead two of his officers. He is later said to be 160 cm tall but to weigh only 50 kg (110 pounds).

Oct. 11, 2012: News emerges in Seoul of a cross-DMZ military defection on Oct. 2. This KPA soldier scaled three flood-lit barbed-wire fences unnoticed, and had to knock twice on ROK barracks doors to announce his presence and turn himself in before anyone realized he was there.

Oct. 11, 2012: ROK lawmaker Jun Byung-hun of the liberal opposition Democratic United Party (DUP) claims that Seoul's suspension since mid-2008 of tours to Mount Kumgang has caused

losses totaling 2.3 trillion won (\$2.18 billion) to tour operator Hyundai Asan, other Southern firms, and local governments in the adjoining border areas.

Oct. 11, 2012: DUP rebuts as electioneering claims by ruling party lawmakers that former President Roh Moo-hyun, during his 2007 summit with Kim Jong Il, was ready to yield on the Northern Limit Line (NLL) as the de facto marine border in the West/Yellow Sea.

Oct. 15, 2012: ROK Defense Minister Kim Kwan-jin issues a public apology for the lax border security at the DMZ exposed by recent Northern military defections. Five generals and nine other officers in charge of the front will be disciplined.

Oct. 18, 2012: MOU confirms that in August North Korea unilaterally imposed new taxes at the KIC, demanding a total of \$160,000 from nine of the 123 Southern firms invested there. The new rules demand to see daily financial data, which firms regard as confidential, and reserve the right to judge proper pricing of inputs and outputs. Pyongyang suspects these are being respectively inflated and deflated so that companies can minimize their tax liabilities.

Oct. 22, 2012: ROK police block routes to Imjingak Pavilion at the DMZ, after an unusually direct and specific threat by the KPA to shell it if activists went ahead with launching helium balloon carrying propaganda into the North from there, as they often do. The activists elude the authorities and eventually manage to send their balloons from Kanghwa Island instead.

Oct. 26, 2012: Seoul daily *Hankyoreh* highlights the cases of three students hauled in for police questioning after “retweeting” the DPRK website *Urimizokkiri*, even though they were clearly making fun of it. Under the National Security Law (NSL) it remains illegal for South Koreans to access or reproduce North Korean websites and other media sources.

Oct. 29, 2012: Activists launch propaganda balloons from Imjingak, amid scuffles with local residents and shopkeepers who accuse them of raising tensions with North Korea as well as harming business by deterring tourists from visiting the DMZ.

Oct. 30, 2012: *Yonhap* reports that far from budging on its one-sided new tax demands in the KIC, North Korea is pressing the ROK government to make investors in the zone comply.

Nov. 8, 2012: Two leading presidential candidates, Park Geun-hye of the ruling conservative Saenuri (New Frontier) Party and independent liberal Ahn Cheol-soo, each pledge to engage North Korea if elected. The third, Moon Jae-in of the opposition Democratic United Party (DUP), has gone further, proposing an economic union with the North.

Nov. 27, 2012: *Yonhap* reports an anonymous ROK official as saying the DPRK has newly and unilaterally created a rule allowing it to confiscate the assets of Southern firms operating in the KIC that fail to comply with its equally unilateral new tax regulations.

Nov. 27, 2012: Seoul press reports that Pyonghwa Motors, an auto assembler in Nampo begun in 1999 as a 70:30 joint venture between the Unification Church (UC) and the DPRK government, is to close. Costing \$55 million but with tiny volumes of 2,000 units a year built from imported

kits, this was loss-making until 2009 when a \$500,000 remittance became the first profit ever sent from North to South Korea.

Dec. 1, 2012: Secretariat of the DPRK Committee for the Peaceful Reunification of Korea [CPRK] publishes a 7-point “open questionnaire” for Park Geun-hye, the ROK’s conservative candidate, calling on her to clarify her stance towards North Korea.

Dec. 1, 2012: DPRK’s Korean Committee for Space Technology announces “plans to launch another working satellite, second version of *Kwangmyongsong-3*, manufactured by its own efforts and with its own technology, true to the behests of leader Kim Jong Il.” The launch will take place from the Sohae Space Center between Dec. 10-22. South Korea and its allies immediately condemn this and urge Pyongyang to reconsider.

Dec. 4, 2012: In an editorial titled “UPP a friend or foe?” the *Joongang Ilbo*, by no means the most right-wing of Seoul’s dailies, accuses the hard-left Unified Progressive Party (UPP) of being “a second battalion” of North Korea’s ruling Workers’ Party of Korea (WPK). The party had claimed that the DPRK’s much-criticized imminent satellite launch is no different from the ROK’s space program, which has no military connections.

Dec. 5, 2012: South Korea opens a second resettlement facility for Northern defectors, called Hanawon (“house of unity”) like the original. Located at Hwacheon, 73 miles northeast of Seoul, the new facility cost \$32 million and can house 500 defectors. Besides three months of compulsory basic adjustment training, it also offers professional development courses.

Dec. 5, 2012: Seoul Central District Court sentences a North Korean spy to four years in jail. The unnamed agent confessed to being sent to spy on defectors from the North. He claimed also to have been tasked with staging a traffic accident in China to injure Kim Jong Nam, the disinherited elder brother of DPRK leader Kim Jong Un, and to have paid a taxi driver to do this in July 2010; the attempt failed because Kim Jong Nam did not enter China when expected.

Dec. 12, 2012: Sooner than expected, North Korea successfully launches its *Unha-3* rocket and for the first time puts a satellite into orbit (which it claimed to have done twice before; those were undetectable, and this one soon ceases to function). South Korea and its allies condemn this as a *de facto* missile test in violation of UNSC resolutions.

Dec. 12, 2012: Seoul Central District Court sentences a former North Korean spy to five years in jail. The woman aged 46, who arrived as a refugee via Thailand a year ago, was found to have been a DPRK agent in China in 2001-06. She claimed the case was fabricated.

Dec. 19, 2012: In South Korea’s presidential election, Park Geun-hye, daughter of the late dictator Park Chung-hee (1961-79) and candidate of the conservative ruling Saenuri Party, narrowly defeats Moon Jae-in of the liberal opposition Democratic United Party (DUP) to become modern Korea’s first woman leader. Her five-year term of office is due to begin on Feb. 25. Park and Moon polled 51.6 and 48 per cent of the votes cast, respectively.

Dec. 20, 2012: *KCNA* swiftly if tersely reports that “The Saenuri Party candidate was elected after a close race in the South’s presidential election on Dec. 19.” It does not mention Park Geun-hye by name. (Normally Pyongyang waits 2-3 days; in 2007 it did not report Lee Myung-bak’s victory at all, according to *Yonhap*.)

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

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

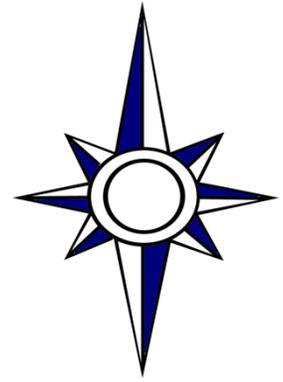
Jan. 2, 2013: *MOU* reports that Northern defector arrivals fell to 1,508 in 2012, down from 2,706 in 2011 and the first annual total under 2,000 since 2006. The decline is attributed to tighter border control after Kim Jong Il’s death; by December the flow was rising again. The cumulative total of Northern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

Jan. 3, 2013: *MOU* sources tell *Yonhap* that South Korea’s 2013 budget, finally passed by the National Assembly in the small hours of Jan. 1, allocates 1.09 trillion won (\$1.02 billion) to the ROK’s fund for inter-Korean cooperation: 9.1 percent more than in 2012, anticipating some easing of tensions. This breaks down as 735.7 billion won for humanitarian assistance (up 13 percent, and including allocations to send 400,000 tons of rice and 300,000 tons of fertilizer); 265 billion won for economic cooperation; and 90.2 billion won for the Kaesong Industrial Complex. *MOU*’s own budget gets a 4.4 percent hike, to 222.2 billion won. Under other budget heads Seoul will also spend 134.2 billion won helping Northern defectors settle in the South Korea, and give 27 billion won to international agencies which assist the DPRK.

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

Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



China-Korea Relations: Under New Leaderships

Scott Snyder, Council on Foreign Relations/Pacific Forum CSIS
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The appointment of Xi Jinping as general secretary of the Chinese Communist Party on Nov. 15 and the election of Park Geun-hye as president of South Korea on Dec. 19 raised hopes for improvement in China-South Korea relations. Pyongyang's Dec. 12 rocket launch provides an early challenge at the UN Security Council, where South Korea begins a two-year term alongside permanent members China and the US. Xi and Park will face a full agenda that includes management of growing economic ties, policy toward North Korea, and a complex regional environment beset by territorial and historical disputes. Another factor complicating the regional picture is that both leaders face territorial disputes with Japan under returning Liberal Democratic Party (LDP) Prime Minister Abe Shinzo.

The Xi leadership engages the two Koreas

Under new President Xi Jinping, China continues its dual policy of friendship with North Korea and coordination with South Korea on DPRK denuclearization and regional stability. Li Jianguo, member of the Chinese Communist Party (CCP) Political Bureau and vice chairman and secretary general of China's National People's Congress Standing Committee, led the first party delegation to North Korea under Xi at the end of November. Li met Kim Jong Un on Nov. 30, accompanied by Wang Jiarui, head of the CCP International Department, who had also met Kim Jong Un in August 2012. Li delivered a letter from Xi to Kim affirming Beijing's "consistent" policy of friendly relations focused on promoting high-level exchanges and strategic communication between the two parties, expanding cooperation in various fields, and strengthening coordination on global and regional issues. Li also met Kim Ki Nam, member of the Political Bureau and secretary of the Workers' Party of Korea (WPK) Central Committee, to discuss bilateral issues and the outcome of China's 18th National Congress.

Li's call on Kim Jong Un occurred at the same time that Chinese and South Korean nuclear envoys Wu Dawei and Lim Sung-nam met in Beijing amid concerns over North Korea's preparations to launch a long-range rocket, its second attempt under Kim Jong Un following the failed launch in April. South Korean anxieties about Beijing's future North Korea policy also surrounded the fifth China-ROK High-Level Strategic Dialogue held on Nov. 26, led by PRC Vice Foreign Minister Zhang Zhijun and ROK counterpart Ahn Ho-young. Following the dialogue, the ROK Foreign Ministry reaffirmed "the two countries' strategic goals" of denuclearization and peninsula stability, as well as the need for "frank dialogue and close cooperation." The strategic dialogue was launched as a mechanism for improving foreign policy coordination under the leadership of Hu Jintao and Lee Myung-Bak, but it has produced no joint

measures toward North Korea since it was initiated in 2008, when the two sides upgraded the bilateral relationship to a strategic cooperative partnership.

During a visit to Seoul a week after Xi's election in mid-November, Central Party School Vice President Chen Baosheng attributed bilateral frictions in the 20-year China-ROK relationship to the "lack of mutual political trust," calling for strengthened high-level exchanges and private sector economic and cultural cooperation. In dealing with the North Korean nuclear issue, however, Chen said that there is "no alternative" to the Six-Party Talks. South Korean officials and analysts anticipate few changes in Beijing's North Korea policy under Xi Jinping, who is likely to further China's pragmatic approach of deepening economic ties with South Korea while providing continued political support to the North.

Coordinating North Korea policy under Park Geun-hye

The Chinese Foreign Ministry spokesperson greeted Park Geun-hye's Dec. 19 election with hopes that both sides might work together to further "strategic and political mutual trust." Both China and South Korea appear to see the parallel leadership transitions as an opportunity to turn a new page in the relationship. Chinese news commentaries have acknowledged "regrettable" setbacks in the Sino-ROK relationship during President Lee's conservative leadership, arguing that Park Geun-hye should reorient South Korea's foreign policy toward a "moderate" stance. Although Park's election extends South Korea's conservative rule for another five years, Chinese assessments emphasize her prioritization of economic recovery and inter-Korean reconciliation as factors conducive to stable Sino-ROK relations. Moreover, Park's past interactions with Chinese counterparts, including as Lee Myung-Bak's special envoy following his election five years ago, suggest that she will try to "reset" the ROK's relationship with China. This does not mean that Park intends to weaken the alliance with the US, but rather that she sees no reason to cast South Korea's relations with China and the US in zero-sum terms. Instead, Park's Nov. 12 *Wall Street Journal* column, "A Plan for Peace in North Asia," calls for strengthened China-US cooperation, which would provide South Korea with room for a closer relationship with China.

Chinese analysts such as Zhang Jian of the China Institute of International Studies expect Park to find a "middle path" between Roh Moo-hyun's engagement with the North and Lee Myung-bak's hardline DPRK policy, both of which drew domestic criticism inside South Korea for failing to curb Pyongyang's military ambitions. Yang Bojiang of the Chinese Academy of Social Sciences similarly suggests that Park must find a "pragmatic" "balance" between the approaches of Lee and his two progressive predecessors. According to Cui Zhiying of Tongji University's Korean Peninsula Research Institute, Park faces "little choice" but to pursue a more "flexible" policy toward the North given the widespread discontent with Lee's policy among both progressive and conservative camps in South Korea.

Park Geun-hye has differentiated her approach to North Korea from Lee's hawkish policy since her election campaign, proposing reengagement through a "trust-building process" involving the resumption of communication channels and social and economic exchanges. From a Chinese perspective, Park's openness to resuming dialogue and humanitarian aid are favorable changes to Lee's hardline approach, criticized among Chinese as a source of North Korean belligerence and regional tensions since 2008. The day after her election win, Park held private talks with PRC

Ambassador Zhang Xinsen as well as the ambassadors of the US, Japan, and Russia, highlighting efforts to coordinate regional security priorities in the wake of North Korea's rocket launch.

But Park's promises to reorient inter-Korean relations confront the immediate need for an internationally coordinated response to North Korea's rocket launch, which Park referenced as creating a "grave" security situation for South Korea in remarks the day after winning the election. On Dec. 17, the US State Department spokesperson pledged to seek ways to "further isolate" and "pressure" the DPRK regime "both bilaterally and with our partners going forward," stressing that "not anybody in the Six-Party Talks wants to reward the DPRK for violating its international obligations." South Korean analysts remain skeptical about Park's "ambiguous" vision for inter-Korean reconciliation since her policy promotes "confidence building" but also continues to emphasize deterrence through a strengthened US-ROK alliance, progress on denuclearization as a precondition for dialogue, and a North Korean apology for the military provocations in 2010.

Tensions with Japan and Sino-ROK relations

China and South Korea share simmering territorial disputes with Japan under newly elected conservative LDP Prime Minister Shinzo Abe. These tensions present the most significant challenge to trilateral cooperation since the establishment of the Trilateral Cooperation Secretariat in September 2011. Although Premier Wen Jiabao, President Lee Myung-bak, and Prime Minister Noda Yoshihiko attended the ASEAN Plus 3 Summit in Phnom Penh on Nov. 19, the three leaders did not convene on the sidelines for the first time since 2005, when trilateral talks were suspended due to controversies over Koizumi Junichiro's Yasakuni Shrine visits. About 50 Chinese students protested near the Japanese Embassy in Seoul over the Diaoyu/Senkaku Islands dispute with Japan on Sept. 20.

Abe's reelection as prime minister of Japan on Dec. 26 has raised Chinese and South Korean concerns about the direction of Japanese foreign policy. Park Geun-hye called for Northeast Asian cooperation based on "a correct historical perception" in her Dec. 20 policy address, and Chinese state media featured a Dec. 2 interview with President Lee Myung-bak in which he urged the Japanese government to "correctly recognize history." Park has also called for the establishment of a trilateral dialogue among the US, China, and South Korea as part of her Northeast Asia Peace and Cooperation Initiative, but this proposal is unlikely to be welcome in Japan. The decision by the ROK government to refuse extradition of Chinese citizen Liu Qiang, detained in South Korea since January after protesting Japan's wartime atrocities, drew criticism from Japan.

Sino-ROK economic partnership and pragmatic cooperation

The Chinese market will continue to influence Park Geun-hye's efforts to sustain South Korea's export-dependent economy, which grew by an estimated 2.4 percent in 2012, the slowest pace since 2009. Trade with China expanded by an annual 17 percent to reach \$220.6 billion in 2011, compared to a 34 percent increase from 2009 to 2010. The Hu Jintao-Lee Myung-bak summit in January 2012 emphasized China-South Korean trade and investment ties and launched bilateral FTA negotiations, which began in May.

South Korean business assessments indicate that China's focus on boosting domestic consumption is likely to benefit South Korea's service sectors including the information technology, cultural, medical, and retail industries. Zhang Chunjie of Tsinghua University stated that Park Geun-hye's election makes it likely that Seoul will continue to attach importance to its alliance with the US, but that her economic priorities suggest positive prospects for bilateral and regional cooperation with China.

Despite the escalation of political tensions in Northeast Asia, economic and trade ministers from South Korea, China, and Japan agreed on the sidelines of the ASEAN-related meetings in November to formally launch trilateral FTA talks in early 2013. ROK Deputy Minister for Trade and chief FTA negotiator Choi Kyong-lim expressed hopes that the trilateral FTA will bring "strengthened political cooperation" in addition to commercial benefits. The business and non-governmental sectors have actively pushed for the trilateral FTA despite the emergence of bilateral political disputes. While three rounds of working-level consultations have been held since the May 2012 China-ROK-Japan summit, current tensions are likely to put the brakes on FTA negotiations. On Sept. 19, the PRC Commerce Ministry spokesperson warned that Japan's "purchase" of the Diaoyu/Senkaku Islands would adversely affect China-Japan-ROK FTA talks.

Despite Premier Wen's and President Lee's joint pledge in November to speed up China-ROK FTA talks, experts anticipate a slowing of negotiations under the Park Geun-hye administration, given the anticipated costs of such an agreement to South Korea's farming industry and small and medium-sized enterprises (SMEs) – a sector that Park has promised to nurture. Some analysts argue that China's support for economic integration with South Korea and Japan is driven primarily as a response to US promotion of the Trans-Pacific Partnership Agreement (TPP). The launching of trilateral FTA talks on Nov. 20 coincided with an agreement to initiate negotiations for a new free trade grouping, the Regional Comprehensive Economic Partnership (RCEP), within the ASEAN Plus Six framework (China, Japan, South Korea, India, Australia, New Zealand); an initiative that seems designed to challenge US regional economic influence in favor of a China-centered economic order.

Sino-DPRK trade and investment trends

The Kim Jong Un regime appears to be moving steadily forward in pursuing the joint investment deals with China secured between Hu Jintao and Kim Jong Il. China-DPRK trade totaled \$5.64 billion in 2011 according to Chinese statistics, an annual 62.4 percent increase from 2010. A Korea Rural Economic Institute (KREI) report, however, indicated that North Korea's grain imports from China between January and October 2012 were 23 percent lower than levels during the same period in 2011. Total imports of Chinese grain amounted to 376,431 tons in 2011, a 20 percent increase from 2010 and 85 percent increase from 2009. According to Marcus Noland's recent assessment, Chinese luxury goods banned for export to North Korea under UN Security Council Resolution 1718 continue to flow into North Korea.

On Sept. 22, China's Overseas Investment Federation (COIF) and the North Korea Investment Office (NKIO) of the Joint Venture and Investment Committee of North Korea (JVIC) established a "Special Fund for Investment in North Korea," through which both sides reportedly

plan to develop urban infrastructure projects worth \$159 million, with a long-term goal of investing \$476 million. The Yanbian Haihua Group on Sept. 1 reportedly secured an investment deal on Chongjin port, China's second port leasing deal with North Korea following a 2010 agreement allowing Chinese use of Rajin port. However, coal shipments from Jilin to Shanghai have stopped following several shipments in late 2011. Since September, South Korean media has drawn attention to joint China-DPRK plans to develop several commercial ports along North Korea's eastern coast in addition to Rajin and Chongjin.

Chinese and DPRK officials report modest progress in developing the Rason Economic and Trade Zone and Hwanggumphyong and Wihwa Islands Economic Zone, in contrast to reports of legal impediments to cooperation since the official launching of the zones in June 2011. Jang Song Taek's visit to China and a meeting of the joint steering committee in August 2012 appear to have catalyzed the beginning of basic infrastructure construction. At the 8th Northeast Asia Investment and Trade Expo in Changchun in early September, central and local officials from China's Commerce Ministry and the Yanbian Korean Autonomous Prefecture affirmed that the zones have reached an "essential stage" of development based on the principle of "government-guided, enterprise-based, market-oriented and mutually beneficial cooperation." But it is hard to know whether such a statement is being accompanied by actions on the ground. The DPRK state media reported on an opening ceremony for a new management board building at the Hwanggumphyong Economic Zone on Sept. 15, attended by Liaoning Vice Governor Bing Zhiyang, Vice Chairman of the North Phyongan Provincial People's Committee Hong Kil Nam, and other local officials from Sinuiju and Dandong. A two-day private session on the zones was held in Beijing on Sept. 26-27, with participation by major Chinese investors and over 100 DPRK officials from 30 state enterprises seeking to promote investment projects in the North.

The Liaoning provincial government and China Council for the Promotion of International Trade held the first China-DPRK Economic, Trade, Culture and Tourism Expo in the border city of Dandong on Oct. 12-16, drawing together a 500-person delegation from North Korea and over 400 Chinese companies. According to local Chinese media, trade between Dandong and North Korea reached \$1.86 billion in 2011, a third of total China-DPRK trade. North Korea's biggest trade investment company and government agency in charge of overseas labor export attended the expo, with Chinese sources reporting economic cooperation agreements totaling \$1.26 billion. Dandong has attracted domestic and international interest as the construction of the Yalu River Bridge nears completion. Along with the Yalu River Bridge, the construction of bridges to the Hwanggumphyong and Wihwa Islands will support expanded trade, culture, and tourism exchanges. However, while rising labor costs in China make North Korea an attractive investment destination for Northeast Chinese enterprises, Chinese investors remain cautious about signing contracts given the continued impression, reinforced by reporting on surveys of Chinese business with business experience in North Korea by Noland and Haggard, that the business environment in North Korea remains very risky and that North Korean interests lie primarily in securing finance rather than doing business.

China-Korea relations under new leaderships and implications for the United States

Chinese analysts anticipate improved coordination with Seoul on North Korea and broader regional security. There is also a consensus among South Korean foreign policy analysts

regarding the desirability of establishing a more productive and effective relationship with Beijing. But to do so, both sides will have to overcome a number of challenges. First, the Chinese response to North Korea's satellite launch suggests no change in Beijing's position of defending North Korea from international censure through the UN Security Council. This will not become an obstacle to South Korean efforts to restore more effective Sino-South Korean cooperation, but it does serve as a yellow flag regarding the likelihood that an improved Sino-South Korean relationship will depend on Chinese policy approaches to North Korea. South Koreans may anticipate limited changes in China's Korea policy under Xi Jinping, whose remarks on the Korean War at the time of North Korea's leadership transition in 2010 raised concerns over Beijing's conservative leanings toward Pyongyang. In addition to North Korea, Chinese-South Korean maritime disputes strain the PRC-ROK political relationship, as seen in the shooting death of a Chinese fisherman by a ROK Coast Guard in October that prompted active diplomatic mediation from China.

Regardless of South Korean overtures, China will have difficulty managing political relations with South Korea because progress in the relationship with South Korea has been dependent on the quality and nature of three other intermediating relationships: the China-North Korea relationship, the China-US relationship, and the inter-Korean relationship. The upshot is that China will face great difficulties convincing South Korean counterparts that they are being taken seriously.

Second, Chinese security analysts are closely scrutinizing the US-ROK security alliance, and may see an opportunity to capitalize on discord in the Japan-South Korea relationship to pressure South Korea to avoid taking further steps to strengthen trilateral security ties with Japan and the US. China's opposition to Japan-South Korea intelligence sharing was not a factor in the failure of the agreement last summer, but China is watching the situation closely, and is paying particularly close attention to ROK decisions on missile defense. Sensitivity of this matter was revealed in apparently contradictory responses to questions in a joint press conference with US Secretary of Defense Leon Panetta and ROK Minister of Defense Kim Kwan-jin following last October's Security Consultative Meetings.

Chinese analyst Yang Xiyu has further elaborated on China's concerns with the expanded scope of the US-ROK security alliance in a Dec. 31 interview in *The Korea Times*, suggesting that the US-ROK alliance is taking on an anti-China character. Yang called for South Korea to "clearly [define] the coverage of US-South Korea alliance and limit it to defend the South from North Korea. When this is clear, that will significantly reduce the strategic mistrust between China and South Korea." A *Global Times* article acknowledged that South Korea "finds it difficult to balance its ties between these two big powers," but argued that "if Seoul is serious about its strategic partnership with Beijing, it should show that goodwill with actions rather than mere lip service." In more private settings, Chinese officials have reportedly been blunter in linking the quality and scope of the US-ROK defense relationship with prospects for improved China-South Korea relations. It is likely that the US-ROK alliance will increasingly become both a pressure point and a potential sticking point both in the development of the China-South Korea relationship and on the possibility of an expanded regional role for South Korea in East Asian security beyond the peninsula.

Chronology of China-Korea Relations September – December 2012

Sept. 1, 2012: Yanbian Haihua Group secures investment deal on North Korea's Chongjin Port.

Sept. 4, 2012: Vice Chairwoman of the Standing Committee of China's National People's Congress Chen Zhili co-chairs the 7th China-ROK Parliamentary Exchange Meeting in Seoul and meets National Assembly speaker Kang Chang-hee and Prime Minister Kim Hwang-sik.

Sept. 7, 2012: Chinese officials at the Northeast Asia Investment and Trade Expo in Changchun report on investment progress at the China-DPRK Rason Economic and Trade Zone and Hwanggumphyong and Wihwa Islands Economic Zone.

Sept. 11, 2012: ROK Foreign Ministry announces plans to send humanitarian aid to China after a deadly earthquake in Yunnan on Sept. 7.

Sept. 15, 2012: *Korean Central News Agency (KCNA)* reports on an opening ceremony for a new management board building at the Hwanggumphyong Economic Zone.

Sept. 17, 2012: South Korean media reports that 4 or 5 ports along North Korea's eastern coast are being developed by Chinese and DPRK companies.

Sept. 19, 2012: People's Republic of China (PRC) Commerce Ministry spokesperson indicates that Japan's "purchase" of the Diaoyu/Senkaku Islands will adversely affect planned China-Japan-ROK FTA talks.

Sept. 19, 2012: PRC Ministry of Public Security extradites a South Korean fraud suspect detained in China in 2007.

Sept. 20, 2012: Chinese students protest near the Japanese Embassy in Seoul over the Diaoyu/Senkaku Islands dispute with Japan.

Sept. 22, 2012: China's Overseas Investment Federation (COIF) and the North Korea Investment Office (NKIO) under the Joint Venture and Investment Committee of North Korea (JVIC) agree to launch the "Special Fund for Investment in North Korea."

Sept. 26-27, 2012: North Korean Committee for the Promotion of Economic Cooperation and China's private GBD Public Diplomacy and Culture Exchange Center give presentations in Beijing on Rajin and the Hwanggumphyong/ Wihwa Islands Economic Zones.

Sept. 27, 2012: South Korea hosts a Proliferation Security Initiative exercise in waters off Busan; 7 warships and 11 aircraft from the US, Australia, Japan and South Korea participate.

Oct. 12-16, 2012: First China-DPRK Economic, Trade, Culture and Tourism Expo is held in Dandong.

Oct. 15, 2012: Vice President of the Chinese People's Institute of Foreign Affairs Lu Shumin, ROK Foreign Minister Kim Sung-hwan, and former Japanese Science and Technology Minister Nakagawa Masaharu attend the Trilateral Cooperation Secretariat's first forum in Seoul.

Oct. 16, 2013: A Chinese fisherman is shot to death during a clash between the ROK Coast Guard and Chinese fishing boats.

Oct. 17, 2012: PRC Foreign Ministry urges South Korea to carry out fair investigations on the Oct. 16 shooting death of a Chinese fisherman.

Oct. 18, 2012: ROK Foreign Ministry spokesperson expresses "regret" over the shooting death of a Chinese fisherman by a ROK Coast Guard.

Oct. 20, 2012: PRC Foreign Ministry spokesperson calls for restraint from North and South Korea amid inter-Korean tensions over South Korea's anti-DPRK leaflets.

Oct. 22, 2012: Kim Sung Nam, vice director of the Workers' Party of Korea (WPK) International Department, expresses support for China-DPRK traditional friendship and socialist construction in an interview with Chinese state media.

Nov. 15, 2012: Kim Jong UN sends a congratulatory message to Xi Jinping on his election as Chinese Communist Party (CCP) general secretary and head of the Military Commission.

Nov. 17, 2012: President Lee Myung-bak sends a congratulatory message to Xi Jinping on his election as CCP general secretary and head of the Military Commission.

Nov. 19, 2012: Premier Wen Jiabao and President Lee Myung-bak attend the ASEAN Plus Three Summit in Phnom Penh. They hold bilateral talks on the sidelines.

Nov. 20, 2012: PRC, ROK, and Japanese economic and trade ministers Chen Deming, Bark Tae-ho, and Edano Yukio on the sidelines of ASEAN meetings agree to launch trilateral FTA talks.

Nov. 20-22, 2012: Chen Baosheng, vice president of the CCP Central Party School visits South Korea and meets First Vice Foreign Minister Ahn Ho-young and other senior officials.

Nov. 26-27, 2012: First Vice Foreign Minister Ahn visits China for the fifth High-Level Strategic Dialogue in Beijing with PRC Vice Foreign Minister Zhang Zhijun and a meeting with Foreign Minister Yang Jiechi.

Nov. 29-30, 2012: Li Jianguo, member of the Political Bureau of the CCP Central Committee and vice chairman and secretary general of the National People's Congress, leads a CCP delegation to North Korea as part of goodwill visits to the DPRK, Laos, and Vietnam.

Nov. 29-30, 2012: ROK nuclear envoy Lim Sung-nam visits Beijing for talks with PRC counterpart Wu Dawei.

Nov. 30, 2012: PRC Foreign Ministry spokesperson calls for South Korea's impartial handling of Chinese citizen Liu Qiang, detained in South Korea after protesting Japan's World War II crimes.

Dec. 2, 2012: President Lee Myung-bak calls for furthering China-ROK ties in an interview with Chinese state media.

Dec. 2, 2012: PRC Foreign Ministry spokesperson expresses concern over the DPRK's announcement of satellite launch plans.

Dec. 4, 2012: Bank of Korea and People's Bank of China agree to support trade settlements for local companies through the RMB-Won currency swap line.

Dec. 5, 2012: China and South Korea hold their first conference on internet cooperation.

Dec. 7, 2012: PRC Foreign Minister Yang Jiechi expresses concern over the DPRK's planned rocket launch in a telephone conversation with US counterpart Hillary Clinton.

Dec. 10, 2012: PRC Foreign Ministry spokesperson calls for joint efforts on Korean Peninsula stability in response to DPRK's decision to delay its rocket launch due to "technical deficiency."

Dec. 11, 2012: Eleven Chinese sailors are rescued from a cargo ship in ROK waters near the DPRK border.

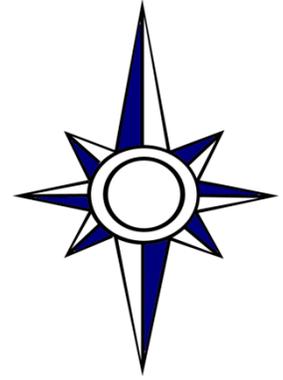
Dec. 12, 2012: DPRK launches a satellite into outer space; PRC Foreign Ministry spokesperson expresses "regret."

Dec. 20, 2012: Park Geun-hye holds private talks with the ambassadors of China, the United States, Japan, and Russia in Seoul after her Dec. 19 election as president of the ROK.

Dec. 20, 2012: China's Foreign Ministry spokesperson pledges to strengthen ties with South Korea under Park Geun-hye. President Hu Jintao sends a congratulatory message to Park.

Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



Japan-China Relations:

40th Anniversary: Fuggetaboutit!

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The Japanese government's purchase of three of the Senkaku Islands from their private owner on Sept. 11 and the sovereignty dispute over the maritime space surrounding them dominated Japan-China relations. In short order after the purchase, anti-Japanese riots broke out across China, events scheduled to mark the 40th anniversary of normalization of relations were canceled, trade and investment plummeted, and political leaders engaged in public disputations. To underscore Beijing's claims, Chinese government ships regularized incursions into Japan's contiguous zone and territorial waters near the islands. As both governments held fast to their respective national positions, prospects for resolution appeared dim. Prime Minister-designate Abe Shinzo told a press conference in mid-December that there was "no room for negotiations" on the Senkakus.

Senkakus purchase: the prequel

In an April 16 address delivered at The Heritage Foundation in Washington, Tokyo Gov. Ishihara Shintaro announced that the Tokyo Metropolitan Government was negotiating the purchase the Senkaku Islands from Saitama businessman, Kurihara Kunioki. Subsequently, *Kyodo* reported that during a May 18 meeting with Chief Cabinet Secretary Fujimura Osamu, Deputy Chief Cabinet Secretary Nagahama Horoyuki, and special advisor to the Prime Minister Nagashima Akihisa, Prime Minister Noda Yoshihiko reached a decision to purchase the islands from the Kurihara family. The view of the group was that Beijing would find a purchase by the national government less inflammatory than if it was by the Tokyo Metropolitan Government.

During the summer, both Ishihara and representatives of the national government continued to negotiate with Kurihara. On Aug. 19, Noda invited Ishihara to his official residence to discuss the negotiations. Ishihara said that he was prepared to accept purchase by the national government on the condition that shelters would be built on the islands.

Senior Vice Minister of Foreign Affairs Yamaguchi Tsuyoshi visited Beijing at the end of August, carrying a personal letter from Prime Minister Noda to President Hu Jintao that stressed the importance of dealing with Senkakus-related strains in the relationship in a calm manner and from a broad perspective. The note made no reference to the government's widely reported plans to purchase the Senkaku Islands, reflecting the Japanese view that since Japan's sovereignty extends to the islands, a transfer of property rights is an internal affair of Japan.

* The views expressed in this article are the views of the author alone and do not necessarily represent the views or policy of the National Defense University, the Department of Defense, or the US government.

The government reached a broad agreement with Kurihara on the transfer of property rights on Sept 4. Five days later, President Hu met Prime Minister Noda on the sidelines of the Asia-Pacific Cooperation (APEC) meeting in Vladivostok. During a brief 15-minute conversation, Hu cautioned Noda that China was resolutely opposed to the government's purchase of the islands and that China would view any such action as "illegal" and "invalid." Noda told Hu that Japan wanted to deal with Senkakus-related issues "from a broad perspective."

Senkakus purchase

On Sept. 11, the Noda government announced that it had signed a contract with Kurihara to purchase three of the five islands (Uotsuri, Kitakojima, and Minamikoji) for ¥2.05 billion. China's response was immediate and combative. The Foreign Ministry cast the purchase as "totally illegal and invalid" and a "gross violation of China's sovereignty over its own territory." It warned that Japan would face "serious consequences" and that China would take unspecified but "necessary measures to protect its territorial sovereignty." Meanwhile, two Chinese ships, *Haijian 46* and *Haijian 49*, belonging to China Marine Surveillance (CMS) agency, arrived in the vicinity of the islands.

In Tokyo, Chief Cabinet Secretary Fujimura explained that the government had purchased the islands to maintain their "peaceful and stable management" and that the transaction "should not cause problems with other countries or regions." Foreign Minister Gamba Koichiro told reporters that "there is no doubt that the Senkaku Islands are part of Japanese territory and there are no territorial disputes over the islands." Japan had purchased the islands to "maintain and control them peacefully and stably." At the same time, Japan held relations with China as one of its "most important bilateral relationships...We must not let this issue get in the way of the stable development of Tokyo-Beijing ties. We must calmly deal with the issue from a comprehensive viewpoint and continue to be able to communicate with each other to assure that there are no misunderstandings or errors in judgment." To that end, Gamba dispatched Director General of the Asian and Oceanian Affairs Division Sugiyama Shinsuke to Beijing to explain the government's decision and to appeal for calm.

China's Foreign Ministry spokesperson told reporters that "the current tension in Sino-Japanese relations is caused by the Japanese side." China hoped that Japan would "change their wrong actions and create conditions for improvement and development of Sino-Japanese relations."

At yearend, the positions articulated by both Beijing and Tokyo in mid-September continue to frame diplomatic dialogue. Neither side has budged on its position, they continue to talk past each other, and have taken additional actions that will make backing down even more difficult.

Reaction in China

In Beijing, demonstrators, shouting "Fight the Japanese," appeared outside the Japanese Embassy on Sept. 12. This was just the beginning. The Sept. 16 *Asahi Shimbun* headline reported that Japanese-related businesses were being vandalized and that anti-Japanese demonstrations had spread to 50 Chinese cities; the accompanying picture showed celebrating

demonstrators in front of a Japanese department store with a window-shattered façade. A page 3 article with the picture of a window-shattered Aeon store asked “Why are the police allowing this?” Toyota, Nissan, and Honda reported that dealerships had been looted and cars set on fire. Panasonic reported that factories in Qingdao and Suzhou had been vandalized and Mitsumi Electric reported that its factory in Shandong had been set on fire. Safety concerns led supermarket Ito-Yokado and 7-11 convenience stores to temporarily suspend operation in Chengdu. In early October, *Kyodo* reported that many of Japan’s major insurance companies had suspended sales of new policies covering losses sustained as a result of riots and strikes in China.

Sustaining the demonstrators’ anger was the 81st anniversary of the Mukden (also referred to as the Manchurian) Incident on Sept. 18. By then, the *Yomiuri Shimbun* reported that anti-Japanese demonstrations had spread to nearly 100 cities. Banners carried by demonstrators included phrases such as “Overthrow the dog of Japan, trample on Tokyo”; “Boycott Japanese goods”; and “F... Japan,” which appeared in color on the front page of the Sept. 14 *Mainichi Shimbun*. In response, the Foreign Ministry in Tokyo issued safety warnings to Japanese residents in China and travelers to China. Meanwhile, China’s Foreign Ministry spokesperson told reporters that Japan was responsible for the demonstrations and that whether they intensified depended on Japan’s response.

Appearing on a Sept. 19 *Asahi Television* program, Prime Minister Noda said that a certain degree of reaction had been expected, but that the scale and scope of what transpired went far beyond what had been anticipated. He explained that Japan had repeatedly, through various channels, made clear that the islands had been purchased to ensure their management in a peaceful and stable manner, but that China had not been able to understand sufficiently. Noda also said he was open to sending a special emissary to China in an effort to restore relations.

Business sources in Japan reported that, in addition to Japanese automobiles, the boycott of Japanese products was spreading to other sectors. Japanese pharmaceutical companies reported a sharp increase in products being returned from Chinese hospitals and that contract renewals were being refused. Chinese construction companies were refusing to use Japanese elevators or construction materials. Meanwhile, the Japan External Trade Organization reported a slowdown of customs clearance procedures in China for Japanese imports. The Onward Kashiya Company, a major clothing exporter to China, reported a week’s delay in customs clearance procedures. The Japanese tourist industry also took a hit in the aftermath. China Comfort Travel Group announced that it would cancel Japan-bound tours to protest the Senkakus purchase. Beijing travel agencies reported receiving guidance from China’s tourist authorities to advise against travel to Japan.

Economic relations: falling numbers

In September, China’s imports from Japan declined 14 percent; total China-Japan trade in September decreased 4.5 percent over September 2011. However, the September decline in imports was smaller than the August figure of 11.4 percent. The drop in September total trade volume marked the fourth consecutive month of falling Japan-China trade figures. In October, China’s imports from Japan declined 15.1 percent.

As of late September bookings for Japanese travel to China during the October-December period plunged markedly. Combined, Nippon Travel Agency, Jalpak, JTB, and KNY companies reported an approximate 53 percent decline in bookings, equaling a total of 2,650 China-bound travelers. ANA and JAL reported over 50,000 cancellations in Japan-China and China-Japan travel. Meanwhile 3,700 mainland Chinese tourists canceled planned visits to Okinawa.

As for Japanese automobile sales and production in China, the numbers were also significant:

- Honda Motor Company, which manufactures in China with Dongfang Motor Group and Guangzhou Automobile Group, reported September sales fell 40.5 percent over September 2011, to a total of 33,931 vehicles. October production in China was off 54 percent and November production fell 59.9 percent to 26,592 units.
- Toyota Motor Corporation reported September sales down 48.9 percent over September 2011, to a total of 44,100 units. October sales fell 44.1 percent to 45,600 units and October production plunged 61 percent for a total of 30,591 units, the largest drop in over a decade. November production fell by 38.7 percent to 50,528 units.
- Nissan Motors reported a 35.3 percent decline in September sales and an October production drop of 44 percent followed by 43.3 percent drop in November to 68,090 units. October sales fell off 40.7 percent followed by a 29.8 percent decline in November to 79,500 units.
- Fuji Heavy Industry/Subaru, which does not manufacture in China, reported exports declined 76 percent in October to 1,734 units, with sales falling 72 percent to 1,468 units.

The China Association of Automobile Manufacturers reported overall decline in the sales of Japanese vehicles – 29.5 percent in September and 38.2 percent in October. At the end of November, China’s State Information Center reported that Japanese automakers’ share of the China market had fallen to 14 percent compared to a 23 percent share for the January-August period. In early December, Nissan Motors reported that the number of customers visiting showrooms across China had almost returned to November 2011 levels.

Meanwhile, Japanese direct investment in China in October was off 32.4 percent over 2011, to a total of \$460 million. Japanese government figures put losses sustained by Japanese companies as a result of the anti-Japanese demonstrations at ¥10, 000,000,000.

40th anniversary cancellations

Among the first casualties of the Senkakus purchase was the cancellation at the request of the Chinese side of the China-Japan exchange of young authors scheduled for Sept. 17-18 in Tokyo. Later, on Sept. 23, the Chinese government, through the Japanese Embassy, notified Tokyo that it was canceling formal commemorative ceremonies of the 40th anniversary of normalization scheduled for Sept. 27 in the Great Hall of the People. Chief Cabinet Secretary Fujimura found the decision “extremely regrettable.”

On Sept. 24, at a Chinese Embassy reception in Tokyo, diplomats told guests that China would hold a scaled-down anniversary celebration and would invite a small group of friends of China. A small delegation, led by former Lower House Speaker Kono Yohei, did visit Beijing and met the CCP's fourth ranking member, Jia Qinglin on Sept. 27. Jia praised Kono and other members of the delegation for "making positive contributions" to improving bilateral relations over the years, but also made it clear that Japan "should fully recognize the gravity of the situation and look squarely at the Diaoyu issue over which there is a dispute." He characterized the relationship as being in an "unprecedented severe phase." Kono later told reporters that discussion of the Senkakus accounted for most of a "strained" one-hour meeting, during which he made clear that Japan's position remained as had been repeatedly explained by senior Japanese diplomats.

Later, former State Councilor Tang Jiaxuan hosted a banquet for the Japanese visitors but made clear that the Senkakus decision, coming just two days after President Hu had cautioned Prime Minister Noda about the purchase during their meeting in Vladivostok, had caused the Chinese people to lose face and triggered their anger.

High-level disputation

On Sept. 26, Prime Minister Noda spoke at the United Nations General Assembly. He called for a strengthening of the rule of law to support peaceful resolution of outstanding territorial issues. Without naming names, Noda decried efforts of some countries to impose their will on others through force or intimidation. At a press conference following his remarks, Noda called for a peaceful resolution of disputes without resort to force or intimidation and said there would be no compromise on Japan's position on the Senkakus; namely, a territorial dispute does not exist. He made it clear that "A compromise that steps back from that position is out of the question."

China's Foreign Minister Yang Jiechi addressed the General Assembly the following day. He blasted the Senkakus purchase as "illegal" and invalid," asserting that indisputable historical and legal evidence makes it clear that from ancient times the Diaoyu islands were part of China. Yang went on to charge that Japan had stolen the islands from China during the 1895 Sino-Japanese war. Chief Cabinet Secretary Fujimura found Yang's remarks to be "completely without foundation."

China's Foreign Ministry spokesperson Qin Gang responded to Noda's UN remarks, observing that "the Japanese government's so-called 'purchase' is illegal; and invalid. It cannot change, not in the slightest way, the historical fact of Japan's occupation of China's territory. Nor can it change China's territorial sovereignty over the Diaoyu islands ... Japan's illegal scheme is doomed to failure." Qin called on Japan to "stop all acts that undermine China's territorial sovereignty instead of making repeated mistakes and deceiving the whole world."

Both Prime Minister Noda and Premier Wen attended the Asia-Europe Meeting in Vientiane Laos; they stayed in the same hotel but never found time for a face-to-face meeting. However, both Japanese and Chinese delegations used the occasion to reassert national talking points on the dispute over the islands. In his remarks, Noda called for a peaceful resolution of outstanding differences with China and Korea in accordance with international law. In reply, China's Foreign

Minister Yang set out a comprehensive explanation of China's position on the Diaoyu Islands. In the process, he argued that Japan must not be allowed to deny the results of the anti-fascist war and challenge the principles of the existing postwar order. Noda answered that from the point of history and international law there is no disputing the fact that the Senkakus are Japan's sovereign territory, and, as a result, there is no territorial issue that needs to be addressed. He pointed out that since the end of the war Japan has consistently acted as a peaceful country.

Niwa Uichiro, Japan's ambassador to China, in a pre-departure interview in December, told reporters that the two governments must "squarely face the reality" that neither would move off their respective positions on the Senkakus; accordingly it is "extremely important that the two sides deal with the issue calmly from broader perspectives, maintain and strengthen communications so as not to further aggravate relations and escalate tension, and exercise restraint and take responsible measures." The ambassador urged both governments to focus on improving relations in "a forward-looking manner." The continuation and expansion of youth exchange programs "would create an opportunity for ice-breaking ... But if each side keeps saying 'Japan is bad' or 'China is bad' nothing will happen. It will only hurt both countries."

Before departing for China, Niwa's successor, Kitera Masato, said "the situation does not call for any change in the least in our basic position." Japan would continue to assert that a territorial dispute does not exist while acknowledging that "patient diplomacy" will be required ... there is no magic or miracle." Addressing the anti-Japanese riots, he observed that they were "not a good thing for China because it sent a message to investors around the world." Like Niwa, Kitera placed faith in exchange programs to nurture the next generation of leaders. He hoped that "improving economic relations can bring benefits to each nation and its people."

Chinese ships in the Senkakus

To assert its sovereignty claims, China began to regularize a maritime presence in the area of the Diaoyu islands. The Japanese Coast Guard reported that through Oct. 10, ships of CMS and Fisheries Law Enforcement Agency had entered Japan's contiguous zone outside territorial waters a total of 19 days since Sept. 11. As of Dec. 13, the Japanese Coast Guard reported that Chinese government ships had intruded into Japanese territorial waters 17 times since Sept. 11. The *Asahi Shimbun* quoted a senior Coast Guard official as observing that China "might have begun normalizing the activity by maintaining a set level of force." Foreign Ministry officials saw Chinese actions as aimed at chipping away at Japan's effective administrative control over the islands and forcing Japan to recognize the existence of a dispute.

Asked what message China is trying to convey by sending public ships into waters off the Diaoyu Islands, Foreign Ministry spokesperson Hong Lei responded that the islands "have been China's inherent territory since ancient times, and their adjacent waters is (sic) under China's jurisdiction ... The ships have performed and will continue to perform duties in waters off the Diaoyu islands. It is the Chinese military's sacred duty to defend national territorial sovereignty as well as maritime rights and interest." When challenged by the Japanese Coast Guard, Chinese ships replied that they were on regular patrol in Chinese territorial waters and ordered the Coast Guard ships to leave China's sovereign territory.

Meanwhile on Nov. 28, four PLA Navy ships transited through Japan's contiguous zone on their way to exercises in the western Pacific. The ships returned through the contiguous zone on Dec. 10. Earlier, on Oct. 16, following exercises in the western Pacific, seven PLA warships had transited through Japan's contiguous zone in the southwest islands.

Public opinion

A series of public opinion polls over the September-December period underscored the downward trend in the Japan-China relationship.

A *Nikkei Shimbun* poll conducted Sept. 26-27, two weeks after the Senkakus purchase, found 56 percent of respondents in favor of a "strong stance" toward Chinese incursions into Japan's territorial waters, while 37 percent favored efforts to "consider better relations." Also, 66 percent of those polled favored the government's purchase of the islands with 21 percent opposed. A *Sankei Shimbun* on-line public opinion survey found 99 percent of respondents favoring territorial defense legislation.

Meanwhile, a poll conducted by China's *Global Times* found 89.7 percent of respondents favoring a posture that would take "more" steps to support China's claims. About 66 percent of respondents saw Japan as a "major rival" or "enemy." Earlier, a Chinese net-based poll asked whether the Aug. 27 attack on the Japanese ambassador's car should be considered "good" and 82 percent of respondents answered affirmatively.

At the end of November, Japan's Cabinet Office released its annual public opinion poll on Japan's external relations. Respondents not feeling affinity toward China stood at 80.6 percent, an increase of 9.2 percent over 2011 – the first time the percentage topped 80 percent. Those who saw Japan-China relations as "not good" hit an all-time high of 92.8 percent, a 16.5 percent increase over 2011.

China in Japan's Dec. 16 election

Prime Minister Noda dissolved the Lower House on Nov. 16 and set elections for Dec. 16. Overwhelmingly, campaigns focused on the state of Japan's economy; China, however, also was part of the debate.

Earlier, in the run-up to the September Liberal Democratic Party (LDP) presidential elections, candidates staked out a tough line on China. LDP Secretary General Ishihara Nobuteru, in a nationally televised debate, addressed tensions over the Senkakus, saying that "a lesson we learned is that (part of) the country will be snatched if we are off guard, and we have to take responsibility for protecting our own territory." Former Defense Minister Ishiba Shigeru called on the government to "enhance its effective control" over the Senkakus, while former Prime Minister Abe Shinzo said that Japan "must further promote its control" over the islands. Echoing former Foreign Minister Machimura Nobutaka, who called for "a stern diplomacy toward China," the candidates called for a strong line toward China to address the ongoing riots, the destruction of Japanese property, and the protection of Japanese citizens in China. Reflecting on

the state of affairs, Machimura asked “What on earth is the current government doing? Diplomacy based only on rhetoric will not be taken seriously.”

During the general election campaign, the LDP’s election manifesto addressed the Senkakus issue by calling for the “permanent stationing of civil servants and plans for improving the fishery environment in the nearby sea areas.” Prime Minister Noda cast the DPJ as “distancing itself from provocation, adventurism and exclusionism.” He branded the stationing of civil servants as inviting a response and thus being escalatory in nature. In remarks on Nov. 29, Abe said that the “blatant” entry of Chinese ships into Japanese waters was the result of “the diplomatic failure of the Democratic Party of Japan” with regard to China and the Japan-US relationship.

Election incursion

A China State Oceanic Administration airplane entered Japanese airspace over the Senkakus on Dec. 13. The incident, marking the first incursion by a Chinese government aircraft into Japanese airspace over the Senkakus since monitoring began in 1958, caused Japan’s Air Self-Defense Force to scramble in response. The *Mainichi Shimbun* quoted a Foreign Ministry official as saying that the “conflict over the Senkakus has entered a new phase.” From Dec. 10-17, four CMS ships repeatedly entered Japan’s contiguous zone in the Senkakus. Chief Cabinet Secretary Fujimura found the air and sea incursions to be “extremely regrettable.” The *Asahi Shimbun* quoted a senior Foreign Ministry official as saying that the first intrusion into Japanese airspace represented an “upgrading of the intrusions into a routine procedure.”

This is exactly the point Beijing was making. Foreign Ministry spokesperson Hong Lei told reporters that China is “firmly opposed to the repeated illegal entries of Japan’s ships and aircrafts (sic) to the waters and airspace of China’s Diaoyu islands since September.” Flights of CMS aircraft into the airspace of the Diaoyu Islands are “completely normal.” China demanded “the Japanese side to stop its illegal activities in the waters and airspace of the Daioyu Islands.” On Dec. 16, Election Day in Japan, the newest and largest ship of China’s Fisheries Law Enforcement Command entered Japan’s territorial waters in the Senkakus, marking the 18th incursion into Japan’s territorial waters since Sept. 11.

In response to the airspace incursion, the Japanese Foreign Ministry issued a Position Paper titled “Surrounding the Situation of the Senkaku Islands” on Dec. 18. The paper labeled the air incursion “a dangerous act,” representing an effort “to unilaterally escalate the situation,” and “challenging the status quo.” The document reasserted Japan’s “basic position” that its claim to the Senkakus is “unshakeable.” The paper concluded that “Recently, Chinese provocative actions ... have become conspicuously intense. China’s intention to topple the status quo concerning Japan’s valid control by use of coercion is clear and thorough.”

Prime minister in waiting

LDP President Abe held a post-election press conference on Dec. 17. Asked by a *Xinhua* reporter for his views on relations with China, he replied that for Japan, China represented one of its “most important bilateral relationships,” characterizing it as “an indispensable country” for

Japan's economic prosperity and calling for "some wisdom so that political problems will not develop and affect economic issues." Turning to the Senkakus, Abe stated that the islands are "the inherent territory of Japan.... We own and effectively control them. There is no room for negotiations about that." Later, *Kyodo* reported that Abe, for the time being, had decided against stationing government officials on the Senkakus.

On Dec. 22, an aircraft belonging to CMS approached within 100 km of the Senkakus; Japan's Air Self-Defense Force scrambled in response. China's Foreign Ministry spokesperson cast the flight "as one of the routine patrols in the airspace over the East China Sea." He went on to note that China "is highly concerned and vigilant about the Japanese side's dispatch of planes from the Air Self-Defense Force." China would "keep close watch on the Japanese side's intentions." Two days later, a CMS aircraft again approached the Senkakus.

Looking ahead

With both governments holding fast to their respective national positions, there is little reason for optimism in 2013. Managing increasingly assertive actions by both parties will challenge political and diplomatic leadership in Tokyo and Beijing.

Chronology of Japan – China Relations September – December 2012

Sept. 1, 2012: Japan's Ambassador to China Niwa Uichiro opens the Super Summer Festival in Beijing, marking beginning of ceremonies to commemorate 40th anniversary of normalization.

Sept. 4, 2012: Japanese government reaches broad agreement with the private owner on the purchase of Senkaku Islands.

Sept. 4, 2012: Meeting of *Tachiagare* (Standup) Japan and 35 Diet members, including Abe Shinzo, adopts a petition calling on the government to strengthen control over territorial waters.

Sept. 4, 2012: Chinese officials report the detention of two suspects involved in Aug. 27 attack on Ambassador Niwa's car. Suspects are released on Sept. 5 with light administrative penalty after admitting participation in incident.

Sept. 5, 2012: Taiwan's President Ma Ying-jeou visits Taiwanese island closest to Senkakus and asserts Republic of China sovereignty over the islands.

Sept. 9, 2012: Prime Minister Noda Yoshihiko and President Hu Jintao meet on the sidelines of the APEC meeting in Vladivostok; Hu emphasizes China's opposition to Senkakus purchase.

Sept. 11, 2012: Japan announces purchase of Senkaku Islands; China asserts purchase is illegal, invalid, and a gross violation of China's sovereignty. China Marine Surveillance (CMS) agency and Fisheries Law Enforcement Command ships begin to enter waters near the islands.

Sept. 12, 2012: Anti-Japanese demonstrations take place in Beijing and spread across China in the following week through Sept. 22.

Sept. 17, 2012: Taiwan activists burn a Japanese flag to protest Senkakus purchase.

Sept. 18, 2012: The 81st anniversary of Mukden Incident is celebrated in China with protests.

Sept. 20, 2012: Ten Chinese surveillance ships arrive in waters near Diaoyu/Senkaku Islands.

Sept. 22, 2012: Ground Self-Defense Forces (GSDF) and US Marines engage in an exercise aimed at strengthening GSDF capabilities to defend remote islands.

Sept. 23, 2012: China informs Japanese government of the cancellation of 40th anniversary celebrations scheduled for Sept. 27 in Beijing.

Sept. 23, 2012: *Xinhua* reports China Maritime Surveillance agency concluded a test of unmanned reconnaissance aircraft; State Oceanic Administration announces plans to have drones operational by 2015.

Sept. 24, 2012: At Chinese Embassy reception in Tokyo, Chinese diplomats invite “old friends” of China to scaled-down anniversary celebration in Beijing.

Sept. 24, 2012: Japan-China Economic Association postpones visit to China.

Sept. 24, 2012: Taiwanese fishing flotilla with about 60 boats departs for the Senkakus area.

Sept. 25, 2012: Vice Minister Kawai Chikao and Vice Minister Zhang Zhijun meet in Beijing to discuss Senkakus issue.

Sept. 25, 2012: Japan protests Taiwanese incursions into its territorial waters in Senkaku Islands.

Sept. 25, 2012: China issues a white paper on the Diaoyu Islands dispute.

Sept. 25, 2012: China announces commissioning of the aircraft carrier *Liaoning*.

Sept. 25, 2012: Ishigaki Municipal Assembly adopts a resolution calling on the national government to protect Japanese fishermen operating in Senkaku Islands.

Sept. 25, 2012: Chinese residents of Yokohama call off Oct. 1 National Day parade and celebrations due to safety concerns.

Sept. 26, 2012: Prime Minister Noda speaks at UN General Assembly and calls for peaceful settlement of territorial disputes in accordance with international law.

Sept. 27, 2012: Foreign Minister Yang Jiechi addresses the UN General Assembly, blasts Diaoyu purchase as illegal and invalid; asserts islands were stolen by Japan in 1895.

Sept. 27, 2012: Kono Yohei delegation meets in Beijing with Jia Qinglin, fourth ranking member of Chinese Communist Party (CCP), and former State Councilor Tang Jiaxuan.

Sept. 27, 2012: China Ministry of National Defense describes PLA Navy scheduled patrols and exercises in East China Sea as normal and legal activities aimed at protecting Chinese fishing and natural gas development activities.

Sept. 28, 2012: Japanese Coast Guard reports rescue of Chinese crew members of distressed freighter off Osaka.

Sept. 28, 2012: Chinese Embassy in Tokyo reports receiving a bullet in the mail from a sender named “Noda Yoshihiko.”

Sept. 28, 2012: Okinawa Prefectural Police transfer to prosecutors two Japanese suspected of landing on Uotsuri Island in the Senkaku Islands.

Sept. 29, 2012: Hokkaido Gov. Takabashi Harumi postpones visit to China to attend the Shanghai Economic Forum, an event commemorating the 40th anniversary of normalization.

Oct. 1, 2012: Seven Taiwanese ships enter Japan’s contiguous zone in the Senkakus and depart later in the day.

Oct. 1, 2012: Japanese Coast Guard reports Sept. 30 sighting of Chinese and Taiwanese ships approaching the Senkakus.

Oct. 2, 2012: Four CMS ships enter Japan’s territorial waters in the Senkakus and depart later in day.

Oct. 2, 2012: Foreign Minister Gamba Koichiro informs press that Japan has protested entry of Chinese ships into the Senkakus; Director General for Asian and Oceanian Affairs Sugiyama Shinsuke telephones Chinese Embassy to lodge protest; crisis management center established in the prime minister’s office.

Oct. 2, 2012: Taiwan’s President Ma says that entry of Taiwanese ships into Senkakus represents a peaceful demonstration, not a provocative act and expresses hopes for re-opening of Taiwan-Japan fisheries negotiations.

Oct. 3, 2012: Foreign Minister Gamba calls for dialogue to stabilize the Senkakus situation, but underscores Japan’s non-negotiable position regarding sovereignty over the islands.

Oct. 4, 2012: Japan’s Ministry of Defense announces transit of seven PLA Navy warships in international waters between Okinawa and Miyakojima.

Oct. 5, 2012: Taiwan’s Interior Ministry announces plans to build national maritime park in waters near the Senkakus.

Oct. 5, 2012: Japanese government announces appointment of Kitera Masato as the next ambassador to China.

Oct. 5, 2012: Japanese prosecutors announce they will not indict Chinese diplomat suspected of using false identity to renew his foreign registration; the diplomat departed Japan on May 22.

Oct. 7, 2012: Chinese ships enter Japan's contiguous zone for seventh consecutive day.

Oct. 10, 2012: Japanese Diet delegation to Taiwan meets President Ma but does not attend Taiwan National Day celebration. In his National Day address, Ma asserts Republic of China sovereignty over the Tiaoyutai Islands.

Oct. 10, 2012: Japanese Coast Guard reports that ships of CMS and Fisheries Law Enforcement Command had entered Japan's contiguous zone 19 times since Sept. 11.

Oct. 11, 2012: Meeting of Japan, ROK China Health officials in Kyoto is postponed after Chinese representative are unable to attend for unspecified reasons.

Oct. 12, 2012: At the World Bank-IMF meeting in Tokyo, IMF Deputy Managing Director Min Zhu expresses optimism over resolution of Daioyu/Senkakus dispute. China's Minister of Finance and Governor of the People's Bank of China do not attend the meeting; Japanese see their non-attendance as reflecting China's dissatisfaction with the Senkakus purchase.

Oct. 13, 2012: Japan and US announce November exercise aimed at retaking uninhabited island.

Oct. 14, 2012: A memorial service for Chinese victims of World War II forced labor is held in Arao, Kumamoto Prefecture.

Oct. 15, 2012: Foreign Minister Gamba meets US Deputy Secretary of State Bill Burns; he reiterates Japan's position on the Senkakus that a territorial problem does not exist.

Oct. 16, 2012: Chinese media report the detention of five individuals for property destruction during anti-Japanese demonstrations Guangdong Province.

Oct. 16, 2012: Seven PLA warships return from exercises in western Pacific passing through Japan's contiguous zone south-southeast of Yonaguni Island, becoming the first-ever PLA warships to transit through Japan's contiguous zone.

Oct. 17, 2012: LDP President Abe Shinzo visits Yasukuni Shrine.

Oct. 18, 2012: Sasakawa Peace Foundation announces the postponement of Self Defense Force-PLA young officers exchange scheduled for late October.

Oct. 18, 2012: Sixty-seven members of the Diet visit Yasukuni Shrine.

Oct. 18, 2012: Foreign Minister Gemba defends the Senkakus purchase as a pragmatic move to preempt the proposed purchase by Tokyo Gov. Ishihara Shintaro.

Oct. 19, 2012: China dispatches naval vessels, aircraft, and helicopters to the East China Sea for a one-day exercise to “strengthen the capacity to safeguard territorial sovereignty and maritime interests.”

Oct. 20, 2012: Ambassador to China Niwa in remarks at Nagoya University says that Japan’s government and citizens are not fully aware of the seriousness of the Senkakus issue.

Oct. 20, 2012: Japanese Coast Guard rescues 64 Chinese from the cargo ship *Ming Yang* after it catches fire off Okinawa.

Oct. 21, 2012: *Kyodo* reports that Chinese officials in September meeting with US Secretary of State Clinton did not refer to Diaoyus as a “core interest” of China.

Oct. 21, 2012: *Jiji Press* reports Japan and US canceled plans for November military exercises aimed at recapturing uninhabited island.

Oct.24, 2012: Chinese oceanic research ship enters Japan’s EEZ and conducts research in an area different from its prior notification of activities and a CMS ship enters Japanese territorial waters.

Oct. 25, 2012: Chief Cabinet Secretary Fujimura finds regular Chinese maritime activities in Japanese waters to be regrettable; Vice Minister Kawai telephones Ambassador Cheng to protest entry of Chinese ships into Japanese waters in the Senkakus; China’s Foreign Ministry spokesperson responds that Chinese ships are conducting regular patrol to support China’s rights.

Oct. 26, 2012: Defense Minister Morimoto Satoshi announces suspension of Japan-China talks aimed at setting up a maritime crisis management mechanism.

Oct. 26, 2012: Vice Minister Zhang says Japan’s disregard for China’s sovereignty is the most serious shock in relations since normalization.

Oct. 27, 2012: Japan’s Fisheries Agency arrests the captain of a Chinese fishing boat engaged in unauthorized fishing in Japan’s EEZ off Kyushu. He is released the next day after paying a fine.

Oct. 30, 2012: China’s former Ambassador to Japan Chen Jian calls on the US to use its influence to move Japan to recognize existence of dispute and accept negotiations with China over the Diaoyu/Senkakus.

Nov. 3, 2012: Japanese retailer Heiwado reopens two stores in Hunan Province after anti-Japanese riots – the first move by Japanese retailers to reopen on full-scale basis.

Nov. 4, 2012: Four CMS ships enter waters off the Senkaku Islands and briefly enter into Japanese territorial waters.

Nov. 5, 2012: Dalai Lama arrives in Japan for 10-day visit; China protests the visit.

Nov. 5-6, 2012: Prime Ministers Noda and Wen attend the ASEM in Vientiane and do not meet.

Nov. 8, 2012: Japan's Tourism Ministry postpones a trilateral Japan, China, ROK meeting scheduled for Nov. 27, reporting that it had been informed by its Chinese counterpart that conditions were not right for China's attendance.

Nov. 13, 2012: Dalai Lama addresses 140 members of the Diet's Upper House; participants announce the formation of a "pro-Tibet Diet members' alliance." China condemns the move as interference by Japan's rightwing forces in China's internal affairs.

Nov. 16, 2012: Beijing police remove barricades from the area of Japanese Embassy in Beijing.

Nov. 16, 2012: Prime Minister Noda dissolves Diet and elections are set for Dec. 16.

Nov. 16, 2012: A reception marking the close of the 40th anniversary commemorations scheduled for Nov. 24 in Beijing is canceled.

Nov. 18, 2012: Japanese Coast Guard reports the 30th consecutive day of Chinese activity in Senkakus contiguous zone.

Nov. 20, 2012: Japan, ROK, China trade ministers agree to begin formal negotiations on a trilateral free trade agreement in early 2013.

Nov. 21, 2012: Foreign Minister Gemba publishes an op-ed titled "Japan-China Relations at a Crossroads" in the *International Herald Tribune*.

Nov. 28, 2012: Four Chinese warships transit through Japan's contiguous zone on the way to exercises in western Pacific; they return on Dec. 10.

Nov. 29, 2012: US Senate amends 2013 Defense Authorization Act to call for peaceful settlement of territorial issues in the East China Sea and self-restraint by all parties. It also reaffirms that the US-Japan Security Treaty extends to the Senkaku Islands.

Nov. 30, 2012: Japan and Taiwan hold preparatory talks on the resumption of fisheries talks.

Nov. 30, 2012: Ambassador Cheng acknowledges the expansion of PLA Navy activities to western Pacific is aimed at strengthening its power but says this development is not a threat.

Dec. 3, 2012: China criticizes US Senate action on the Senkakus.

Dec. 5, 2012: Japan releases a draft of its new Basic Plan on Ocean Policy aimed at strengthening its capabilities to deal with foreign incursions into Japanese waters.

Dec. 7, 2012: Vice Minister Kawai calls Ambassador Cheng to protest the incursion of four CMS ships into Japanese territorial waters.

Dec. 8, 2012: CMS ship enters Japan's contiguous zone.

Dec. 9, 2012: President Ma urges Japan to apologize for using sex slaves in World War II.

Dec. 11, 2012: China's commissions newest and largest Fisheries Law Enforcement Command ship in Shanghai.

Dec. 11, 2012: Former Gov. Ishihara attributes present tension in Japan-China relations to Noda government's purchase of the Senkaku Islands.

Dec. 13, 2012: The 75th anniversary of the Imperial Army's entry into Nanjing and the start of Nanjing Massacre are commemorated.

Dec. 13, 2012: Aircraft from China's CMS intrudes into Japanese airspace. Air Self-Defense Forces jets are scrambled and Japan issues a protest.

Dec. 14, 2012: China submits a continental shelf claim to the United Nations that asserts Chinese sovereignty in the East China Sea to the Okinawa trough.

Dec. 14, 2012: Foreign Minister Yang Jiechi contributes to a *People's Daily* article on foreign policy of the new Xi Jinping administration. Yang writes that China will wage a struggle against Japan over the Diaoyu Islands.

Dec. 16, 2012: LDP wins 294 seats in the 480-seat Lower House of Parliament in Japanese general election.

Dec. 16, 2012: A newly commissioned Chinese Fisheries Law Enforcement Command ship enters Japan's territorial waters in the Senkakus, marking the 18th incursion since Sept. 11.

Dec. 17, 2012: Japanese Coast Guard confirms the seventh consecutive day of Chinese activity in the Senkakus contiguous zone.

Dec. 18, 2012: Japanese Foreign Ministry publishes a position paper on Japan-China Relations Surrounding the Situation of the Senkaku Islands – in Response to China's Airspace Incursion.

Dec. 18, 2012: Ambassador Niwa departs Beijing.

Dec. 19, 2012: Japan National Institute for Defense Studies issues annual China Security Report.

Dec. 20, 2012: Ambassador Niwa address Japan's National Press Club and expresses doubts about Senkakus purchase.

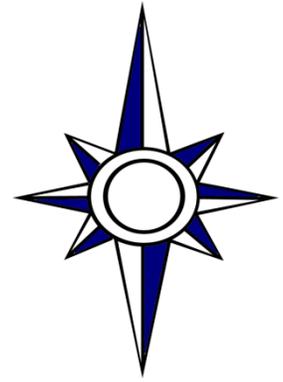
Dec. 22, 2012: Aircraft from China's CMS approaches within 100 km of the Senkaku Islands; Air Self-Defense Force jets are scrambled.

Dec. 25, 2012: Ambassador Kitera arrives in Beijing.

Dec. 25, 2012: Prime Minister-designate Abe meets Ambassador Cheng at LDP headquarters.

Dec. 26, 2012: Abe Shinzo succeeds Noda Yoshihiko as Japan's prime minister.

Dec. 27, 2012: Japanese Coast Guard confirms the fourth consecutive day of Chinese ships activity in Japan's contiguous zone in the Senkakus.



**Japan-Korea Relations:
Leadership Changes and National Trajectories**

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Elections dominated the news in both Korea and Japan. South Koreans elected the first female head of state in modern Northeast Asian history and Japanese voters overwhelmingly returned the Liberal Democratic Party (LDP) to power, giving Abe Shinzo a second run at prime minister. Unsurprisingly, both elections focused on domestic economic issues, and both Park and Abe made an effort to downplay Korea-Japan relations during their campaigns. This did not stop observers from speculating about how both would rule and in particular how Korea-Japan relations might evolve. This was particularly salient because 2012 marks a considerable cooling in relations between the ROK and Japan. Surprisingly, North Korea was not a major factor in either case. The DPRK's December satellite launch failed to disrupt or significantly change the dynamics of either election and was met with a predictable but muted sense of outrage from the US and the countries in the region.

Public diplomacy vs. propaganda

Sir Harold Nicolson once remarked that public diplomacy is what we do, while propaganda is what others do. In the case of Korea-Japan relations, this may just be the case. Of course, the most befitting case here, would be North Korea vitriol broadcast on its state-run *Korean Central News Agency (KCNA)* that characterizes South Korean leaders as “maniacs’ mud-slinging” or as a “group of traitors” or as “good-for-nothings” (*KCNA*, Dec. 19, 2012). There is also much to be said about Tokyo (aka “the imperialists”) and its “escalating espionage” and “criminal drone policy” (*KCNA*, Nov. 19, 2012). Despite such accusations, the consensus in both Seoul and Tokyo is that Pyongyang is the poster child for propaganda. Still, the ongoing territorial dispute over Dokdo/Takeshima exposed South Korea and Japan to accusations of propaganda, starting with the revelation in September of requests for significantly increased budgets by the respective foreign ministries to publicize their claims to the territory. The *Sankei Shimbun* reported that Tokyo would “place ads in 70 national and regional newspapers for a week” to reinforce its sovereignty over Takeshima, highlighting that this was the first time that the government had used newspaper advertisements in its cause. Subsequently, *Yonhap* ran a statement made by South Korean Foreign Minister Kim Sung-hwan that “the government is preparing to run ads in Japanese media to tell the Japanese people that Dokdo is a Korean territory historically, geographically and under international law.” The opportunity costs of such ad blitz efforts aside, the issue of whether what Seoul and Tokyo are doing can be called public diplomacy has not been explored. It seems reasonable to assume that the strategy of telling or demanding that an audience be receptive to your message is pitting “your information” against “their information,” when the issue is not more information but rather more engagement on the issues themselves.

The monologues soon spilled into the international realm, when both states decided to use the United Nations (UN) as a forum to practice strategic ambiguity that was neither strategic nor ambiguous. In speaking at the high-level meeting of the UN General Assembly on the Rule of Law, Japanese Foreign Minister Gamba Koichiro called for the greater use of the International Court of Justice (ICJ) to resolve international conflicts peacefully – a reference likely aimed at South Korea, which has been against the idea of taking the Dokdo/Takeshima dispute to the ICJ. The speech drew immediate reaction from Gamba's South Korean counterpart, who claimed that the rule of law should not be used to advance "political agendas." For his part, Foreign Minister Kim Sung-hwan used his keynote speech at the 67th session of UN General Assembly to state that "wartime sexual violence is a fundamental infringement of human rights, and is in fact an affront to human dignity and integrity ... a country's true valor is proven when it confronts the dark side of its history and endeavors to rectify past wrongdoings." Although Japan was not directly referenced, it was obvious that this "dark history" was that of Japan's colonialism. Less than a month after the meeting at UN, the Oct. 25 *Korea Times* carried an editorial by Shin Maeng-ho, a Korean official working on the Dokdo/Takeshima issue, accusing Tokyo of using the ICJ as "an international forum for propaganda" given the repeated talk of unilaterally referring the territorial dispute to the ICJ despite Korea's protests. With the increasing temptation by both countries to denounce the other's tactics, it may be worthwhile to tease out the difference – theoretically and empirically – between public diplomacy and propaganda.

Some like it hot

The UN also played host to Psy – the Korean singer who exploded onto the music scene with his song, "Gangnam Style." In addition to his imitation of the song's well-known dance moves, UN Secretary General Ban Ki-moon noted the singer could be a "force for global good," referring to the role that music plays in reaching global audiences and reducing intolerance. While Korea laid claim to Psy and basked in the glory of newfound popularity and fame, there was an interesting tangent picked up by foreign media that evoked a more curious question directly addressing Korea-Japan relations: *was* Korea "heating up" while Japan "losing its' cool"? Were Douglas McGray's predictions regarding Japan's "Gross National Cool" finally wearing off?

The first such story was by *AFP* ("Gangnam Style and its Icy Reception in Japan," Oct. 22, 2012), which framed the debate as one between a Japan that is somewhat indifferent, if not resistant to the hit song, and Korea that is fiercely defending its success. The article references Han Koo-hyun, president of the Korean Wave Research Institute (KWRI), in equating Japanese skepticism about the success of Gangnam Style with doubting a world record in an Olympics marathon, and tantamount to "a primary school kid's jealousy and envy." The article goes further and cites Han's mockery of the only Japanese entry in the top 30 all-time most-viewed videos (with more than 237 million views) involving a young Japanese woman dropping some Mentos into a bottle of Diet Coke and swooshing the drink around, which Han finds to be "most grotesque and preposterous" in content, and a "lowly example showing the video-related preferences of the Japanese."

Another article, while documenting the strides made by Korea (Samsung, pop culture etc.) focuses more on the endogenous weakness of Japan's industry rather than the exogenous receptivity issue (Dan Grunebaum, "Is Japan Losing Its Cool?" *The Christian Science Monitor*,

Dec. 8, 2012). For instance, referencing the Japanese Ministry of Economy, Trade, and Industry's 2012 "Cool Japan Strategy" White Paper, the article highlights the fact that Japan only exports 5 percent of its Cool Japan contents, not quite one-third of US creative industries' 17.8 percent. Moreover, it mentions recommendations made by experts that Japan should support its struggling domestic content industries (as opposed to marketing campaigns), and that Japan spent only 0.12 percent of its national budget on the arts in 2008, while South Korea during the same time period spent 0.79 and China, 0.51 percent. The article also suggests the awkward marketing problem of labeling Japan's culture as "cool," quoting Kitawaki Manabu, director of Meiji University's Cool Japan program: "to call yourself cool is by definition uncool – and it defies Japanese modesty."

A third article (Mark Schreiber, "Japan Loses its Cool as South Korea Heats Up," *Japan Times*, Dec. 16, 2012) starts by bringing attention to the Dec. 15 cover of *Shukan Toyo Keizai* (*Weekly Toyo Keizai*) which asked, *Kankoku no tsuyosa wa honmonoka?* (Is Korea's strength the real thing?) Basically, the article mentions "grudging respect" by the Japanese toward such corporate giants like Samsung, but also that some readers would be most likely attracted or comforted by another article in the magazine titled, "The True State of Living Difficulties that Plagues Koreans," which highlights Korea's top spot in the less glamorous categories like suicide rates, poverty among the elderly, and unemployment among school graduates.

We should note that although there is considerable attention to popular culture's influence outside the originating country, scholars such as Jing Sun (*China and Japan as Charm Rivals*) have questioned whether "soft power" actually has a tangible effect on other countries' economic or security policies. Although it is not clear from where this Japanese anxiety about Korea's success stems (or whether it even really exists outside of the lens of media), it does seem that in parallel with other phenomena in international relations such as the "rise of China," the success of others often provides a handy mirror to reflect on your own inadequacies and weaknesses than to admire the other's accomplishments and strengths.

The thin line between neutrality and objectivity

On the whole, the latter part of 2012 for Korea-Japan relations did not bode well, significantly elevating the level of fear in the US of alliance entanglement and entrapment. In terms of Korea-Japan relations, various surveys seemed to capture the general hostility/indifference. First, a survey conducted between late August and early September by the Korea Chamber of Commerce and Industry (KCCI) of 500 businesses trading with Japan, revealed that 12 percent of the respondents claimed to have suffered setbacks in commerce due to the deterioration in bilateral relations. The findings showed the tourism sector was the most vulnerable to setbacks, followed by automakers, and companies dealing with food, cell phones, and home appliances.

The second poll, reported in the October edition of Korea's *Shin Dong-A Magazine*, was a survey of 800 people from Sept. 3-6 on three main questions: 1) whether President Lee Myung-bak's visit to Dokdo in August was appropriate; 2) whether Seoul should respond more forcefully to Japan's demand to take the territorial dispute to the ICJ; and, 3) which side (Korea or Japan) was more to blame for the ongoing bilateral tensions. To summarize, 79.7 percent of respondents viewed President Lee's visit as appropriate, 73.8 percent wanted Seoul to act more

strongly in its territorial dispute with Japan, and 72.2 percent cast more blame on Japan for the ongoing diplomatic row (with 27.8 percent faulting Seoul for its own incompetence).

The third poll was a joint survey conducted by *Chosun Ilbo* and *Mainichi Shimbun* of 1,000 people in Korea (on Oct. 1) and 986 people in Japan (Sept. 29 to 30). The headline was that bilateral sentiments had sunk to its lowest since its height in 2002. The proportion of Koreans with ‘friendly feelings’ toward the Japanese was at 36 percent (61 percent did not hold such feelings), while those from the Japanese side with friendly sentiments toward the Koreans was at 47 percent (48 percent without such feelings). This represents a steady fall over the past six surveys of its kind since the first one in 1995. Nevertheless, both publics seemed to recognize the importance of the bilateral relationship, with 50 percent of the Koreans and 67 percent of the Japanese claiming that relations should be strengthened in order to better manage the stability of Northeast Asia (conversely, 40 percent and 25 percent of the Koreans and Japanese, respectively, did not agree with the statement). Interestingly, while Koreans were more apt to cheer for the Chinese side if it was playing against Japan (56 percent for China and 15 percent for Japan), the Japanese would rather cheer for the Korean side if it was playing against China (60 percent for Korea and 11 percent for China).

Japanese reservations toward Korea and China were similarly reflected in the interviews conducted by the Japanese government (carried out from Sept. 27 to Oct. 7 on 3,000 people in Japan). According to the results, the number of respondents feeling friendly toward both Korea and China were at record lows. Those with negative views of South Korea exceeded the positive for the first time in the survey’s history; likewise, those with negative views of China surpassed those with positive feelings by over four-to-one. Although surveys are readily influenced by specific events, one should also be cautious about jumping to the conclusion that this general lack of affinity in the region is merely a product of the recent territorial disputes involving the Senkaku/Diaoyu Islands and Dokdo/Takeshima, or that this reflects a resurgent nationalism on the part of the Japanese. In fact, the survey results may just be channeling the overwhelming sense by the Japanese that they are surrounded by rivals rather than partners; introversion is not necessarily coterminous with nationalism.

Conscious of the perceptible rise in bilateral tensions, there was a noticeable uneasiness in the US about the continuing feud. For instance, the Dec. 3 *Korea Herald* carried [an interview](#) with Joseph Nye in which he focused on the necessity of a “future-oriented” Korea-Japan relationship that is not a slave to the past. He also warned of a ‘reactive nationalism’ among postwar-generation Japanese who feel like they are being held unfairly accountable for the wrongdoings of a markedly different historical era. Several days prior, another article by Nye was published in the Nov. 27 *Financial Times* where he warned against exaggerated alarmism toward Japanese nationalism; instead arguing that “the real problem is not that Japan is becoming too powerful in international affairs but that it may become too weak and inward-turning. The question is whether Japan wishes to continue to be a great power nation, or if it is content to drift into second-tier status.”

Two other well-known scholars threw in their two cents at the debate: Stephen Walt and Bruce Klingner. Citing the historical example of how Britain started to patch up its relations with other major powers to manage the rise of Germany at the beginning of the 20th century, [Walt argues](#)

that the wildly contrasting behavior of South Korea and Japan (in the face of a rising China) could lead one to conclude that “these two states are letting national pride cloud their thinking in a most unproductive way. And one big reason might be the long habit of expecting Uncle Sam to take care of their security for them.” Therefore, his advice for the US is to make efforts in East Asian diplomacy that would include “helping its friends settle differences among themselves.”

In a somewhat similar vein, one of Klingner’s [key recommendations](#) for policy-makers in the US is to “facilitate contact and reconciliation between Seoul and Tokyo, but avoid being drawn into serving as a mediator.” In the meantime, both Korea and Japan should “exercise pragmatic leadership by not allowing emotional nationalism to impede policies that strategically benefit both countries.” Why “emotions” and “strategic interests” are uncritically placed on opposite poles is too lengthy of a discussion to delve into here. However, it is just as plausible that neither Seoul nor Tokyo are actually that interested in ‘exploiting’ the security blanket afforded by the US. In fact, they may be more interested in having the US take an objective stance regarding the issue, which is not necessarily the same as trying to keep one’s neutrality by not getting one’s hands dirty. Given the length of time that the two nations have dwelled on the issue, it may serve the US well to stop its wishful thinking and break its ambiguous silence (after all, lack of opinion on the matter does not negate the existence of a problem). This is especially poignant when we see the danger of media manipulation and the use of phrasing that may poison US policy of non-involvement as suggested in “Why Japan is Still Not Sorry Enough,” *Time Magazine*, Dec. 11, 2012: a review of Thomas U. Berger’s new book, *War, Guilt and Politics After World War II*.

Rocket man

In mid-November, Japan-North Korea talks had resumed, with Director General of the Japanese Foreign Ministry’s Asian and Oceanian Affairs Bureau Sugiyama Shinsuke meeting North Korean Ambassador Song Il Ho for the talks. With the announcement of North Korea’s plans to launch the rockets on Dec. 1, Tokyo notified Pyongyang that the second round of talks would be canceled; once again, bringing Japan-North Korea relations to a standstill.

As if to redeem itself for the failure to put a satellite into orbit in April – marking the first time the country did not actually spin the embarrassment in its announcement to the public – Pyongyang successfully launched the satellite *Kwangmyongsong-3* into orbit on Dec. 12. According to North Korean state media, Kim Jong Un thereafter called for more such satellite and rocket launches at the banquet honoring those that contributed to the launch.

The occasion did, however, at least temporarily permit South Korea and Japan to see eye-to-eye. Indeed, even China voiced regret and “deep concern” over the launch, joining the rest of the UN Security Council in condemning North’s actions. In fact, despite considerable wariness among the three countries, a few months prior in early October, the South Korea-China-Japan Trilateral Cooperation Secretariat held an inaugural forum marking the first anniversary of the establishment of the organization. There were also talks in September to move along the necessary procedures for the trilateral free trade agreement (FTA), but the general election hubbub seemed to squash any progress on the matter.

All in moderation

Both Seoul and Tokyo had important elections in December, generating significant speculation about the future of bilateral relations. Soon after Abe Shinzo's Liberal Democratic Party (LDP) won a landslide victory in the general elections on Dec. 16, Park Geun-hye won the South Korean presidential elections on Dec. 19. The media quickly labeled the general pattern a "back to the future" of sorts: the LDP returning to power with Abe back at the helm, and Park becoming the first daughter of a former president to head the country. Likewise, the media did not miss the opportunity to cover the similarities of the three leaders of Korea, Japan, and China (Park, Abe, and Xi Jinping), including their age (all between 58 and 60) and all representing second- or third-generation politicians. It is true that to some extent the leaders in both Korea and Japan may have in part appealed to voters who were looking for comfort and reassurance in a past rather than the uncertainties of the future.

For example, in early November, presidential hopeful Park Geun-hye made it clear that South Korea's claim to Dokdo/Takeshima was not only legitimate, but also non-negotiable. Moreover, she was just as stern in her view that Japan's subjugation of Korean women by the Japanese military during the colonial period cannot be justified. In addition to such rhetoric, some also expressed concern that Park's personal legacy as the daughter of former President Park Chung-hee, who was educated in Japan, may mean that her potential susceptibility to criticisms of being too Japan-leaning may make closer Korea-Japan relations that much more difficult. From Japan's side, there was news of possible amendments to the Kono statement, which acknowledges Japanese Imperial Army involvement in forcing thousands of captured women to provide sex for those soldiers. The *Asahi Shimbun* carried an interview (Dec. 12, 2012) with Kono Yohei, a former politician in the LDP who issued the Kono statement as chief cabinet secretary in 1993, quoting his remarks that "total denial of postwar Japan is not conservatism," and highlighting his concern that "inward looking remarks, prone to fuel cheap nationalism, can gain currency on the international level." The apparent pull to the right was quickly picked up by the Korean media that painted Abe as a nationalist but also his new Cabinet as ultra-nationalists, not passing up the opportunity to highlight some of their credentials. (e.g., Aso Taro, former premier, deputy prime minister and finance minister, and his statement that Koreans during the colonial period had changed their names by choice and not from any coercion by the Japanese.)

It is likely however, that any "electoral posturing" that may have sparked early commentaries predicting a rocky bilateral relationship may not be entirely correct; a more realistic trajectory is one where both parties commit to the median voter theorem, or the logic that any politician straying too far from the voters at the center will soon be out of a job. Abe has already been called a "pragmatist" for his recent moves to not only send a special envoy to South Korea, but also to consider backtracking on his initial campaign pledge of sponsoring an event to mark 'Takeshima Day' on Feb. 22.

Winter 2013

The coming months will most likely see the installation of Cabinets, advisors, and the formation of a broad range of policies in both South Korea and Japan. Although one often predicts a few months of quiet as new administrations take power, events can often overtake careful planning,

especially with rumors of a North Korean nuclear test in the near future. We will learn most about how these new leaders will govern when they face and respond to their first, almost inevitable, international crisis. Meanwhile, there is continuing movement among China, Korea, and Japan to increase economic coordination on policies ranging from financial flows and trade to ferry service and disaster relief. It will be interesting to see whether the South Korea-China-Japan Trilateral Cooperation Secretariat can move forward in the next year in any meaningful manner, and whether Abe and Park focus on domestic economic issues or whether they pursue political agendas first.

Chronology of Japan-Korea Relations September – December 2012

Sept. 3, 2012: *Asahi Shimbun* quotes a Japanese Self-Defense Force (SDF) source that claims Seoul sent notice that its officers would not be taking part in military exchange programs. Plans to invite officers from the South Korean Air Force's Southern Combat Command to Japan to meet their Japanese counterparts Sept. 3-6 are canceled.

Sept. 5, 2012: *Chosun Ilbo* quotes a South Korean diplomatic source in claiming that Japan informed the US it was against an increase in the range and payload of South Korean missiles.

Sept. 6, 2012: *Asahi Shimbun* reports that the four-member Japanese delegation to North Korea has wrapped up its 10-day trip to the country. The group visited four burial sites in preparation for possible retrieval of remains to Japan and future visits to such sites by the bereaved families and relatives.

Sept. 8, 2012: Japanese Foreign Minister (FM) Gamba Koichiro meets South Korean counterpart Kim Sung-hwan at the Asia-Pacific Economic Cooperation (APEC) forum in Vladivostok.

Sept. 9, 2012: US Secretary of State Hillary Clinton speaks at the APEC meeting, urging for cooler heads from both South Korea and Japan in working out their ongoing territorial dispute.

Sept. 11, 2012: *Yomiuri Shimbun* reports President Lee Myung-bak and Prime Minister Noda Yoshihiko engaged in a brief discussion at the APEC meeting. This marks the first contact between the two since Lee's visit to Dokdo in August.

Sept. 11, 2012: Korea Chamber of Commerce and Industry (KCCI) survey reported by *Yonhap* reveals that more than one in 10 South Korean companies engaged in trade with Japanese companies believe they are suffering damage due to the South Korea-Japan diplomatic spat.

Sept. 11, 2012: According to *Yonhap*, Seoul is seeking an increased budget for 2013 in dealing with its claims to sovereignty over the disputed territory of Dokdo/Takeshima. The amount requested totals 4.2 billion won (roughly \$3.7 million), representing an increase of 81 percent over the 2012 budget. The article also states that Japan has similarly increased its requested budget for the same purpose, to \$7.5 million for 2013.

Sept. 20, 2012: South Korea's *Shin Dong-A Magazine* in its October edition publishes the findings of a poll regarding perceptions toward the South Korea-Japan bilateral relationship.

Sept. 23, 2012: The *Wall Street Journal* carries an interview with Japanese Prime Minister Noda where he reiterates Japan's official position regarding compensation to those Korean victims of sexual slavery (referred to as "comfort women"), saying "the matter is closed."

Sept. 24, 2012: The *Japan Times* states that FM Gemba has called for the greater use of the International Court of Justice (ICJ) for the peaceful resolution of international conflicts – an apparent reference to the territorial dispute with South Korea over Dokdo/Takeshima.

Sept. 24, 2012: FM Kim Sung-hwan meets FM Gemba on the sidelines of the UN General Assembly in New York, reaffirming efforts to work together on pressing bilateral issues including North Korea.

Sept. 25, 2012: *Sankei Shimbun* reports that South Korea refused to allow Japanese Maritime Self-Defense Force ships to dock in Busan during a joint naval exercise involving the US and Australia. South Korea's Defense Ministry denies the reports, claiming that the decision not to dock at the port was based on prior mutual agreement.

Sept. 28, 2012: *Yonhap News* reports that Seoul, Tokyo, and Beijing will begin their domestic procedures starting October toward the launch of the trilateral free trade talks.

Sept. 28, 2012: FM Kim Sung-hwan addresses the 67th session of the UN General Assembly and includes references to wartime sexual violence as an infringement of human rights and the need to face up to history.

Oct. 5, 2012: *Asahi Shimbun* reports that Matsubara Jin (who lost his job in an Oct. 1 cabinet reshuffle) attempted to open his own lines of communication with North Korea, in order to influence bilateral relations. An anonymous Japanese government official is quoted saying that "fame-hungry politicians have poked their noses into Japan-North Korea relations, while the Foreign Ministry has become wary of holding dialogues on the abduction issue."

Oct. 6, 2012: *Chosun Ilbo* publishes the findings of its joint survey with *Mainichi Shimbun* on Korean and Japanese public perceptions toward the bilateral relationship.

Oct. 7, 2012: Seoul announces that it has received approval from the US to develop ballistic missiles with a range of up to 800 km, more than double the prior limit.

Oct. 7-8, 2012: The annual South Korean-Japan Cooperation Committee Meeting is held in Seoul. In a speech read by FM Kim Sung-hwan, President Lee calls for "a mature partnership between the two countries by having the courage and wisdom to look squarely at history and sincere action backing it up." In a speech read by former Prime Minister Aso Taro, Prime Minister Noda urges "a cool-headed approach."

Oct. 9, 2012: *Yonhap* announces that South Korea and Japan agreed to let the expanded portion of the bilateral currency swap deal expire at the end of the month. The expiration will mean that the bilateral currency swap deal will decrease to \$13 billion from \$70 billion.

Oct. 11, 2012: *Korea Herald* states that a Tokyo District Court ordered the Japanese government to disclose parts of the classified 1965 Korea-Japan normalization treaty dealing with Japan's wartime sexual slavery, ruling in favor of the 11 Korean and Japanese civic activists representing the so-called "comfort women." Japan has refused to disclose the proceedings of the treaty claiming that such disclosure may hinder relations between South and North Korea.

Oct. 11, 2012: Finance Minister Pak Chae-wan meets Japanese counterpart Jojima Koriki on the sidelines of the International Monetary Fund (IMF) and World Bank meeting in Tokyo.

Oct. 12, 2012: *Chosun Ilbo* hints at a potential thaw in bilateral relations, citing news of resuming regular meetings between finance ministers that had been suspended due to the dispute over Dokdo/Takeshima. The fifth such meeting was scheduled for August but postponed indefinitely following President Lee's visit to the disputed islands.

Oct. 15, 2012: A *Financial Times* article, "Tokyo and Seoul: Relationship on the Rocks," cites US Asia experts on the negative impact of Korea-Japan relations for the US 'pivot' strategy.

Oct. 15, 2012: The Trilateral Cooperation Secretariat (TCS) involving South Korea, China, and Japan holds its inaugural forum in Seoul, bringing together South Korea's Kim Sung-hwan, Vice President of the Chinese People's Institute of Foreign Affairs Lu Shumin, and former Japanese Science and Technology Minister Nakagawa Masaharu.

Oct. 17, 2012: President of Japan's Liberal Democratic Party (LDP) Abe Shinzo visits Yasukuni Shrine, his first such visit since winning the party election in September.

Oct. 17, 2012: South Korea's chief negotiator to the Six-Party Talks Lim Sung-nam, Director General of the Japanese Foreign Ministry's Asian and Oceanian Affairs Bureau Sugiyama Shinsuke and US Special Envoy for North Korea Policy Glyn Davies meet in Tokyo for talks on North Korea.

Oct. 22, 2012: Japan's Chief Cabinet Secretary Fujimura Osamu calls on Korea's parliamentary leaders to cancel their scheduled trip to Takeshima.

Oct. 23, 2012: South Korea's lawmakers from the National Defense Committee visit Dokdo, marking the third such visit since 2005.

Oct. 29, 2012: *Kyodo* announces that 33 of Japan's 47 local assemblies have voted in favor of Tokyo pressing its claims to the disputed territory of Dokdo/Takeshima.

Oct. 29, 2012: Japan's new Ambassador to Korea Bessho Koro arrives in Seoul.

Nov. 6, 2012: *Asahi Shimbun* covers the visit of 40 or so members of the Japanese Maritime Self-Defense Force Staff College to South Korea. The article quotes the director of the MSDF Staff College's education department, stating, "We want to promote exchanges at all levels even though political relations are bedeviled by some issues."

Nov. 7, 2012: In an interview with Korea's *JoongAng Daily*, Shin Bong-kil, secretary general of the Trilateral Cooperation Secretariat (TCS), states that "Korea, China, and Japan are in basic agreement that bilateral conflicts over historical and territorial issues should not affect trilateral cooperation in Northeast Asia."

Nov. 16-17, 2012: Director General of the Japanese Foreign Ministry's Asian and Oceanian Affairs Bureau Sugiyama meets Song Il Ho, North Korean ambassador for talks to normalize relations with Japan.

Nov. 20, 2012: Trade ministers from South Korea, China, and Japan meet in Cambodia and announce the launch of free trade negotiations, ten years after the joint civic study in 2003.

Nov. 22, 2012: Seoul and Tokyo hold their 11th high-level economic consultation in Seoul, headed by Korea's Deputy Trade Minister Lee Shi-hyung and Japan's Deputy Minister for Foreign Affairs, Tsuruoka Koji.

Nov. 22, 2012: According to *Kyodo*, the Japanese government decided to create Japanese names for the rock formations on Takeshima and register them with the Geospatial Information Authority of Japan.

Nov. 22, 2012: *Dong-A Ilbo* details the campaign pledges of Abe Shinzo, pointing out his pledge to elevate the significance of 'Takeshima Day' designated for Feb. 22.

Nov. 22, 2012: According to *Japan Times*, Shimane Prefecture has called on the public to provide historical documents that would reinforce Japan's claims to Takeshima.

Nov. 24, 2012: Finance ministers from South Korea and Japan meet to discuss economic and financial ties, releasing a joint statement that notes the importance of resuming negotiations on the free trade agreement.

Nov. 28, 2012: A boat carrying five dead men, all believed to be from North Korea, is found beached on Niigata Prefecture's Sado Island.

Nov. 29, 2012: *Washington Post* reports on recent findings of the Japanese government survey on Japanese public sentiment toward South Korea and China. The article suggests that the significant decline in affinity for both Seoul and Beijing by the Japanese may represent a shift back toward nationalism of an earlier era.

Dec. 1, 2012: North Korea announces plans to launch a satellite between Dec. 10 and 22.

Dec. 2, 2012: Japan announces that it “has informed North Korea of a postponement of bilateral talks planned for later this week out of consideration for current circumstances.”

Dec. 7, 2012: The *Japan Times* reports that three MSDF destroyers armed with *Aegis* missile defense system left the base in Sasebo on Dec. 6 in preparation for North Korea’s rocket launch.

Dec. 8, 2012: *KCNA* states that roundtable talks were held in Tokyo on Nov. 27 to mark the 40th anniversary of the realization of the North Korea-Japan sport exchange.

Dec. 10, 2012: *KCNA* releases a statement from the Korean Committee of Space Technology, claiming that preparations for the scheduled rocket launch were “at a final phase,” but adding that “they, however, found technical deficiency in the first-stage control engine module of the rocket carrying the satellite and decided to extend the satellite launch period up to Dec. 29.”

Dec. 11, 2012: According to *Chosun Ilbo*, three Korean mobile service providers – SK Telecom, KT, and LG Uplus – have submitted an application to the Dokdo Management Office to set up a base station on the islets, paving the way for 4th generation mobile coverage on the island by February 2013. KT has already established Wi-Fi connection network on the islets.

Dec. 12, 2012: North Korea launches a satellite into outer space using a three-stage rocket.

Dec. 12, 2012: The North American Aerospace Defense Command (NORAD) releases a statement that confirms initial indications suggesting that North Korea’s rocket “deployed an object that appeared to achieve orbit.”

Dec. 12, 2012: *Kyodo* reports that the Japanese Coast Guard rescued four men aboard a North Korean boat drifting in the Sea of Japan/East Sea.

Dec. 16, 2012: The LDP wins by a landslide in Japan’s national parliamentary elections.

Dec. 19, 2012: Park Geun-hye wins South Korean presidential elections.

Dec. 20, 2012: Japan’s incoming Prime Minister Abe Shinzo congratulates Park Geun-hye on her recent win in the South Korean presidential elections.

Dec. 21, 2012: *Asahi Shimbun* includes an article citing plans by incoming Prime Minister Abe to send a special envoy to South Korea to improve relations and the possible cancellation of the central government support for a national “*Takeshima Day*.”

Dec. 21, 2012: South Korea releases its defense white paper, reiterating its claims to Dokdo/Takeshima. Japan protests, with Seoul sending a rebuttal letter stating that “Dokdo is an integral part of Korean territory historically, geographically, and under international law.”

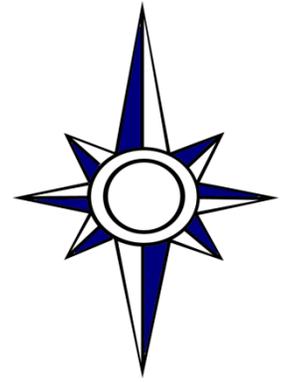
Dec. 22, 2012: According to *Yonhap News*, President-elect Park Geun-hye has turned down a proposed visit by former Finance Minister Nukaga Fukushiro, the special envoy designated by incoming Prime Minister Abe, due to a scheduling conflict.

Dec. 22, 2012: *Yonhap News* reports that North Korea's leader Kim Jong Un has called for more satellites and rockets to be launched following the country's successful effort in early December.

Dec. 26, 2012: The voting to designate Japan's prime minister takes place at both the House of Representatives and the House of Councillors; Abe Shinzo becomes the 96th prime minister (the 63rd person to assume the post).

Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



China-Russia Relations: Tales of Different “Pivots”

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“Russia can pivot to the Pacific, too,” declared Dmitri Trenin, director of the Carnegie Moscow Center, the day the 24th APEC Leaders Meeting opened in Vladivostok, Russia’s outpost city at the Pacific where it spent \$21 billion in five years prior to the APEC meeting. To be sure, investment in this symbol of Russia’s eastward “pivot” was initiated in Putin 2.0 (2004-08) and long before US Secretary of State Hillary Clinton used the word “pivot” in her November 2011 piece “America’s Pacific Century” in *Foreign Policy*. Never mind the “empty chair” for US President Obama at this coming out party for Russia’s plunge into the world’s most dynamic market. It was anybody’s guess if this was Obama’s payback for Putin’s skipping the G20 at Camp David in May, or something else (fighting for reelection).

One less noticeable “pivot,” however, was by China, Russia’s neighbor less than 100 km south of Vladivostok. Russia was where both President Hu Jintao and Premier Wen Jiabao made the last of their 2012 foreign visits, which might well be the last official visits of their 10 years as China’s top leaders. In early September, Hu joined the APEC meeting in Vladivostok. In early December, Wen Jiabao went to Moscow for the prime ministerial meeting. Wen’s subsequent “long talk” with President Putin in Sochi highlighted the important and sensitive relationship. Meanwhile, Putin’s “pivot” to the Asia-Pacific was not just about China, but part of Russia’s grand strategy with both economic and strategic components to make Russia a truly Eurasian power. As the fourth generation of Chinese leaders was fading away, Russian-Chinese military cooperation gained more traction in the closing months of 2012.

Putin-Hu meeting in Vladivostok

On Sept. 7, President Hu Jintao met President Vladimir Putin on the sidelines of the APEC meeting in Vladivostok. This was the second time in three months and perhaps the last chance for Hu to visit Russia as China’s president. This time, the two heads of state held “a thorough exchange of views” and reached “important consensus” on bilateral relations, and regional and international issues.

Hu hoped to see more “active implementation” of the cooperation agreements and consensus reached at the June summit in Beijing. For this goal, he made seven suggestions for bilateral relations: 1) deepen strategic mutual trust to promote a high-level political relationship, 2) cooperate in investment and high-tech areas, particularly in large, strategic projects to elevate both the quantity and quality of bilateral economic relations, 3) actively coordinate in drafting the “Outlines for Implementing ‘Sino-Russian Cooperative Treaty of Good-neighborliness,

Friendship and Cooperation' for 2013-16," 4) set up a joint mechanism for law-enforcement and security and promote military-military cooperation; 5) create a mechanism for regional leaders' regular meeting; 6) develop an action plan for the next 10 years of humanitarian cooperation, and 7) closely coordinate on global and regional issues for peace, security, and stability. Hu stressed the strategic and long-term implications of energy cooperation.

Putin agreed that the China-Russia strategic partnership had developed steadily in recent years. The two countries boosted strategic and political mutual trust, enhanced their trade and economic cooperation, and coordinated closely on major world and regional issues. He attributed the "very high level" of bilateral relations to the "personal contribution" of Hu, who would be the first speaker at the APEC Leaders Meeting the following day, hoping Hu's speech would set the tone for the rest of the meeting. The Chinese press described the bilateral meeting as "candid, in depth and pragmatic" [坦诚、深入、务实]. Putin was quoted as calling Hu Jintao "my respected old friend." Hu's multiple suggestions can be interpreted as signs of China's eagerness to improve, as well as its dissatisfaction with, relations with Russia.

APEC meeting in Vladivostok: Putin style

Vladivostok was thoroughly revitalized, thanks to the five-year, \$21 billion investment in the city's infrastructure, which was the largest one-time investment in Russian/Soviet history for any Russian city. Despite this huge financial effort, this outpost of the vast Russia state looked both promising and precarious. In contrast to neighbors whose economies have turned this part of the world into the center of the global economy, Russia's far eastern region has suffered due to a dwindling population and deteriorating infrastructure. To reverse this trend, Putin was determined to make the APEC forum a showcase for Russia's sincerity and its ability to join the most rapidly developing region, which accounts for about 40 percent of the world's population, around 57 percent of world GDP, and about 48 percent of world trade. To do that, he needed to "catch the 'Chinese wind' to propel Russia's economy, as he envisioned in his February 2012 election article, "Russia and the Changing World."

As the APEC host, Putin's effort to make Hu the first speaker among 21 heads of state had several goals. First and foremost was to make sure that the "Chinese wind" would blow strongly enough to turn this Russian "fortress" into "fortune" for this economically depressed region of Russia. This was particularly urgent in the wake of the 2008 financial crisis. As a Eurasian power, Russia occupies a unique position to reach out to the East. The theme of the Vladivostok APEC meeting, "Integrate to Grow, Innovate to Prosper," reflected Russia's economic imperative as it went on its \$21 billion spending spree to make the Vladivostok meeting a success.

Putin counted on Hu to focus on economics. In the past 10 years, they have met almost 30 times in both bilateral and multilateral settings, and he understood that the very success of China in the past 33 years was its single-minded pursuit of economic development. Further, Beijing had made it clear that APEC was not a place for territorial issues. So, Hu was pleased with the tone-setting role at the annual APEC meeting in Russia.

There is no question that modernizing Russia's Far East requires much more than a facelift for Vladivostok as taking a sustained interest in economic integration has been rare in Russian history. In the past, almost all Russian (and Soviet) leaders have experimented with ideological and security integration between the West and East.

Russia's economics-in-command thinking aside, the months leading to the Vladivostok APEC meeting, however, witnessed the escalation of territorial disputes in this part of the world, including the Sino-Japanese disputes over the Diaoyus/Senkakus, the Japan-South Korean dispute over Takeshima/Dokdo; the Japan-Russian disputes over the Northern Territories/Kurils, as well as multiple disputes involving several APEC member economies in the South China Sea. It appeared likely that the Vladivostok meeting would be sidetracked from its economic focus by territorial issues as Secretary Clinton planned to meet several ASEAN leaders to discuss a code of conduct for the South China Sea. Another mission for Clinton at the Vladivostok meeting was to mediate Japan-South Korean territorial disputes. The last time a US president did not participate in the APEC meeting was in Malaysia in 1998 when Vice President Al Gore insisted that human rights issues in Malaysian politics should be discussed by APEC leaders.

Ultimately, Moscow hoped China's prominent role at APEC would help Russia attract more investment from the rest of the region. Russia wants to "pivot" to the Asia-Pacific, not just to China. Prior to and during the APEC meeting, Putin and other Russian leaders clearly expressed their willingness to welcome Japanese contributions to Russia's Far East, to the point that even territorial issues were being soft-peddled. On Sept. 1, Russian Foreign Minister Sergey Lavrov was quoted as saying that he ruled out an APEC role in settling the Russia-Japan peace treaty problem. Two days later, he clarified that the absence of a peace treaty was not an obstacle to further development of Russian-Japanese relations. This was followed by a statement from Lavrov 48 hours later that Moscow was ready to discuss a peace treaty with Tokyo on the basis of the UN Charter.

While the foreign minister continued to soften his words, Putin and other Russian officials were eager to accommodate Japanese business and government officials. They met Prime Minister Noda Yoshihiko, signing multiple government and commercial contracts ranging from fishing to timber industry, inaugurating the Mazda assembly plant in Vladivostok, and soliciting Japanese participation in Russia's energy and infrastructure projects in this vast Russian region. Indeed, a Russian-Japanese rapprochement was taking shape despite territorial disputes and the absence of a peace treaty between the two. All of this did not go unnoticed by Tokyo, which prefers a more relaxed relationship with Moscow for both commercial and strategic benefits. A few days before the APEC meeting Asari Hideki, deputy director general of the Japan Institute of International Affairs, proposed Japan-US-Russian trilateral cooperation in Northeast Asia to offset China's growing influence in this part of the world. It remains to be seen how Moscow would reciprocate with the Asian players.

Russian defense minister visits Beijing

One of the seven suggestions that President Hu Jintao made in his meeting with President Putin in Vladivostok was to promote military cooperation. Against the backdrop of an economic theme in the annual APEC meeting, this initiative was quite "invisible." In late November, however,

Russia's new Defense Minister Sergei Shoigu became the first Cabinet member in the Putin 3.0 administration to visit China after the Chinese Communist Party's 18th Congress. China was the first country for the new defense minister to visit, barely two weeks after he was appointed on Nov. 6 when Putin ousted Anatoly Serdyukov.

Part of Shoigu's work in Beijing was to co-chair with Chinese counterpart Gen. Liang Guanglie, the 17th session of the Russian-Chinese Joint Government Commission for Military-Technical Cooperation. Despite the sudden change of the Russian co-chair, Beijing quickly confirmed its invitation to the new minister to visit. The meeting may well be the beginning of a new round of more active Sino-Russian military sales and cooperation, which have until recently been considered quite unsatisfactory by both sides. "The higher the level of cooperation between our countries, the calmer our region is," Shoigu was quoted as saying.

Among the issues discussed during the Beijing meeting was a possible \$1.5-billion purchase of 24 *Sukhoi-35* fighters. It was reported that a preliminary agreement was reached during Shoigu's stay in Beijing. "The most serious issues of military-technical cooperation and military cooperation were discussed," commented Deputy Defense Minister Anatoliy Antonov, who attended the meeting. "The minister [Shoigu] had very serious meetings with the leadership of the People's Republic of China and the leadership of the Defense Ministry... I saw China's determination to develop partnership in all areas," Antonov told *Rossiia 24* after the meeting.

In Beijing, Shoigu was received first by Vice Chairman of the Central Military Commission Xu Qiliang before the commission met, and by President Hu Jintao after the commission meeting. Hu's meeting was indicative of some significant progress. "Shortly after your appointment, you decided to come here and attend the 17th meeting of the Intergovernmental Commission on Military-Technical Cooperation," said President Hu Jintao to Shoigu. "This is a sign of the amount of attention you and Russia at large give to the development of Sino-Russian relations and military-technical cooperation between our countries," and "China appreciates that." Hu noted that Shoigu and Defense Minister Liang Guanglie "reached a mutual understanding at their meeting." In response, Shoigu said, "We have taken new steps towards strengthening our relations." Commander of the Russian Air Force Viktor Bondarev led a group of Russian Air Force officers on a visit to China prior to Shoigu's visit. Xu Qiliang, vice chairman of the Central Military Commission, met the group.

For quite some time, Russia has been hesitant to sell its best multirole fighter to China, lest its reverse-engineering ability would quickly clone the Russian design. In the 1990s, China purchased dozens of *Su-27SK* fighters, which were allegedly used by China as a blueprint to develop its own *J-11*. China eventually obtained a single *T-10K* from Ukraine (a *Su-33* prototype) after Russia rejected the sale of *Su-33* carrier-based fighters to China. Competition between Russian and Chinese armaments companies in the third countries has complicated the issue, such as the case of a Russian RD-93 jet engine (a modified version of the RD-33 for *Mig-29s*) for the Chinese-Pakistani *FJ-17* joint fighter program. Russia went so far as to stop supplying the engine to China when Moscow and Beijing competed in the low-cost jet market. In the case of the *Su-35*, Moscow originally insisted on selling at least 48 of its super-maneuverable jets to China while China was reportedly interested in obtaining only four. Now, the sale of the

24 *Su-35s* seems to be a compromise after the two sides reportedly worked out legal documents for intellectual property rights protection.

Several other factors may have contributed to the progress in the *Su-35* sales. Despite a series of high-profile indigenously developed stealth fighters (*J-20* and *J-31*) as well as landing its *J-15* on an aircraft carrier, the PLA still faces various engineering and technological constraints, particularly in developing its own jet engines. Buying off-the-shelf Russian jets remains an option for immediate deployment at a time of growing frictions around China's peripheries. China's current diplomatic difficulties, however, are not as serious as in the 1990s, when the Taiwan Strait crisis became a strategic showdown with the US.

Beijing is really interested in obtaining a few samples for comparison, research and technological upgrading for the future. To this point, there has been no official Chinese confirmation of media reports about pending sales, which mostly come from the Russian side. By yearend, however, a commentary in *Global Times* indicated that the final procurement decision would be made according to two factors: the speed of China's R&D for the new generation of jet fighters, and Russia's willingness to compromise. Regardless, they are negotiating a deal.

Although Russia remains concerned by China's copying capability, the sale of 24 *Su-35s* remains attractive for several reasons. One is it allows Russia to explore more commercial opportunities as some of its traditional customers such as India and some Central Asian states are diversifying their procurement. Another consideration is the speed and scope of China's advancement in science and technology, which creates concern in Russia that it may miss the current window of opportunity at which some of its hardware is still attractive to the PLA – China is already testing its *J-20* and *J-31* stealth fighter-bombers. Additionally, the *T-50's* serial production needs a large financial input and China's procurement of the *Su-35* means some \$1.5 billion, which would considerably reduce Russia's own financial input. Last, the *T-50* is scheduled to go into limited "example" production for evaluation in 2013 and series production after 2016. The Russian military calculates that it will continue to maintain a generation ahead of its Chinese counterpart in jet fighters. For China, huge inputs into its aerospace engineering would significantly improve the quality and life span of its own jet engines.

The *Su-35* deal is part of the recent (since 2011) recovery in China's acquisition of Russian arms, which include large quantities (about 90 percent of the total military sales) of jet engines, helicopters, etc. Indeed, the Russian aircraft engine manufacturer Salyut would have to work overtime to meet China's demands. By the end of 2012, there was speculation in both Chinese and foreign media about a deal with Russia for licensed production of the *Tupolev Tu-22M3* long-range supersonic bomber. While Chinese military experts and media were not particularly thrilled by this prospect due to the outdated design of the bomber, there has been no confirmation of the deal by either side. Elsewhere, Russian media revealed that Russia and China had reached a framework agreement for constructing four *Amur-1650* conventional submarines for the Chinese Navy. The \$2 billion contract is expected to be signed after 2015 according to *Russian Kommersant*. The agreement calls for two of the submarines to be built in Russia and two in China, a source close to Rosoboronexport told the business daily.

Recent Russian Military Sales to China: 2009-2012

Contract Time	Items	Quantity	Millions of US	Delivery Time
2009	Mi-171E helicopters	32		2010-11
2009	D-30KP2 engines for Il-76 & H-6K	55		2009-11
2011	D-30KP2 engines for Il-76, H-6K & Y-20	184		2012-15
2011	AL-31FN engines for J-10	123	\$500	2012-
2011	AL-31F engines for J-11, J-16	150	\$700	2012-
2012	AL-31F engines for J-11, J-16	140	\$700	2012-
2012	Mi-171E helicopters	52	\$700	2012-14

The current upturn in China's acquisition of Russian arms is said to constitute the third wave of Russian arms transfers to China, after the first phase of 1949-1960 and the second of 1989-2000, when China was among the largest buyer of Russian arms for many years. This optimistic projection, however, may not be realized, given the rapid development of China's own armaments industry, Russia's concerns about China's ability to clone its products, the "India factor" in Russia's arms sales to China, and Russia's enduring problems in quality control and poor service.

Wen Jiabao in Russia

The 17th Sino-Russian Prime Ministerial Regular Meeting was held in Moscow on Dec. 6 and was co-chaired by Wen Jiabao and Prime Minister Dmitry Medvedev. The occasion was quite unusual for the two leaders: it was Wen's last trip to Moscow as premiere while Russia's new, and old, prime minister had just rotated back to his previous position after four years in the Kremlin.

The two prime ministers focused on a number of issues including trade and investment, energy, advanced and space technology, regional development, transportation and navigation, search and rescue for civilian airplanes, illegal fishing, cultural exchanges, and coordination in multilateral forums such as the SCO and APEC. The joint communiqué issued at the end of the regular meeting contains a special note that "the two sides will continue to work together to defend World War II" including "the outcome and the post-war order" – a reference to territorial disputes with Japan – and pledged that they would support "each other's sovereignty, security and territorial integrity, core interests." Nine inter-governmental documents were signed, plus eight commercial contracts, including military-technology cooperation, which was discussed as Russian Deputy Prime Minister Dmitry Rogozin, who is in charge of the defense and space industry, was present. According to official records, the 17th meeting was the second time since 2000 where the military-technology topic was prominently featured in the regular meeting.

Premier Wen made seven suggestions for promoting bilateral economic relations: 1) increasing two-way trade to \$100 billion by 2015; 2) promoting comprehensive energy cooperation for energy security and sustainability; 3) focusing on cooperation in the areas of investment, manufacture, and advanced technology, particularly in strategic aerospace projects; 4) promoting regional cooperation; 5) supporting enterprises; 6) promoting societal and humanitarian

exchanges; and 7) actively participating in global economic management to reform international financial system. In his speech, Prime Minister Medvedev described bilateral ties as being at their best and constituting a new type of major power relations. He noted that the “multiple accomplishments” achieved during the meeting were new stimuli for the bilateral relations.

After the meeting in Moscow, Wen traveled to the Black Sea resort city of Sochi where he was received by President Putin. Chinese official media described the meeting as “a cordial and in-depth conversation for a long time,” a quite unusual gesture for the Russian head of the state to make for a visiting head of the government. The two leaders obviously briefed each other on the domestic situation in their respective countries. Wen, for example, described Russian domestic situation as “severe and complicated” and said that “a stable, prosperous, and strong Russia is favorable to the world.” Wen also promised that the new generation of leaders in China “will continue to place great importance on and forcefully promote cooperation and exchange in all fields between the two countries.”

In an apparent effort to dispel doubts about a close relationship with Beijing, Foreign Minister Lavrov remarked three days after the Wen-Putin meeting that Russia does not have any concerns about China’s growing political influence. “I know that many people have been expressing concerns about this trend. We have no such concerns. We believe that it is always better not to try to restrain the growth of someone’s influence, but to find common ground. In that respect, we have complete mutual understanding with China,” and “we proclaim absolutely identical views on the state of affairs in the world,” said Lavrov.

SCO 11th Prime Ministers Meeting

The 11th Shanghai Cooperation Organization (SCO) Prime Ministers Meeting was held in Bishkek on Dec. 4-5. Representatives of the five observers (Mongolia, Pakistan, Iran, India, and Afghanistan) also participated. The prime ministers signed several documents including a joint communiqué, a statement on the SCO Development Fund, a protocol on cooperation in emergency situations, and a memorandum on intellectual property rights.

The one-day meeting focused on economic and trade cooperation, budget matters, and the creation of a SCO Development Fund (Special Account) and an SCO Development Bank. Kazakh Prime Minister Serik Akhmetov said the SCO needed to focus on the implementation of two or three cooperative projects in the near future, such as the establishment of SCO banks and a SCO Development Fund. Kyrgyz Prime Minister Zhantoro Satybaldiyev also favored the creation of a Development Bank and the SCO’s special account. Tajik Prime Minister Oqil Oqilov supported transportation cooperation. Prime Minister Medvedev wanted to strengthen antiterror cooperation. Indian and Pakistani representatives expressed their willingness to elevate their current observer status to full membership of the SCO.

China continued to be the driving force for SCO’s economic development. Premier Wen Jiabao proposed that the SCO make regional infrastructure its top priority. He also suggested development of an SCO telecom satellite service for mobile telecommunications, regional emergencies and rescues, and fighting terrorism. Wen also argued for an SCO environment protection cooperation center and a disaster warning and rescue center. He urged SCO states to

be more “hands off” in implementing various projects, meaning enterprises and the market should have “full play” to “ensure quality and efficiency of the projects.” None of these suggestions made the “to-do” list of the joint communiqué, though some related issues were mentioned in passing (Article 10 for disaster relief, Article 11 for environmental protection, etc.). The lack of interest in China’s suggestions for these specific items within the SCO framework is understandable, given the institutionalized and highly technical nature of these “centers” and networks.

One must also factor Russia’s effort to develop its own “Customs Service,” now renamed the “Common Economic Space” (CES) for those Commonwealth of Independent States (CIS) States (Russia, Belarus and Kazakhstan) into the equation. An integrated economic zone seems to be gaining momentum among many CIS members, including those with membership in the SCO. This is why China’s call for a SCO free economic zone, first in 2003 and then in 2011, has not been on the SCO agenda. Indeed, prior to the APEC extravaganza, Putin’s preoccupation was to expand and consolidate Russian economic reach in the “near abroad” areas. Immediately after his inauguration in May, Putin held an “informal” summit with CIS leaders and a formal annual Collective Treaty Security Organization (CSTO) Summit in the Kremlin. Among the first foreign visits for Putin as president 3.0 were to Belarus and Kazakhstan, with whom Russia formed the “Customs Union” in January 2010 and its fuller format, the Eurasian Economic Space, in January 2012. The final stage of these steps will be the formation of the Eurasian Union by 2015.

Given these overlapping, if not conflicting, economic interests between the China-dominated SCO and the Russia-dominated CES, Beijing seems to be pursuing a dual strategy of working both with and beyond the SCO. For example, China’s Eximbank offered Uzbekistan \$5 billion, of which over \$4 billion are soft loans. China is also working with other Central Asian states (Kazakhstan and Uzbekistan) to construct oil and natural gas pipelines to China.

Pivots now and then

In the “Russia pivot” piece mentioned earlier, Dmitri Trenin argued that if Peter the Great was alive today, he would not have to “re-found” a new capital on the Pacific. He would simply pack up and move his court and administration to an already-built city, Vladivostok. The Russian “pivot” to the East, according to the former Red Army colonel, has both geoeconomic and geostrategic goals in mind. Ultimately, Moscow wants to retain its strategic independence and not to wind up as a junior partner to either Washington or Beijing.

For many Asians, the US and Russia had “pivoted” to the region at least a century and half before when the US “opened” Japan (1853) and Russia got its “Treaty of Aigun” (1858) in the wake of the second Opium War. They have never left the region. Indeed, Vladivostok in Russian means “ruler of the East,” replacing the centuries-old Chinese name of Haisenwei, meaning “a small fishing village” in Manchuria.

In the 21st century, the two “extensions” of the West – Russia overland to the East and the US across oceans to the West – are pivoting to Asia again, though with different goals: to catch the Chinese wind for Moscow and to block the same wind for Washington. Asia, however, is no longer the same as it was in the 19th century, for better or worse.

Chronology of China-Russia Relations September – December 2012

Sept. 7, 2012: President Hu Jintao meets President Vladimir Putin in Vladivostok on the sidelines of the APEC Leaders Meeting to discuss bilateral ties and major issues of common concern.

Sept. 18, 2012: Russia urges China and Japan to search for a peaceful solution to their territorial dispute over the Diaoyu/Senkaku Islands in the East China Sea, according to the Russian Foreign Ministry Information and Press Department.

Oct. 1, 2012: President Putin sends greetings to President Hu Jintao on the People's Republic of China's 63rd anniversary.

Oct. 12, 2012: Russian Deputy Foreign Minister Mikhail Bogdanov and Chinese Deputy Foreign Minister Zhai Jun meet in Moscow to exchange and coordinate policies toward the Middle East.

Oct. 12, 2012: Chinese Deputy Foreign Minister Cui Tiankai meets G20 coordinator Ksenia Yudaeva in Moscow. Cui expresses support for Russia's presidency of the G20 and hosting the G20 Summit in 2013.

Nov. 14, 2012: Xu Qiliang, vice chairman of the Central Military Commission, meets Viktor Bondarev, commander of the Russian Air Force, in Beijing. Bondarev was appointed commander of the Russian Air Force on May 6, 2012.

Nov. 15, 2012: Russian Foreign Ministry spokesman Aleksandr Lukashevich expresses confidence that the 18th Congress of the Chinese Communist Party would facilitate the strengthening of relations between Beijing and Moscow.

Nov. 15, 2012: Prime Minister and United Russia Party leader Dmitry Medvedev congratulates Xi Jinping on his election as secretary general of the Central Committee of the Communist Party of China.

Nov. 20-21, 2012: Russia's newly appointed Defense Minister Sergei Shoigu pays an official visit to China and attends the 17th session of the Russian-Chinese Joint Government Commission for Military-Technical Cooperation. This was Shoigu's first trip abroad in his new capacity.

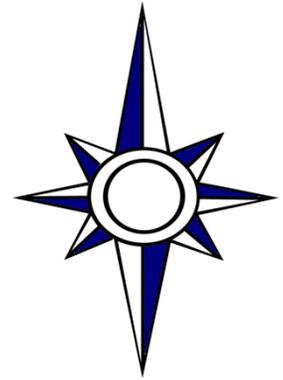
Dec. 4-5, 2012: The 11th Shanghai Cooperation Organization (SCO) Prime Ministers Meeting is held in Bishkek. The meeting will be held in Uzbekistan in 2013.

Dec. 6, 2012: Prime Minister Medvedev and Premier Wen Jiabao co-chair in Moscow the 17th Regular Prime ministerial Meeting. After the meeting, Wen meets President Putin in Sochi.

Dec. 31, 2012: President Hu Jintao and counterpart Vladimir Putin exchange New Year greetings and wished ties between the two countries make more progress in 2013.

Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



Satu Limaye
East-West Center

India-East Asia/US Relations:

A Year of Notable Visits and Anniversaries

India's relations with the United States and East Asia during 2012 revolved around notable visits and anniversaries rather than any major policy developments. India's chief guest at its Republic Day in January was Thailand Prime Minister Yingluck Shinawatra, making her the third consecutive leader from East Asia to be honored by India in this way (preceded in 2010 by South Korea's President Lee Myung-bak and in 2011 by Indonesia's President Susilo Bambang Yudhoyono). In March, Prime Minister Singh made the first state visit by an Indian prime minister to South Korea since former Prime Minister P.V. Narasimha Rao, initiator of India's "Look East" policy, visited there in 1993. In May, Singh became the first Indian prime minister in a quarter century to visit next-door neighbor Myanmar – following up President Thein Sein's visit the previous October. (Aung San Suu Kyi, chair of Myanmar's opposition National League of Democracy party, visited India in December for the first time in 40 years.) Australia's Prime Minister Julia Gillard made her first visit to India as prime minister in October. In late December, nearly every head of government of ASEAN member countries traveled to New Delhi for the India-ASEAN Commemorative Summit.

The "big anniversary" of the year was India's relationship with ASEAN – the 20th anniversary of India's dialogue partnership with ASEAN and the 10th anniversary of the India-ASEAN summit-level partnership. Also, India and Thailand marked 65 years of diplomatic relations and India and Vietnam marked 40 years of such relations and the 5th anniversary of a "strategic partnership." 2012 is also the 50th anniversary of India's defeat in the 1962 Sino-Indian Border War.

These visits and anniversaries should not be dismissed as symbolism without substance. India has achieved a modicum of satisfaction in its relations with the US and East Asia – encompassing greater diplomatic interchange, steadily rising though far from optimum economic ties, a role in security and military considerations, and inclusion in some if not all key regional multilateral efforts (exceptions being particularly glaring in the economic realm such as APEC and TPP membership). But measured against just two decades ago when India was seen as a potential security threat, economically irrelevant, diplomatically isolated, and reeling from internal crises, India's current engagement with the US and East Asia should be viewed as an upward if unfulfilled progression. Indeed, many in the US and East Asia are frustrated because they want more, not less Indian engagement.

United States-India: "less need for dramatic breakthroughs?"

Unlike India-East Asia relations, there were no head of government visits or major anniversaries, in US-India relations in 2012. The highlight was the third US-India Strategic Dialogue, held in

Washington in June. Secretary of State Hillary Clinton, after declaring that “strategic fundamentals” are driving the two countries into “closer convergence,” asked “What does this mean for our strategic partnership?” She answered herself: “Well, today there is less need for dramatic breakthroughs that marked earlier phases in our relationship, but more need for steady, focused cooperation aimed at working through our differences and advancing the interests and values we share. This kind of daily, weekly, monthly collaboration may not always be glamorous, but it is strategically significant. And that is, after all, what this dialogue is all about.” Bilateral dialogue now is handled through a thick set of mechanisms including the Defense Policy Group, the Homeland Security Dialogue, the Counterterrorism Joint Working Group, cyber consultations, political-military talks, dialogues on various regions, and the Strategic Dialogue itself.

During her trip to Kolkata and New Delhi in May, Clinton identified “four key lines of action” for bilateral relations: expanding trade and investment, deepening security cooperation, cooperating in South and Central Asia (where she welcomed India’s robust activities in Afghanistan, including the signing of an India-Afghanistan Strategic Partnership Agreement, and India’s reduced oil purchases from Iran), and working together to promote a shared vision for the Asia-Pacific, especially in the run-up to the November 2012 East Asia Summit in Cambodia.

Before the third Strategic Dialogue in June, several issues were identified, including India’s complaints about the “protectionist” environment in the US and restrictions on Indian workers. The US expressed concern about Indian economic reforms, ongoing trade disputes, relations with Iran, and moving civil nuclear cooperation forward. External Affairs Minister S.M. Krishna, told a joint press gathering during Secretary Clinton’s May visit that “I did convey our concerns about continuing difficulties on mobility of professionals, especially for our IT companies, and protectionist sentiments in the US with regard to global supply chain in services industry.” The US has noted that H1-B visa caps are set by the US Congress, and that India was the recipient of 65 percent of worldwide H1-B visas and about 35 percent of L-1 (intra-company transfers) visas.

Meanwhile, the US continued to call for further Indian economic reforms, especially opening of multi-brand retail – with some success late in the year. Deputy Secretary of State William Burns, during an October trip to India, said “In particular, I stressed the importance of measures taken to open up multi-brand retail, which can strengthen the Indian economy in a number of different ways and bring benefits for Indian citizens; for farmers who will have higher revenues and less losses post-harvest; for consumers who will have wider choices at lower prices; and for India’s infrastructure which would benefit from a strengthened supply chain.” There was no progress at all on a totalization agreement that would exempt Indian workers from paying into the US social security system. Negotiations on the Bilateral Investment Treaty (BIT) are proceeding and Assistant Secretary of State for South and Central Asian Affairs Robert Blake noted that “a model Bilateral Investment Treaty was approved earlier this year, so that then gave us the opportunity to again re-launch negotiations on the [BIT] with India...” There is almost no near-term prospect of a US-India free trade agreement.

An important step was taken on Iran when on June 11, (just before the Strategic Dialogue commenced) Secretary Clinton announced that India, along with several other countries had, “significantly reduced their volume of crude oil purchases from Iran.” Thus, US sanctions would

not apply to their financial institutions for a renewable period of 180 days. Earlier in the year, India's finance minister asserted that India would not decrease imports from Iran and India was criticized for sending a large business delegation to Teheran. Nevertheless, the Iran issue rankled throughout the year with Indian officials emphasizing that energy purchases were already declining before the threat of sanctions and besides, Iran is a "near neighbor" and India's only source of surface access to Central Asia and Afghanistan.

Possible trilateral discussions among the US, India, and Afghanistan were also raised – though details were unclear. Assistant Secretary Blake stated "As I say, we're just beginning to think about this and talk to both India and Afghanistan about how we're going to structure this dialogue. So we haven't made a decision yet about things like the level." The US continued to welcome Indian assistance to Afghanistan including training for Afghan national security forces and police.

On civil nuclear cooperation, the US "ask" remains for the Indian Parliament to pass laws that would cap liability and compensation payments by nuclear plant operators should there be an accident. India meanwhile is unhappy with the pace of relaxation of export restrictions on controlled equipment. A piece of positive news was an agreement between Westinghouse and the Nuclear Power Corporation of India for the construction of new power plants in Gujarat. But even here there was qualification and caution with Secretary Clinton saying "I look forward to additional deals involving other leading American companies, including General Electric. And we will work together to ensure these projects are implemented to produce real benefits for citizens and businesses alike." External Affairs Minister Krishna responded "I think this should put at rest some of the interpretations and some of the confusion that was prevailing in the immediate aftermath after we signed the nuclear accord. But I'm glad that things are now – nuclear commerce is now beginning to expand itself and we hope more Indian and American companies will be involved in the course of the coming months." In a post-dialogue briefing Assistant Secretary Blake denied that the Westinghouse deal meant that differences over the liability law were resolved. Responding to a question, he said "No, it doesn't mean that the issues with respect to liability law are resolved. But I think both of our countries wanted to show that we still share a strong interest in seeing these commercial contracts come to fruition. We do have, still, some concerns about the liability law."

US-India defense relations continued to improve. Secretary of Defense Leon Panetta visited India in June. Defense Minister A.K. Antony "emphasized that the priority for India is to move beyond the buyer-seller transactions and to focus on transfer of technologies and partnerships to build indigenous capabilities." He was reportedly assured that the US government would initiate measures to facilitate technology access and sharing.

India-East Asia relations

India-East Asia relations during 2012 were focused on ASEAN, including several bilateral visits (discussed below), Prime Minister Manmohan Singh's presence at the East Asia Summit in Phnom Penh, and a gathering of ASEAN leaders in New Delhi for an India-ASEAN Commemorative Summit in late December. "Connectivity" through building transport infrastructure, particularly for the Mekong-India economic corridor, was emphasized. Symbolic

events to highlight land and sea connectivity between India and Southeast Asia included the ASEAN-India Car Rally and the Sailing Expedition of the *INS Sudarshini* to all 10 ASEAN countries to trace traditional trade routes. In late December, completion of negotiations on an India-ASEAN Free Trade Agreement in Services and Investment was announced, but implementation lies ahead.

India-China

Indian and Chinese leaders met throughout 2012 on the sidelines of multilateral meetings; in late March in Delhi when Chinese President Hu Jintao attended the 4th BRICS Summit and in November in Phnom Penh on the sidelines of the East Asia Summit (EAS). Prime Minister Singh and Prime Minister Wen Jiabao also met on the sidelines of the Rio + 20 Summit in Rio de Janeiro in June. Indian External Affairs Minister Krishna visited Beijing in February, launching the “Year of India-China Friendship and Cooperation.” China’s Foreign Minister Yang Jiechi visited New Delhi from Feb. 29 to March 1 and the two countries agreed to promote provincial and local-level cooperation, beginning with Mumbai-Shanghai and Bangalore-Kunming relationships, and to establish a Dialogue Mechanism on Maritime Cooperation.

2012 marked the 50th anniversary of the Sino-Indian Border War of 1962. There was no progress on the dispute though ongoing mechanisms such as the Special Representatives (SR) talks (the 15th round was duly held in January) and the first and second meetings of the newly established Working Mechanism for Consultation and Coordination on India-China Border Affairs, agreed to last year, were held from March 5-6 and Nov. 29-30. At the first Working Mechanism Meeting, the two sides “discussed the possibility of an alternate route for the Kailash Manasarovar Yatra and additional items for border trade at Nathu La Pass in Sikkim.” At the November meeting, both sides “welcomed the recent liberalization of border trade across Nathu La, which has led to a significant increase in the volume of trade.” Despite Indian press reports about Chinese alleged violations across the border, the Indian government played down such reports. For example, in late February, just prior to Foreign Minister Yang’s visit, External Affairs Minister Krishna termed it the “most tranquil border.”

On economic relations, the second meeting of the India-China Strategic Economic Dialogue was held on Nov. 26 in New Delhi. The two sides agreed to cooperation at the global level, strengthening communication on macroeconomic policies, deepening and expanding trade and investment, and expanding cooperation in the financial and infrastructure sectors. Five working groups (policy coordination, infrastructure, energy, environmental protection, and high-technology) were established. Sino-Indian trade ties continue to grow – reaching nearly \$100 billion – though there are mutual complaints. India’s foreign minister “highlighted the need for initiating measures to balance our trade relations” and singled out pharmaceuticals with “the hope that market access will be provided for them to grow in China.” He also appealed for “investment from China in the infrastructure sector.”

Regarding defense and military relations, Defense Minister Liang Guanglie visited India in September for talks with counterpart A.K. Antony. They agreed to hold the next round of joint military exercises “soonest,” pledged to continue exchanges and visits such as the naval goodwill visits by India earlier in the year, and pursue antipiracy cooperation off the coast of Somalia.

There were dust-ups during the year, including “warnings” by China to India and Vietnam about energy exploration in disputed areas of the South China Sea and a November protest by India (and by Vietnam and the Philippines) regarding new maps placed in Chinese passports. India decided to issue visas with its own maps as a response.

On the whole, however, both side emphasized the positive. In a Nov. 27 press conference, Indian External Affairs Minister Salman Kurshid, in reply to a question about China’s military modernization, said “Let us not worry about China because China is a neighbor. So, worrying about China’s reach is not a matter of concern. We are friendly neighbours, we are working together, we have a lot of complementarities, we have a lot of competition, we have a lot of opportunities for cooperation, we have some priorities that tend to vary. But I think we have good communication channels, and we would like to build on the positives rather than to think of any negatives.”

India-Japan

India-Japan relations matured during the year. In April, Japanese Foreign Minister Gamba Koichiro attended the sixth India-Japan Strategic Dialogue and the first India-Japan Ministerial-level Economic Dialogue in Delhi. Economic relations remain well below potential, and the dialogue focused on mutual complaints about infrastructure improvements funded by Japan in India and the reduction of nontariff barriers for Indian exports in Japan. Despite Tokyo’s commitment of huge financial resources to support the Delhi-Mumbai Industrial Corridor (DMIC) project, actual progress has been unsatisfying. The Chennai-Bangaluru Corridor and the Dedicated Freight Corridor also remain works in progress. India meanwhile is pressing Japan to allow greater access to generic drugs produced in India. The positive news is that since the Comprehensive Economic Partnership Agreement (CEPA) came into effect in 2011, two-way merchandise trade has increased by nearly 40 percent to about \$23 billion. Still, problems cropped up during the year, such as a protest at a Suzuki Motor subsidiary company in July that left two Japanese nationals among the injured.

Another important event on the diplomatic and politico-security side was the second India-Japan 2+2 Dialogue held in Tokyo in October. The dialogue is “mandated by the Action Plan to Advance Security Cooperation” signed in December 2009. This year, they agreed to launch new dialogues on cybersecurity and maritime security. On the issue of India-Japan cooperation on rare earths, which had been broached in 2011 during the signing of the CEPA agreement, there was no announcement of next steps, although India’s external affairs minister, in an April media statement said that “[a]fter today’s discussions, I am convinced that we are close to take-off stage in this important area of our bilateral cooperation.” Progress on an agreement to engage in civil nuclear cooperation continues to elude India and Japan. During Foreign Minister Gamba’s April visit, India’s external affairs minister said only that the matter was discussed and “[w]e have instructed our negotiators on the way forward.”

Bilateral defense and military ties were enhanced by the first-ever exercise between the Indian Navy and the Japanese Maritime Self-Defense Force (MSDF) in June off the coast of Japan. There appears to be some prospect for very modest sales of Japanese military equipment to India

under Tokyo's relaxed arms exports policies. Press reports suggested that Shinmaywa Industries has opened a marketing office in Delhi for its seaplane, which is suitable for search and rescue missions in some of India's islands in the Bay of Bengal. Gen. Kataoka Haruhiko, chief of staff, Japan Air Self-Defense Force visited India in late November and an Indian government statement characterized the visit as significant in the light of improving military cooperation between the two countries.

At the end of the year India's prime minister postponed a planned three-day visit to Japan because of the Japanese government's decision to dissolve Parliament and hold elections.

India-South Korea

India-Republic of Korea relations in 2012 featured Prime Minister Singh's March 24-27 trip for a bilateral visit and to attend the second Nuclear Security Summit. This was only the second bilateral visit by an Indian prime minister since 1993. However, President Lee Myung-bak was India's chief guest on Republic Day in 2010 and the president of India visited Seoul in 2011. Bilateral ties are being institutionalized since the establishment of a strategic partnership during Lee's visit. A joint commission is chaired by the two countries' foreign ministers, and a foreign policy and security dialogue is handled below the ministerial level.

The Comprehensive Economic Partnership Agreement (CEPA) between India and ROK came into effect in January 2010. Trade reached just over \$20 billion in 2012 and targets of \$30 billion for 2014 and \$40 billion by 2015 have been established. India continues to seek greater Korean investment in the infrastructure sector. Already some 300 companies are operating in India, though foreign direct investment is quite small, valued at only \$2.3 billion. To facilitate economic ties, which an Indian official characterized as the "anchor" of bilateral relations, an agreement on simplification of visas was signed during PM Singh's visit. The agreement is meant to pave the way for long-term multiple entry visas for Koreans travelling to India.

An agreement on civil nuclear cooperation is reportedly progressing steadily, although no concrete details about cooperation have been provided. The Republic of Korea is active in India's defense equipment market and ROK Defense Minister Kim Kwan-jin visited India in late November. New initiatives include sending junior Indian diplomats to the ROK and inviting South Korea to use Indian launch vehicles for launching the country's satellites.

India and Southeast Asia/ASEAN relations

2012 was a milestone year for India-Southeast Asia/ASEAN relations because it marks the 20th anniversary of dialogue partner status and the 10th anniversary of the summit-level dialogue. In remarks at the India-ASEAN Summit held in Phnom Penh, Cambodia in mid-November, Prime Minister Singh "reaffirm[ed] that India attaches the highest strategic priority to its relations with ASEAN." He especially singled out the fact that two-way trade stands at about \$80 billion – surpassing the earlier target of \$70 billion. He did not note, however, as the India-ASEAN Eminent Persons Group report did, that this increasing figure represents only about 3 percent of total ASEAN trade. Prime Minister Singh also welcomed the fact that, for the first time, delegates of the ASEAN Inter-Parliamentary Assembly exchanged visits with an Indian

Parliamentary delegation. In December, at the Indian-ASEAN Commemorative Summit in Delhi, it was announced that the two sides had concluded discussions on a free trade agreement on services and investment. A press report quoted Indonesian Trade Minister Gita Wirjawan as saying “It will be a game-changer for the nature of economic relations between the two zones.” It is not clear when the agreement will be implemented.

India-Vietnam

In early January, India dispatched Minister of State for External Affairs Krishna to mark the 40th anniversary of official bilateral relations, the fifth anniversary of the establishment of a “Strategic Partnership” and the “Year of Friendship between India and Vietnam.” Trade has grown from \$200 million in 2000 to \$3.5 billion. A target of \$7 billion for bilateral trade by 2015 has been set and a newly launched India-Vietnam Business Forum is tasked with creating greater trade and investment opportunities. Defense and security ties were described as “consolidated.” Nevertheless, India’s minister of state admitted that the level of trade-economic and cultural cooperation is still below potential.

In 2011, India-Vietnam cooperation on oil exploration was criticized by China. Prime Minister Singh publicly stated that such cooperation was only commercial. Subsequently, India did end some of its activities and there have been conflicting assessments as to the reasons why. It appears that the decision to end exploration had little to do with Beijing’s protests and more with the commercial viability of the results of the exploration.

In this context, it is worth noting that India is not a party to the disputes in the South China Sea and Southeast Asian waters likely constitute a secondary rather than primary strategic interest. However, a number of factors are driving India toward greater and more sustained interests in the region. India’s cooperative efforts on maritime issues encompass a hodge-podge of ASEAN-led multilateral efforts, Indian-led and organized efforts such as Indian Ocean Rim Association for Regional Cooperation (IOR-ARC) and Indian Ocean Naval Symposium (IONS), Asian Coast Guard Agencies Meeting, Milan Exercises, and enhanced bilateral navy and coast guard relationships with regional forces. India is also enhancing its own naval and coast guard capacities to make it a more capable and relevant partner. Capacity limitations and priority calibrations are likely to continue to constrain India from viewing and acting in a way that makes Southeast Asia and its waters more than a secondary interest.

India-Singapore

In March, External Affairs Minister Krishna traveled to Singapore for a bilateral visit and to preside over a regional conference of heads of Indian missions in ASEAN countries. The venue of Singapore is symbolically important because of that city-state’s strong support to India’s engagement into ASEAN.

Singapore’s Foreign Minister K. Shanmugam visited India in early May for the second meeting of the India-Singapore Joint Ministerial Committee for Bilateral Cooperation. A key effort is the conclusion of the second review of the Comprehensive Economic Cooperation Agreement (CECA) that was signed in 2005. Overall, economic ties are moving ahead with two-way trade

worth about \$35 billion, making Singapore India's largest ASEAN trading partner. Singapore is the second most important source of foreign direct investment into India (after Mauritius), while India stands eighth among investors in Singapore. One unusual effort that Singapore's foreign minister announced was his plans to visit Assam and Gujarat states in India; an effort he characterized as "part of our own Look East Policy to complement your Look East Policy."

India-Singapore defense and security ties are constructive. In November, Defense Minister Ng Eng Hen visited India to meet Defense Minister Antony who "reiterated India's commitment to remain constructively engaged in activities under the ADMM Plus framework."

India-Indonesia

Two important visits marked India-Indonesia relations during 2012. In July, Foreign Minister Marty Natalegawa visited India for the fourth meeting of the India-Indonesia Joint Commission. No new initiatives were announced but Natalegawa reported that "we resolved just now to have a regular and more systematic way of measuring progress in our two countries' relations, some kind of a scorecard where we can regularly in a very clear way identify progress and even not least identify where challenges remain so we can address those challenges and allow our relations to fully blossom and develop."

In October, Defense Minister Antony traveled to Indonesia for the first ministerial-level biennial dialogue (agreed to during President Yudhyono's state visit in 2011) with counterpart Purnomo Yusgiantoro. The dialogue builds on the Agreement on Defense Cooperation signed in 2001. Current activities include coordinated patrol (CORPAT) along the International Maritime Boundary Line (IMBL). Antony said "we can examine the possibility of enhancing the engagement through conduct of joint naval exercises." He also offered to establish a formal maritime domain information sharing arrangement between the two navies. A first-ever joint exercise on counterterrorism and jungle warfare was held in India earlier in the year and it was agreed to expand army exercises. According to a statement released by the government of India, "[o]n the Air Force side, Shri Antony said a high level Indian Air Force team would send a team to finalise details of training and spares support package, once the Indonesian Air Force firms up its requirements."

India-Myanmar

The highlight of India-Myanmar relations was the May 27-29 visit of Prime Minister Singh to Myanmar. This was the first visit by an Indian prime minister in 25 years. President Thein Sein made a reciprocal visit in late December in conjunction with the India-ASEAN Commemorative Summit. During Singh's visit, 12 documents were signed between the two countries. Among the notable areas of planned cooperation are a Memorandum of Understanding (MoU) on border area development, establishment of a Myanmar Institute of Information Technology, establishment of joint trade and investment forum, a \$500 million credit line, and establishment of research projects on agriculture and rice specifically. Concrete steps taken over the year to consolidate and expand ties included the opening by India of a third consulate in Sittwe. The Export-Import Bank of India (EXIM) also announced plans to open an office in Burma.

The foreign ministers also exchanged visits during the year, including in December when India's new External Affairs Minister Salman Khurshid traveled to Yangon amidst reports that Swedish-made arms had been transferred to Myanmar in violation of European restrictions. Aside from Singh's visit, the other important bilateral exchange was the visit to India of Aung San Suu Kyi, chair of the opposition National League of Democracy in Myanmar, to deliver the Nehru Memorial Lecture, visit the campus of the Indian Institute of Science and Infosys in Bangalore, and to tour rural areas in Andhra Pradesh state to learn about rural development and women's empowerment programs. Her comments while in India received considerable attention, particularly her lament that "I was saddened to feel that we have drawn away from India, or rather India has drawn away from us during our very difficult days." Indian officials insisted that the changes in Myanmar are a "vindication of our policy of engagement..."

The major issues between the two countries included Myanmar's relations with insurgents fighting in the northeast of India, energy and economic relations including plans for road and rail connectivity, and India's role in human resource and capacity building. Regarding insurgents operating in India's northeast, India emphasized arrangements such as the home minister-level talks, army-to-army discussions and a Regional Border Committee mechanism to handle these matters. The core Indian interests of a peaceful border and no shelter for insurgent groups in Myanmar continued to be stressed. The Border Liaison Officers (BLOs) met for the first time in November to address local security and crime issues.

On energy cooperation, India's foreign secretary declared that India "will be emphasizing and flagging our interest in our companies getting more opportunities in Myanmar both onshore where there are some blocks which are going to be put out, as well as offshore which is more gas related." During Prime Minister Singh's visit in May the two countries announced a production sharing agreement between the Myanmar government and India's Jubilant Energy, encouraged investment by Indian companies in Myanmar oil and gas sector, and encouraged investment by Indian companies in downstream projects in the petroleum industry. India and Myanmar also agreed to "finalise the future course of action" on two hydropower projects for which India had completed studies.

On the defense side, India's Air Force Chief Air Marshall N.A.K. Browne made a four-day visit to Burma in November. This visit followed on earlier visits by India's Army and Navy service chiefs and there are news reports that Defense Minister Antony will visit Myanmar in January 2013. According to press reports, during External Affairs Minister Khurshid's mid-December visit, he proposed further defense cooperation, although official Indian sources carried little information on what such cooperation might encompass.

India-Thailand

Prime Minister Yingluck Shinawatra visited India Jan. 24-26 as the country's chief guest on Republic Day. Her first visit to India also marked the 65th anniversary of the establishment of bilateral relations. Beyond symbolism, the joint statement issued in conjunction with the visit provided little evidence of substantive developments in ties. Both countries "expressed the desire to work together towards elevating the bilateral relations to a strategic partnership" but did not announce one. On the economic side, they expressed an interest in the conclusion of the India-

ASEAN free trade in services agreement, welcomed mutual investment in core areas ranging from infrastructure to “hospitality facilities in the Buddhist circuit,” and “looked forward to the establishment of a forum comprising senior representatives of business enterprises of both countries to promote expansion of bilateral business ties.” A second protocol to amend the framework agreement between the countries was signed and will permit third country invoicing for gear boxes made in India and two-door refrigerators would be added to the list of products traded under the Early Harvest Scheme launched under the bilateral FTA.” One other concrete measure possibly contributing to future economic ties was the announcement of the “setting up of a joint working group on infrastructure and connectivity to help expedite various development initiatives” for an “economic corridor linking India with Thailand and Southeast Asia and for “regional connectivity efforts such as the India-Myanmar-Thailand Trilateral Highway.”

In the security and defense areas, India and Thailand last held their Joint Working Group on Security Cooperation in May 2011 and agreed during Prime Minister Shinawatra’s visit to “finalize urgently” a five-year program of work on specific elements of cooperation. An inaugural and so far only defense dialogue held in December 2011 was invoked, but no new steps or even future meetings were announced. An MoU on Defense Cooperation was signed that would “streamline and facilitate the ongoing defense cooperation.” On bilateral diplomacy, it is not clear from the joint statement whether Bangkok formally supports a permanent UN Security Council seat for India. The statement’s rather cryptic formulation on the issue was: “The Thai side acknowledged India’s credentials for permanent membership of the UN Security Council, and commended India’s active role and continued constructive contributions in the field of global security.”

India-Australia relations

The highlight of India-Australia relations was Prime Minister Julia Gillard’s first state visit to India from Oct. 15-17. This was also the first visit of an Australian prime minister since then Prime Minister Kevin Rudd visited India in 2009 and the two countries agreed to designate relations as a strategic partnership.

During Gillard’s visit, agreement was reached to hold annual summits, either bilaterally or during multilateral events, launch a ministerial-level dialogue on energy security, establish a water technology partnership, start negotiations for an agreement on transfer of sentenced persons and begin negotiations on an agreement on civil nuclear cooperation. This last decision follows Gillard leading her party’s convention to the decision to review a ban on uranium sales to India. On the economic front, it was noted in the joint press statement that trade has doubled to \$20 billion over the past six years, and Canberra and Delhi will continue negotiations toward a comprehensive economic cooperation agreement to give a further boost to bilateral trade and investment ties.

In remarks at a state banquet, Prime Minister Singh stated that while relations between the two countries are good, “their full potential is yet to be tapped.” He outlined a number of areas for further working including “more balance” in trade and investment flows and leveraging Australia’s expertise in skills training water modeling and environment.”

Unlike last couple of years, Indian concerns about the treatment of Indian foreign students in Australia were not high on the bilateral agenda. In his toast to Gillard at the state banquet, Singh noted that dialogue and steps had been taken to “redress a number of issues faced by the Indian student community in Australia.” The two countries signed an agreement on student mobility and welfare to maintain cooperation on this domestically sensitive issue in India.

Conclusion: United States, India and the Asia-Pacific

2012 was not a dramatic year for US-India and India-East Asia relations. But, taking into consideration Secretary Clinton’s admonishment that what is needed is less dramatic breakthroughs and more steady, focused cooperation, it was not a hollow year. The US-India and India-East Asia trajectories were to some extent brought together in April when Assistant Secretary of State for East Asian and Pacific Affairs Kurt Campbell traveled to New Delhi for a strategic dialogue with India about the Asia-Pacific region. He declared it his “favorite dialogue” among the many he engages in on the region, and claimed that India's role in Asia extends to every dimension of national power, economic, strategic, people-to-people, cultural, military. So we think that this development would be one of the most important developments of Asia in the 21st century.”

Of particular importance for this article, Secretary Clinton, during a May trip to New Delhi, emphasized the role India could play in promoting democracy and creating connectivity for trade and transit between India and Southeast Asia. Unlike last year when, speaking in Chennai, Clinton appeared somewhat frustrated by India’s actions vis-à-vis East Asia (“we encourage India not just to look east, but to engage and act east as well”), this year she specifically noted India’s “growing role across the region.”

Chronology of India-US/East Asia Relations January – December 2012

Jan 5-7, 2012: India’s External Affairs Minister (EAM) S.M. Krishna visits Vietnam.

Jan. 22-26, 2012: Myanmar’s Foreign Affairs Minister Wunna Muang Lwin, visits India for consultations.

Jan. 24-26, 2012: Thailand Prime Minister Yingluck Shinawatra visits India as the chief guest on Republic Day.

Feb. 7-9, 2012: EAM Krishna visits China.

March 8-11, 2012: EAM Krishna visits Singapore to address the regional conference of heads of Indian missions in ASEAN countries.

March 24-27, 2012: Prime Minister (PM) Manmohan Singh visits South Korea for a bilateral visit and to attend the Nuclear Security Summit.

April 30, 2012: Japan’s Foreign Minister Gamba Koichiro travels to India.

May 6-8, 2012: US Secretary of State Hillary Clinton visits Kolkata and New Delhi.

May 8, 2012: Singapore's Foreign Minister K. Shanmugam visits India.

May 27-29, 2012: PM Singh makes a state visit to Myanmar.

June 5-6, 2012: US Secretary of Defense Leon Panetta visits India for consultations.

June 12-13, 2012: EAM Krishna visits Washington DC.

July 8, 2012: EAM Krishna travels to Tokyo for the International Conference on Afghanistan.

July 10-12, 2012: Singapore's Prime Minister Lee Hsien Loong makes a state visit to India.

July 11-12, 2012: EAM Krishna travels to Phnom Penh to participate in the second East Asia Summit (EAS) Foreign Minister's Meeting, the 19th ASEAN Regional Forum (ARF) Ministerial Meeting, and 10th ASEAN-India Ministerial Meeting.

July 27, 2012: Indonesia's Foreign Minister Marty Natalegawa visits New Delhi for the fourth India-Indonesia Joint Commission Meeting.

Sept. 28-Oct. 1, 2012: EAM Krishna travels to New York for the 67th United Nations General Assembly (UNGA) meeting and a bilateral meeting with Secretary of State Clinton.

Oct. 15-17, 2012: Australia's Prime Minister Julian Gillard makes her first state visit to India.

Nov. 6, 2012: EAM Krishna travels to Laos for the 9th ASEAN-Europe Meeting (ASEM).

Nov. 13-18, 2012: Aung San Suu Kyi, chair of the opposition National League of Democracy in Myanmar, visits India to deliver the Nehru Memorial Lecture.

Nov.18-20, 2012: Prime Minister Singh travels to Phnom Penh to participate in multilateral meetings and specific bilateral meetings with Singapore, the Philippines, and China.

Nov. 28-Dec. 1, 2012: South Korean Defense Minister Kim Kwan-jin visits India and meets Defense Minister A.K. Antony.

Dec. 14-16, 2012: EAM Salman Khurshid visits Myanmar to inaugurate the co-sponsored International Conference on Buddhist Cultural Heritage and for bilateral consultations.

Dec. 20-21, 2012: India-ASEAN Commemorative Summit is held in New Delhi with leaders from each of the 10 ASEAN countries in attendance.

Dec. 24, 2012: Russian President Vladimir Putin visits India and meets Prime Minister Singh. Russia and India sign defense contracts valued at \$2.9 billion in conjunction with the visit.

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