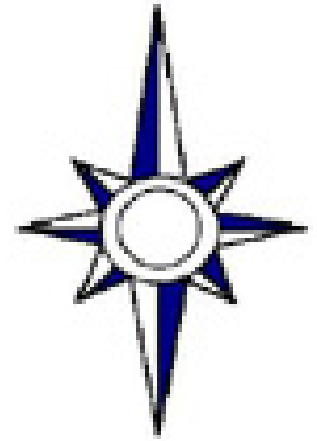




P a c i f i c F o r u m C S I S



Comparative Connections



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

edited by

Brad Glosserman
Eun Jung Cahill Che

1st Quarter 2002
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Pacific Forum CSIS

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

An international Board of Governors guides the Pacific Forum's work; it is chaired by Brent Scowcroft, former Assistant to the President for National Security Affairs. The Forum is funded by grants from foundations, corporations, individuals, and governments, the latter providing a small percentage of the forum's \$1.2 million annual budget. The Forum's studies are objective and nonpartisan and it does not engage in classified or proprietary work.

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A Quarterly Electronic Journal on East Asian Bilateral Relations

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

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

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

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by Brad Glosserman, Pacific Forum CSIS

President George W. Bush's visit to Tokyo underscored the strength of the U.S.-Japan relationship and the strong personal relationship shared by the president and Japanese Prime Minister Koizumi Junichiro. U.S. officials continued to applaud Japan's contributions to the war against terrorism and encouraged Tokyo to do more. The honeymoon might not last, however. While officials on both sides of the Pacific agree that the security pillar of the relationship is the strongest it may have ever been, there are mounting concerns about Japan's economy. U.S. policymakers worry that economic weakness could undermine Japan's long-term role within the alliance and the region and have been prodding Japan to take action. But the U.S. must tread carefully. Sharp warnings or a hard line could spark a backlash. Equally worrisome is the prospect of a loss of popular support in Japan for U.S. policies, a shift that could be triggered by the perception of U.S. unilateralism in its foreign policy. Alliance management is more important now than it has ever been.

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This quarter opened tentatively, with North Korea scorning critical Bush administration statements and the U.S. pursuing its campaign against terrorism in Afghanistan. The watershed event of the quarter occurred on Jan. 29 when President Bush, in his State of the Union address, accused North Korea of being a member of the "axis of evil." When President Bush visited Seoul, it was apparent that the White House intended to use the trip to improve U.S.-ROK relations and exercise damage control in the aftermath of the "axis of evil" speech. While Bush was able to allay some of the fears created by the speech, other irritants, such as the U.S. imposition of up to 30 percent tariffs on steel imports and the Yongsan Base relocation, continued to needle the U.S.-ROK relationship. At the end of the quarter, there is no more assurance of diplomatic progress toward peace and stability in the region than there was at the beginning. Much depends on North Korea's intentions, which at this point are still unknown.

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First, a confession. Because of travel commitments, this article was first drafted in mid-March. Its tone thus reflects the chill in inter-Korean ties at that time. But I did note that "surprises can never be ruled out" – and sure enough, on March 25 came the news that senior presidential adviser and ex-unification minister Lim Dong-won, the architect of the Sunshine Policy, will go to Pyongyang in early April as South Korean President Kim Dae-jung's special envoy. At first glance it looks driven by concerns about the U.S., such as the Pentagon's leaked Nuclear Posture Review (NPR) and U.S. President George W. Bush's refusal to certify that North Korea is fully in compliance (except at the Yongbyon site) with the 1994 U.S.-DPRK Agreed Framework. While hope springs eternal even in this jaded breast, we shall see if this visit, unlike its many predecessors, ushers in a new phase and a sustained peace process – or is just the latest stop-go.

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by Scott Snyder, The Asia Foundation

The dramatic entry of 25 North Korean refugees into the Spanish Embassy in Beijing – an event staged by a network of international North Korean human-rights activists – has highlighted the plight of North Korean refugees, put at risk an informal network of primarily South Korean nongovernmental organizations that had assisted North Korean refugees to come to Seoul, and presented the governments in Beijing and Seoul with a knotty issue they have repeatedly tried to avoid. Although the trade relationship continues to develop at a breakneck pace with South Korean efforts to crack China’s telecommunications and Internet services sectors, China’s exports to South Korea these days are not so impressive: North Korean refugees, drugs, illegal migrants, and an increasingly serious “yellow dust” of spring. The real action in the relationship this quarter has been driven by NGOs and business interests. The two governments are struggling simply to keep up with events on the eve of the 10th anniversary of Sino-ROK normalization.

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by James J. Przystup, Institute for National Strategic Studies

On Jan. 7, the *Asahi Shimbun* devoted its editorial to the Japan-China relationship. The *Asahi* observed that relations over the past 30 years endured a number of twists and turns, but saw that ties have gradually deepened and contributed to regional peace and stability. The original constructs for the relationship, Japan as economic superpower and China as the world’s largest developing country, have experienced a qualitative change as Japan has stagnated for more than a decade while China has attracted foreign investment and become the world’s factory. In Japan, this has resulted in concerns about a loss of competitiveness and apprehension over the emergence of China as an economic threat. And, as underscored by last year’s controversy over agricultural safeguards, economic problems have become politicized. Both governments are trying to honor the spirit of the 30th anniversary of normalization of relations and are largely succeeding despite encountering occasional rough waters.

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South Korean President Kim Dae-jung and Japanese Prime Minister Koizumi Junichiro exchanged messages pledging to strengthen bilateral cooperation for the co-hosting of the upcoming World Cup and proclaiming 2002 the “Year of People Exchanges” between the two countries. A glimmer of light shone on long-frozen normalization dialogue between Japan and North Korea, but Pyongyang’s tactical motives do not raise confidence that a thaw is evident. Prospects were least bright in trilateral policy coordination involving the U.S., Japan, and South Korea. The quarter closed with the announcement that special envoy Lim Dong-won would be dispatched to Pyongyang in an effort to restart inter-Korean dialogue. What was most significant about this surprise announcement in the context of trilateral policy coordination was that there again appeared to be little prior consultation and only notification of the allies before hand.

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For Moscow and Beijing, the Taliban’s demise was not a harmless “regime change” but the beginning of another round of geostrategic posturing with the U.S. in their highly volatile backyard. Within a month, the Anti-Ballistic Missile Treaty was dead, and a new, proactive nuclear strategy was in place. As critical as they were of the “axis of evil” Bush doctrine, Russia and China were to be further bewildered and angered in early March when they learned the Nuclear Posture Review treated them as part of a “gang of seven” for possible U.S. nuclear strikes. Meanwhile, Moscow and Beijing worked hard to salvage the leftovers from the massive and strategic return of the U.S. to Central Asia.

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by Lam Peng-Er, East Asian Institute, National University of Singapore

Contrary to the view that Japanese foreign policy is generally passive, reactive, and driven primarily by economics, the reality is that Tokyo has sought to exercise diplomatic initiatives in Southeast Asia over the past 25 years. Japan plays a larger political role in Southeast Asia than in Northeast Asia for at least three reasons. First, unlike its relations with Beijing, Seoul, and Pyongyang, Tokyo’s ties with Southeast Asia are less bedeviled by issues of history. Second, unlike Russia, China, and the two Koreas, the Southeast Asian states do not have any territorial disputes with Japan. Third, Southeast Asia does not have intractable security problems of the same magnitude as Northeast Asia. In this regard, Southeast Asia is a more conducive environment for Japan to pursue its diplomatic initiatives, especially when the ASEAN states are less hostile toward Tokyo and inter-state relations within the region are less confrontational and warlike.

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Regional Overview:

Bush Discovers Asia, but Stays on Message

by Ralph A. Cossa
President, Pacific Forum CSIS

U.S. President George W. Bush's February visit to Japan, South Korea, and China and Washington's decision to send over 600 U.S. troops, including Special Forces, to the southern Philippines for a unique training mission aimed at directly supporting Manila's efforts to combat terrorism provided some long-awaited administration focus on East Asia this past quarter. Bush's visit was, by all accounts, successful. He reaffirmed Washington's commitment to the U.S.-Japan alliance as the "bedrock" of peace and stability in East Asia as well as his own faith in Japanese Prime Minister Koizumi Junichiro's economic reform efforts. His visit to Seoul helped to contain the damage caused in early January by his State of the Union reference to North Korea as a member of the "axis of evil," a comment that had raised anxiety levels significantly in the South (and elsewhere). His visit to Beijing reaffirmed Washington's willingness to build a "cooperative, constructive" (albeit "candid") relationship with China.

Even while continually stressing Asia's importance, Bush remained very much on message; the war on terrorism took pride of place in his prepared remarks during each leg of the trip. In other terrorism-related activity, the decision to deploy forces on a temporary basis to the Philippines was also generally well received, a few highly publicized but poorly attended protests notwithstanding. Nonetheless, concerns remain throughout the region about U.S. unilateralist or "cowboy" tendencies, which were reinforced by the leaking of the Pentagon's Nuclear Posture Review (NPR), which allegedly called for contingency planning for the use of nuclear weapons against North Korea, China, Russia, and others.

Bush's Trip: Reaffirmation, but No East Asia Vision

As one senior administration spokesman noted in early February, President Bush's Feb. 17-22, 2002 trip to East Asia provided an important opportunity "to articulate and demonstrate that our strategic interests in the region are remarkably deep, diverse, and enduring." The president did, in fact, reaffirm Washington's commitment to East Asia security, in part just by showing up. Indeed, his decision to travel to Asia came as a pleasant surprise to most Asia-watchers, given Washington's preoccupation with the war on terrorism.

But, while continually stressing Asia's importance, the war on terrorism continued to dominate his speeches and discussions during each leg of the trip. He did not (as many of us had hoped) use the occasion of his first major swing through East Asia to lay out a broader vision, similar to his predecessor's July 1993 "New Pacific Community" speech. But he left no question as to the centrality of America's bilateral alliances to regional peace and stability and Washington's commitment to maintain a strong deterrence posture on the Korean Peninsula. President Bush also used common concerns about terrorism as part of the rationale for his constructive engagement with Beijing.

U.S.-Japan Relations: Never Better?

The good news, underscored by the visit, is that the U.S.-Japan security relationship – "one of the great and enduring alliances of modern times" – is currently on solid ground and is likely to remain so. Bush was no doubt delighted (if not surprised) when Koizumi, in response to a "what if" question about Iraq, stated unequivocally that Japan would continue to support the U.S. In his prepared remarks at a joint press conference, Koizumi even talked about the "need to carry forward this fight against terrorism." It remains to be seen, of course, if Prime Minister Koizumi can deliver on his pledge but for now the atmospherics could not be better.

And then there are the neighbors. While a desire to be on the right side of the war on terrorism may have also helped to temper Chinese and Korean (North and South) criticism of Japanese naval deployments in support of Afghanistan operations, their long-standing concerns about Japanese remilitarization have, if anything, been reinforced. The war on terrorism may have further strengthened the already close bonds between the Bush and Koizumi administrations, but it has not brought Japan any closer together with its neighbors.

Koizumi's expressions of understanding and support aside, many in Japan continue to privately express concern about Bush's hard-line policies toward North Korea and China and other U.S. unilateralist tendencies. As one official noted privately, Bush's "too cold" and Clinton's "too warm" Korea policies are equally disturbing; the Perry Process, on the other hand, had it "just about right." The same holds true for China. Neither "strategic partner" nor "strategic competitor" is particularly comforting. "Cooperative, constructive" sounds much better, if only it can be maintained.

The most contentious and critical issue between Tokyo and Washington – Japan's inability to make the fundamental reforms necessary to revive its increasingly sick economy – remains essentially unchanged despite the February visit. While Bush signaled early on that he would not resort to the twin failed tactics of the Clinton administration – Japan bashing and Japan passing – thus far his administration has been equally unsuccessful in convincing Japan to finally get its economic house in order. During his Tokyo visit, Bush was not only effusive in his praise for Japan's support for the war on terrorism, he was equally lavish in his praise for Prime Minister Koizumi

personally, not only as a courageous leader and true friend, but also as a “great reformer” – a comment that reportedly drew open smirks even from members of Koizumi’s own party. Balancing this public praise, however, was Bush’s private letter to Koizumi, conveniently leaked to the press, expressing his “strong concern” about the lack of progress in fixing the economy, thus permitting Bush to play both “good cop” and “bad cop” on this issue, equally to no avail.

Korea and the “Axis of Evil”

If, as the popular saying goes, “everything has changed” since Sept. 11, it is also true that, as far as the Korean Peninsula is concerned, the more things change, the more they remain the same. Even Washington’s most directly Korea-related 9-11 fallout – President Bush’s “axis of evil” formulation – for all its drama, changed little; it merely reinforced the administration’s already unyielding views toward the DPRK and Pyongyang’s paranoia regarding Washington’s intentions. (The term also pales in comparison with the phrases Pyongyang has previously employed in describing the Bush administration.)

The major strains in U.S.-ROK relations also predated 9-11; they harken back to ROK President Kim Dae-jung’s poorly handled March 2001 visit to Washington. The “axis” comment underscored the problem, it didn’t create it. I argued last quarter that it would take a Bush visit to Seoul to undo this damage. To his credit, President Bush did a good job in toning down his comments regarding North Korea and, more important, in reaffirming his support for President Kim when the two met in Seoul. But Bush’s more positive approach quickly became a page two story, with any goodwill created in Seoul seemingly wiped out by Olympic speed-skating judges in Salt Lake City. Much work remains to be done here.

While I have been a member of the chorus criticizing the “axis of evil” comment – more so for its impact on U.S.-ROK relations than for its impact on Pyongyang – the attacks against the use of this slogan are now creating as much confusion and misunderstanding as the original phrase. When learned former ambassadors like Morton Abramowitz and James Laney claim (as they did in a *Washington Post* editorial) that President Bush “implicitly threatened to destroy North Korea or force it to modify its behavior [and] implied the time was sooner rather than later,” it may be time to stop and re-listen to what the president actually said.

What I heard President Bush say was this: If states (like North Korea, Iran, and especially Iraq) that are pursuing weapons of mass destruction (WMD) place those weapons in the hands of terrorists who would be willing to employ them against the United States, they will be held accountable. He was, in the president’s own words, “putting them on notice.” Given the hard evidence that al-Qaeda was seeking such weapons and the assumption that the terrorists would use them if acquired (which requires no great leap of faith, given al-Qaeda’s past track record), the message itself appears appropriate, perhaps even necessary. I continue to believe that there were more effective ways to get this

word across (and that the destruction of the Taliban had already delivered this message more effectively). But the message itself was pretty straightforward.

Bush was not signaling that North Korea was the next Afghanistan, neither did he indicate he was itching for an opportunity to attack, either sooner or later. Since North Korea claims to be firmly against international terrorism (and I am willing to give Pyongyang the benefit of the doubt on this one), Bush is not even asking the North to modify its behavior, but merely to live up to its word.

To his credit, President Bush has gone to great lengths to explain that branding North Korea as “evil” does not rule out dialogue, reminding us that former President Ronald Reagan – clearly Bush’s role model – made significant progress in arms control and other negotiations with the Soviet Union while still branding it an “evil empire.” Bush even proclaimed, while in Seoul, that neither South Korea nor the United States had any intention to attack the North. This constitutes one of the most direct security assurances ever offered to Pyongyang by a U.S. president.

So, where do we go from here? As far as the Bush team is concerned, the ball is in Pyongyang’s court. President Bush repeated Washington’s willingness to begin a dialogue with North Korea “any time, any place, without preconditions” throughout his Asia trip and even publicly asked Chinese President Jiang Zemin to help deliver this message to North Korean leader Kim Jong-il. As a result, the next step is up to Pyongyang. If it remains too suspicious of Bush to engage directly – all U.S. overtures to date (both before and after the “axis” comment) have been swiftly rejected – it can always agree to a resumption of the Four-Party Talks (involving the two Koreas, the U.S., and China). Or it can re-engage in serious dialogue with the South. President Bush, during his Seoul stopover, tried to breathe new life into ROK President Kim Dae-jung’s Sunshine Policy of engagement with the North, while making it clear that the road to Washington continues to run through Seoul.

As the quarter ended, there were encouraging signs that the North was in fact prepared, for the first time since October 2001, to resume high-level dialogue with Seoul. While one welcomes such news, a bit of caution is always in order, given Pyongyang’s previous tendency to renege on agreements. The fact that Pyongyang has announced that it expects 200,000 or more tourists to come visit this spring’s Arirang Festival in North Korea (which also commemorates the 90th anniversary of its founder Kim Il-sung’s birth) raises the possibility that narrow economic motives (and pride – imagine the embarrassment if few show up) may be the main reason for the latest overtures, rather than a genuine desire to promote peace and reconciliation. Only time will tell!

U.S.-China Relations: Weathering Potential Storms

On a somewhat more positive note, President Bush’s China trip went well and Sino-U.S. relations weathered several potentially disruptive storms during the past quarter. The president’s decision to include Beijing in his travel plans sent a strong signal to China about Washington’s willingness to engage China, even as the Pentagon was sending

countervailing signals. He could have easily justified not going, having just visited Shanghai in October (for the APEC Leaders' Meeting). Some would argue that he could also have just as easily added China to his "axis" list as to his trip itinerary. The fact that he did not is another indication that the influence of the so-called "blue team" remains in check.

During his visit, Presidents Bush and Jiang both reaffirmed their willingness to pursue a "cooperative, constructive" relationship and China, at Bush's encouragement, demonstrated its willingness to play "honest broker" with North Korea. Both sides also pledged further cooperation in the war on terrorism while underscoring a greater coincidence of views regarding nuclear South Asia. Most important to Jiang, the Chinese leader received a much-desired invitation to visit Bush's Crawford, Texas ranch, another important piece of symbolism.

But, as pleasant as Bush's trip was, it also underscored a continued reluctance to engage in true strategic dialogue or to otherwise cooperate on nonproliferation or missile-related issues – each insists the other must take the first step on nonproliferation and China continues to see missile defense as universally bad but offensive missiles as an internal decision not subject to debate. There was also a clear Chinese reluctance to discuss cooperation on fighting terrorism beyond the Afghanistan campaign.

In addition, Bush pulled few punches in expressing his continued commitment to Taiwan's security, which remains the primary stumbling block to greater strategic cooperation. And, in President Bush's much-heralded address to the Chinese people, he underscored just how far apart both nations remain on issues relating to human rights and religious freedom.

In short, no strategic breakthrough was achieved. It appears, at least from the Chinese side (and perhaps from the U.S. side as well) that one was not even sought. However, the positive tone established by Bush's second visit to China and Jiang's desire to put his name in the Crawford guest book next to Russian President Vladimir Putin's and British Prime Minister Tony Blair's no doubt contributed to the firm but still (thus far) milder than expected response to the subsequent visit of Taiwan's Defense Minister Tang Yiauming to Florida for what conference organizers (incorrectly, if not disingenuously) called a "defense summit." Even though visits by senior Taiwan officials, including serving military chiefs is not unprecedented, and Tang's subsequent meetings with senior administration officials were private, not official, the Tang visit drew strong and repeated protests from China . . . as did the leaked story about the Pentagon's Nuclear Posture Review, which reportedly included China among the nations allegedly being targeted. But PRC spokesmen made it clear that these actions would not undermine the broader relationship or interfere either with Jiang's trip or with the planned trip of his apparent successor, Vice President Hu Jintao, to Washington this spring.

Nuclear Posture Review – the Cowboy Returns

China was not the only one upset by the NPR. To the extent that Bush's February "no attack" pledge provided reassurance to North Korea (and to increasingly nervous allies in the South and elsewhere), this was quickly negated by leaked reports that the Pentagon had been instructed to develop contingency plans calling for the use of nuclear weapons to deter or respond to a chemical or biological attack on the United States by rogue states such as North Korea. Once again, complaints about U.S. unilateralism were heard, especially as rumors spread that the U.S. wanted to resume testing of nuclear weapons and might even contemplate the preemptive (first) use of such weapons.

One suspects (or at least hopes) that such planning is not new, at least when it comes to responding to the use of weapons of mass destruction against the U.S., its forces, or its allies. After all, 10 years ago, the United States and its allies issued a firm warning to Iraqi President Saddam Hussein that the use of chemical or biological weapons against DESERT STORM forces would result in retaliation "by all available means" (read: nuclear weapons). If the Pentagon is just now getting around to developing contingency plans for such an option against Iraq or others who are known or suspected to possess chemical or biological (or nuclear) weapons, the real question should not be "Why?" but "What took them so long?"

The NPR apparently documents what had already been presumed; namely, that the U.S. retained the prerogative to respond with nuclear weapons to non-nuclear attacks employing other weapons of mass destruction against the U.S., its forces, and its allies. The document reportedly also explains some of the scenarios the defense planners had in mind, including "an Iraqi attack on Israel or its neighbors, a North Korean attack on South Korea, or a military confrontation over the status of Taiwan." Similarly, the NPR allegedly notes that "a sudden regime change by which an existing nuclear arsenal comes into the hands of a new hostile leadership" should be considered an "unexpected contingency," effectively adding Russia to the mix. Political sensitivities aside, this sounds like prudent military planning.

Keep in mind that contingency plans do not lock a country into a particular course of action; they merely entail the development of a range of possible responses to an anticipated crisis. Developing a plan does not mean that nuclear weapons automatically, or even inevitably, will be used. The primary reason for factoring them in is to remind potential adversaries – as the 1991 announcement effectively reminded Hussein – that use of WMD could trigger an equally horrific response. This is called deterrence. Nonetheless, the "Bush as Cowboy" image continues to be perpetuated by such actions, not only in the minds of potential adversaries (which might not be all bad) but by friends and allies as well. One potential remedy in this instance would be serious consideration by the Bush administration of a "no first use of weapons of mass destruction" policy, which would eliminate fears of preemption while still putting potential adversaries on notice. [For more on this topic, see *PacNet Newsletter* 12.]

The Philippines: Not Another Afghanistan . . . or Vietnam

A few final words about the deployment of 660 U.S. military troops, including Special Forces trained in counterterrorism operations, to the southern Philippines – an action which has caused many critics to proclaim the Philippines to be “the next Afghanistan” . . . except, of course, for those who are busy proclaiming it “the next Vietnam.” These naysayers are being joined in the Philippines by “the Americans are coming” crowd who are frantically proclaiming that U.S. assistance to Philippine military forces fighting insurgents in the south constitutes an attack, not on terrorism, but on Philippine sovereignty.

Such concerns seem ill-conceived. First of all, the Philippines is not the next Afghanistan. Actually, Afghanistan is the next Afghanistan. While the Taliban is no longer in power, the search for key leaders continues as does the most important task: destroying al-Qaeda’s leadership and terrorist network. President Bush also keeps reminding us that the war on terrorism is not like other wars, and will be waged on many fronts, using diplomatic, political, economic, and financial as well as military means. Too much focus on the next military battle helps lose sight of the broader war.

Meanwhile, if those who see shades of Vietnam cannot tell the difference between the democratically elected government in Manila and the often-corrupt generals of old Saigon, they should at least be able to see the difference between the Viet Cong (and its backers in Hanoi) and the Abu Sayyaf. The Abu Sayyaf is an organization of, at best, a few hundred guerrillas that has chosen, with apparent al-Qaeda backing and training, to employ terrorist tactics to intimidate others while enriching itself. It has conducted cross-border kidnapping raids in Malaysia (a Muslim nation); it murders innocent civilians (beheadings being a favorite means). Two American missionaries are among its current hostages. Earlier efforts by nations like Libya to “help” Manila by paying ransom to the Abu Sayyaf to release kidnap victims have allowed the rebel group to arm and equip itself, frequently with better weapons than those available to the Philippine military forces who for several years have been valiantly fighting these terrorists.

The United States is a security ally of the Philippines – the termination of the old basing agreement brought an end to the stationing of U.S. troops in the Philippines 10 years ago; it did not abrogate the Mutual Defense Treaty. As a result, the U.S. has both a legal and moral obligation to help the Philippines defend itself. America has also declared war against terrorism. For Washington not to offer to assist Manila in its own struggle against a terrorist organization (especially one with al-Qaeda backing) would be inexcusable. Strict constitutional provisions and a new Visiting Forces Agreement provide the guidelines and ground rules under which U.S. forces can deploy to the Philippines, for temporary periods of time, for joint training with their military ally. These must be, and are being, strictly honored. But, given the circumstances, providing a small contingent of Special Forces and other U.S. support troops to serve as advisors seems to make great sense. This is not Afghanistan (or Vietnam) revisited. This is the U.S. doing what it is supposed to do – helping an ally fight for a common cause.

Note also that the deployment of U.S. military advisors is part of a much broader package of military and economic assistance aimed at underwriting the government of Philippine President Gloria Macapagal-Arroyo. This expansive aid package will help Manila address the root causes of terrorism, even as it assists the Philippine military fight against those who would exploit impoverished or disenfranchised members of society for their own political purposes.

Regional Chronology January-March 2002

Jan. 1, 2002: Taiwan joins the WTO.

Jan. 7, 2002: Foreign ministers of the Shanghai Cooperation Organization (SCO) meet in Beijing for a “non-regular” meeting to coordinate a regional counterterrorism agency and a mechanism for emergency response.

Jan. 8, 2002: U.S. Congressional delegation meets with PRC President Jiang Zemin.

Jan. 9-16, 2002: Japanese Prime Minister Koizumi Junichiro visits Indonesia, Malaysia, Singapore, Thailand, and the Philippines, proposes a “Comprehensive Economic Partnership.”

Jan. 10, 2002: Jack Pritchard, U.S. special envoy to the inter-Korean peace talks, meets with Pak Gil-yon, DPRK ambassador to the UN.

Jan. 11-18, 2002: U.S. Pacific Command Third Multinational Planning Augmentation Team (MPAT) meeting is held in Seoul; 150 military officials from 30 nations attend, including Japan, the PRC, and Russia.

Jan. 13-18, 2002: PRC Premier Zhu Rongji visits India.

Jan. 15, 2002: First contingent of about 100 U.S. forces, including Special Forces, deploy to southern Philippines to train Philippine forces fighting against the Abu Sayyaf.

Jan. 15-16, 2002: U.S. and Russian defense officials meet to discuss nuclear arm cuts in Washington.

Jan. 15-19, 2002: IAEA inspection team visits nuclear facilities in Yongbyon, North Korea.

Jan. 16, 2002: U.S. Secretary of State Colin Powell visits Pakistan.

Jan. 17, 2002: ASEM (Asia-Europe Meeting) ministerial meeting in Beijing.

Jan. 17, 2002: Secretary Powell in India.

Jan. 17, 2002: UN announces East Timor's first presidential election date, April 14.

Jan. 17-18, 2002: Thai PM Thaksin Shinawatra meets with Indonesian President Megawati Sukarnoputri in Indonesia.

Jan. 18-22, 2002: Secretary Powell visits Japan to attend the Afghanistan reconstruction meetings, meets with PM Koizumi and FM Tanaka Makiko.

Jan. 20-22, 2002: Deputy U.S. Trade Representative Jon M. Huntsman, Jr. visits Seoul.

Jan. 20-23, 2002: ROK Foreign Minister Han Seung-soo meets with FM Tanaka in Tokyo.

Jan. 21, 2002: Lee Hoi-chang, leader of the Grand National Party and leading ROK presidential candidate, visits U.S. and meets with President Bush.

Jan. 21, 2002: The Commission for Reception, Truth, and Reconciliation is installed in East Timor to address reconciliation and justice issues.

Jan. 21, 2002: Taiwan Premier Chang Chun-hsiung resigns.

Jan. 21-22, 2002: Afghanistan reconstruction international meeting in Tokyo.

Jan. 23-26, 2002: U.S. and DPRK fail to reach an agreement at the talks on U.S. MIA held in Thailand.

Jan. 23-26, 2002: Russian Navy Chief Adm. Indroko Sastrowiryo visits Japan.

Jan. 24, 2002: Seoul and Tokyo agree on extradition treaty.

Jan. 25, 2002: Trilateral Coordination and Oversight Group (TCOG) meeting in Seoul.

Jan. 27-Feb. 4, 2002: ROK FM Han meets with Secretary Powell and National Security Advisor Condoleezza Rice in Washington, D.C.

Jan. 28-Feb. 5, 2002: Philippine President Macapagal-Arroyo in the UK, Canada, and the U.S.

Jan. 28-Feb. 5, 2002: USCINCPAC Adm. Blair in Singapore, Malaysia, Vietnam, Japan, and South Korea, invites Vietnamese officials to observe "Cobra Gold," the biggest wargame in Southeast Asia, in May.

Jan. 28-Feb. 8, 2002: Australian PM Howard visits the U.S., Singapore, and Indonesia.

Jan. 29, 2002: Japanese FM Tanaka resigns.

Jan. 29, 2002: President Bush names North Korea, Iran, and Iraq as “axis of evil” in his State of the Union address.

Jan. 30, 2002: New ROK Minister of Unification Jeong Se-hyun takes office.

Jan. 30, 2002: Cambodia successfully holds the first elections for local level officials.

Jan. 30, 2002: Indonesian and Singaporean agree to include Indonesia’s Batam and Bintan Islands in the U.S.-Singapore free trade area.

Jan. 30, 2002: Russian PM Mikhail Kasyanov in Washington, D.C. and New York.

Jan. 31, 2002: UN Security Council votes to extend UN Transitional Administration in East Timor (UNTAET) until May.

Jan. 31, 2002: U.S. and the Philippines begin six-month joint anti-terrorism exercise “Balikatan 2002.”

Feb. 1, 2002: Yu Shyi-kun is sworn in as Taiwanese premier.

Feb. 1, 2002: Kawaguchi Yoriko is sworn in as Japanese foreign minister.

Feb. 1-2, 2002: Russian Foreign Minister Ivanov meets with PM Koizumi and FM Kawaguchi in Japan.

Feb. 2, 2002: Citizens of Japan and the ROK launch nongovernmental organization “History Education Asia Network” in Tokyo.

Feb. 4, 2002: ROK President Kim replaces FM Han Seung-soo with Choi Sung-hong.

Feb. 4, 2002: ROK and Japanese high-level officials hold security talks in Tokyo.

Feb. 6, 2002: CIA Director George Tenet says that the DPRK continues to export missiles.

Feb. 7, 2002: DPRK Ambassador to UN Pak Gil-yon indicates DPRK is ready to resume talks with U.S.

Feb. 8, 2002: North Korea officials call off U.S. delegations’ visit scheduled on Feb. 19-22.

Feb. 8-9, 2002: G-7 meeting in Ottawa.

Feb. 9, 2002: East Timor adopts a Constitution draft, to be finalized in early March and effective in May.

Feb. 9, 2002: FM Kawaguchi speaks via phone with FM Tang and ROK FM Choi Sung-hong.

Feb. 10, 2002: DPRK releases Japanese journalist Sugishima Takashi after two years of detention.

Feb. 13, 2002: President Bush meets Pakistani President Pervez Musharraf in Washington, D.C.

Feb. 17-18, 2002: U.S. Chairman of the Joint Chiefs of Staff Richard Myers and Indian DM George Fernandes hold talks on arms sales in India.

Feb. 17-19, 2002: President Bush visits Japan.

Feb. 19, 2002: U.S. Under Secretary of State John Bolton and Russian Deputy Foreign Minister Georgii Mamedov hold arms control talks in Moscow.

Feb. 19-21, 2002: President Bush in the ROK.

Feb. 21, 2002: A U.S. Army helicopter goes down off the island of Mindanao, killing all 12 U.S. military personnel on board.

Feb. 21, 2002: Under Secretary Bolton indicates that U.S. might use nuclear weapons against non-nuclear states, saying “we would do whatever is necessary to defend America’s innocent civilian population.”

Feb. 21, 2002: Thai Deputy PM Nguyen Tan Dung meets with Vietnamese counterpart in Ha Noi; the two agree on the establishment of communication channels and joint sea patrols.

Feb. 21-22, 2002: President Bush in the PRC.

Feb. 23, 2002: Secretary Powell says Beijing’s export of missile technology remains an obstacle to the bilateral relationship.

Feb. 25, 2002: Indonesia and East Timor hold the first ministerial level meeting in Nusa Dua, Bali.

Feb. 26, 2002: Indonesia, East Timor, Australia trilateral ministerial meeting in Nusa Dua, Bali.

Feb. 27-28, 2002: Regional Ministerial Conference on People Smuggling, Trafficking in Persons and Related Transnational Crimes is held in Indonesia.

Feb. 27-March 1, 2002: PRC President Jiang in Vietnam, frameworks agreement on the provision of preferential loans by China to Vietnam and an agreement on economic and technical cooperation signed.

Feb. 27-March 3, 2002: DPRK Supreme People's Assembly Executive Committee Chairman Kim Yong-nam visits Thailand to improve investment cooperation and signs bilateral agreements on business, culture, and media exchanges.

Feb. 28, 2002: Russian President Vladimir Putin expresses support for the U.S.-led antiterrorism war in Georgia.

Feb. 28, 2002: PRC-Russia Friendship Treaty ratified in Russia.

March 3-5, 2002: Kim Yong-nam in Malaysia.

March 5, 2002: Philippines Foreign Minister Teofisto Guingona announces Philippine plans to buy 24 F-5 fighter jets from Taiwan.

March 6, 2002: PRC Finance Minister Xiang Huaicheng proposes 17.6 percent increase in defense spending.

March 10-12, 2002: U.S.-Taiwan nongovernmental business meeting in Florida. U.S. Deputy Sec. of Defense Wolfowitz and Asst. Sec. of State James Kelly meet informally with Taiwan's Defense Minister Tang Yiau-ming and Chief of the General Staff Li Chieh.

March 12, 2002: DPRK Deputy FM Kim Young-il visits Beijing, meets with PRC Vice Premier Qian Qichen.

March 12, 2002: Russian DM Igor Ivanov in Washington, D.C., meets with President Bush and Defense Secretary Donald Rumsfeld.

March 14, 2002: PM Koizumi and President Musharraf hold their first summit in Tokyo.

March 15, 2002: Jack Pritchard, U.S. special envoy to the inter-Korean peace talks, meets with Pak Gil-yon, DPRK ambassador to the UN in New York.

March 16, 2002: PRC Vice FM Li Zhaoxing summons U.S. Ambassador to PRC Clark Randt and delivers "solemn representations" on Taiwan delegation's visit to the U.S.

March 18, 2002: PRC declines the request for the USS Curtis Wilbur, a U.S. Navy destroyer, to make a routine port call in Hong Kong April 5-9.

March 18, 2002: Twenty-five DPRK defectors arrive in Seoul after seeking asylum in Beijing.

March 18, 2002: PRC Vice FM Wang Yi and Japanese Deputy FM Takano Toshiyuki hold the first vice-ministerial security meeting in Tokyo.

March 19, 2002: Chinese Ambassador to Seoul Li Bin warns that NGO activities to help North Korean defectors undermine bilateral relationship between Seoul and Beijing.

March 20, 2002: Taiwan Economic Minister Christine Tsung resigns.

March 21-22, 2002: Under Secretary Bolton and Russian Deputy FM Mamedov hold nuclear arms control talks in Geneva.

March 21-23, 2002: PM Koizumi visits Seoul, discusses a possible joint working group to develop an FTA.

March 21-27, 2002: The U.S. and the ROK conduct the biggest joint military exercise, Foal Eagle, since the end of Korean War.

March 24-28, 2002: President Megawati meets President Jiang in Beijing, President Jiang offers \$400 million loans.

March 25, 2002: Seoul announces that DPRK will resume dialogue with the ROK in April.

March 26-27, 2002: Russian Prime Minister Mikhail Kasyanov visits Vietnam, announces Russia's early withdrawal from the naval base of Cam Ranh Bay by July 2002.

March 28, 2002: The U.S. and ROK sign memorandum of understanding on land swapping. Under the Land Partnership Plan, the U.S. will close 31 U.S. military facilities over next 10 years.

March 28, 2002: India and PRC open their first direct air route.

March 28, 2002: The PRC and Japan sign yuan-yen swap agreement.

March 28-29, 2002: ROK FM Choi meets PRC FM Tang in Beijing.

March 28-30, 2002: President Megawati meets with DPRK leader Kim Jong-il; urges DPRK to resume inter Korean dialogue.

March 28-April 2, 2002: Indian FM Jaswant Singh visits China.

March 29, 2002: Jack Pritchard, U.S. special envoy to the inter-Korean peace talks, meets with Pak Gil-yon, DPRK ambassador to the UN in New York.

March 31-April 1, 2002: President Msegawati visits the ROK.

U.S.-Japan Relations: Setting New Standards

by Brad Glosserman
Director of Research, Pacific Forum CSIS

The love fest continues. U.S. President George W. Bush's visit to Tokyo (Feb. 17-19), the first stop on his three-nation Asia tour, underscored the strength of the U.S.-Japan relationship and the strong personal relationship shared by the president and Japanese Prime Minister Koizumi Junichiro. Throughout the first quarter of 2002, U.S. officials continued to applaud Japan's contributions to the war against terrorism and encouraged Tokyo to do more.

The honeymoon might not last, however. While officials on both sides of the Pacific agree that the security pillar of the relationship is the strongest it may have ever been, there are mounting concerns about Japan's economy. U.S. policymakers worry that economic weakness could undermine Japan's long-term role within the alliance and the region and have been prodding Japan to take action. But the U.S. must tread carefully. Sharp warnings or a hard line could spark a backlash. Equally worrisome is the prospect of a loss of popular support in Japan for U.S. policies, a shift that could be triggered by the perception of U.S. unilateralism in its foreign policy. Japanese support for the U.S.-led war against terrorism is broad, but it is not deep. The anger unleashed by the inadvertent omission of Japan from the list of contributors to the Afghanistan conflict is a warning: alliance management is more important now than it has ever been.

It Doesn't Get Much Better Than This

If there were ever any doubts about the importance President Bush attaches to the U.S.-Japan relationship, his February visit put them to rest. During his Tokyo stay, the president reiterated the U.S. commitment to the region, the cornerstone of which is the U.S.-Japan alliance. Predictably, he focused on the security dimension of the alliance and repeated at every opportunity his high regard and support for Prime Minister Koizumi. In his speech to the Diet, President Bush noted, "For half a century now, America and Japan have formed one of the great and enduring alliances of modern times. ... The bonds of friendship and trust between our two peoples were never more evident than in the days and months after Sept. 11. ... Your response to the terrorist threat has demonstrated the strength of our alliance, and the indispensable role of Japan – a role that is global, and begins in Asia."

This strength reflects the broad foundation upon which the alliance rests. The Japanese government's response to the Sept. 11 terror attacks is one important factor. After passing the antiterrorism legislation (*tero taisaku tokubetsu sochihou*) last year, the Japanese government has maintained its high-profile efforts. In January, Japan hosted an international conference on the reconstruction of Afghanistan. On March 26, the Japanese Cabinet voted to extend Self-Defense Forces (SDF) support for the war in Afghanistan for an additional six months past the original May 19 deadline. This two-pronged approach, both diplomatic and military, has helped nurture and sustain broad public support for Japanese actions despite the traditional wariness of involvement in overseas military "adventurism." The fact that the deployment has gone off without incident helps, too. The first three ships deployed to the Indian Ocean returned to Japan March 16 without incident. The next important step will be the tabling of a comprehensive emergency measures law (*yuji housei*) that will establish a framework for dealing with future contingencies; the Diet is expected to receive the bill during the next quarter.

Japan's ability to respond so quickly and so well reflects deeper, more fundamental phenomena. One important factor is the convergence of U.S. and Japanese national interests in recent years; the two nations' strategic perspective is as close as it has ever been. Equally significant is the personal relationship that has developed between the two leaders. As Bush explained in his speech, "I value my relationship with the prime minister. He is a leader who embodies the energy and determination of his country. The prime minister and I have had many good visits. I trust him, I enjoy his sense of humor, and I consider him a close friend. He reminds me of the new American baseball star, Ichiro: the prime minister can hit anything you throw at him."

Officials in both governments have marveled at the "incredible personal chemistry" shared by the two men. Some observers note that the U.S.-Japan relationship may be even better today than it was during the famous "Ron-Yasu" era of the 1980s. There is no mistaking the president's ease and the rapport he shares with the prime minister. His words of support also serve a political purpose: they provide political support and cover for Koizumi's reform program. The prime minister is embattled and his reforms are threatened by the old guard within his party and the government. Bush and his team have decided that support for the prime minister is the safest and most efficient way to influence the Japanese political process.

This approach to Japan reflects judgments about how best to work with Tokyo. This administration is sympathetic toward Tokyo and genuinely believes in the importance of the U.S.-Japan relationship. While many of the policymakers who work on Japan would like to see it play a larger role within the region, they also understand the limits of U.S. influence in Tokyo. Their natural caution is reinforced by an aversion toward anything that the previous administration had done. The Clinton administration's very public "Japan bashing" is definitely to be avoided. The result has been policy consistency – always highly regarded in Tokyo – and positive reinforcement of Japan. High-level confrontation has been avoided – except when Tokyo ignores or misrepresents U.S.

statements, as occurred when administration sources leaked a letter from Bush to Prime Minister Koizumi expressing the president's "strong concern" for the Japanese economy. The move was prompted by the "anti-deflation plan" that Koizumi unveiled in late February, which, despite widespread expectations, offered nothing concrete to tackle the problem.

Echoes of the Gulf War

While some long-time Japan hands have been astounded by Japan's response to 9-11, there are still reasons for concern. One troubling indication is the brouhaha that erupted over a Department of Defense (DoD) list of contributors to the war in Afghanistan that was released Feb. 27. Unfortunately, bureaucratic procedures prevailed over fact and Japan was omitted – just as Japan was omitted from a similar list prepared a decade ago by the Kuwaiti government to thank contributors to the Persian Gulf War. The snafu prompted predictable outrage in Tokyo. Foreign Minister Kawaguchi Yoriko demanded a clarification for the exclusion – which was corrected the next day – and a group of Japanese politicians allegedly got into a shouting match with U.S. Embassy personnel after presenting a petition protesting the oversight.

A more significant issue is Japan's continuing economic difficulties. While the alliance is traditionally conceptualized as resting on three legs – security, economic, and political – in fact, all three are intertwined. The U.S. has been increasingly forthright about its preferred role for Japan in the region: it sees Tokyo as a means of containing Beijing's influence in Southeast Asia, but the instrument of that containment is Japan's economic strength, not any military force. That is why the administration is concerned about Japan's economic weakness in the long term: if the economy does not rebound, Tokyo cannot play that role.

Unfortunately, there is no recovery in sight. The first quarter has yielded an avalanche of unpleasant statistics. The government has confirmed that Japan is now enduring its longest recession since 1993. Gross domestic product contracted by 1.2 percent in the last quarter of 2001, extending the economic contraction to three quarters. Bankruptcies continue to climb, increasing at a rate of over 1,400 cases per month, rising 18 percent (year-on-year) in February after increasing 19 percent in January. The unemployment rate is holding steady at 5.3 percent, but the number of unemployed increased for an 11th consecutive month in February to 3.56 million. Uncertain job prospects are forcing consumers to clutch their savings tighter, which only compounds deflationary pressures. Household spending fell 2.9 percent in February and nationwide consumer prices fell 0.7 percent for the 29th consecutive month. Industrial production fell 11.3 percent year-on-year in February, although some economists think the bottom could be near as demand recovers in the U.S. and the weak yen boosts Japanese exports. Takenaka Heizo, the economy minister, noted that "Our view that there are some signs that the economy is bottoming out is correct. [But] economic conditions continue to be very severe with employment at the core of the problem." More ominously, in a March 30 interview with *The New York Times*, Koizumi expressed his exasperation, saying that he didn't know why the economy was not recovering.

The Dangers of U.S. Arrogance

Although no one is happy with Japan's continuing weakness, it presents particular difficulties for the United States. Japan's inability to resume a growth path will frustrate U.S. plans to have Japan play a leading role within the region over the medium and long-term. Moreover, the weakening yen creates political pressure in sensitive export sectors of the U.S. economy, such as automobiles, and could create trade frictions. President Bush's March decision to impose up to 30 percent tariffs on steel imports is proof that trade relations can quickly deteriorate. Japan responded to the move with a call for bilateral talks and followed that with a complaint filed at the World Trade Organization.

The controversy over U.S. tariffs – like the DoD list – illustrates the most important dimension of the bilateral relationship: alliance management. By and large, Japanese support for the war on terrorism is seen through the prism of the alliance. That implies that the U.S. failure to act like a good ally could undermine popular support within Japan. Therefore, the perception of U.S. behavior is extremely important. President Bush's reference in his January State of the Union address to an "axis of evil" that includes Iraq, Iran, and North Korea raised concern in Japan (and elsewhere) that the United States is preparing for war. The *Asahi Shimbun* lamented in a Feb. 20 editorial that "Foreign policy differs from a Hollywood western in which heroes stand up against villains. Apparently, the Bush administration does not sufficiently appreciate that fact." The leak of the Pentagon's Nuclear Posture Review, with its call for nuclear strikes in certain contingencies and – more alarming still to the Japanese – the creation and testing of new nuclear weapons, could also have a serious impact on popular support for the alliance within Japan. On Feb. 21, the *Asahi* called the administration on the carpet again, warning that "the United States should not trample upon the sentiments of those who long for a world free of nuclear arms."

Of course, the more mundane dimensions of the security relationship could cause trouble. In January, a Yokohama District Court sentenced three crewmembers of the USS Kitty Hawk to four years in prison for robbing and injuring a taxi driver. In February, the Chatan town assembly in Okinawa called upon the United States to clean up a polluted former firing range. The quarter closed with the March 28 sentencing in the Naha Okinawa District Court of U.S. Air Force Staff Sgt. Timothy Woodland to 32 months in prison on charges of rape, yet another reminder of the problems created by the U.S. military presence in Japan.

While all these incidents appear to have been handled adroitly, they are warnings that the relationship could quickly take a sharp turn. They also narrow the maneuvering room the U.S. has as Washington attempts to nudge the Japanese government to embrace economic reform. The decision to impose tariffs is especially damaging in this context, since it makes U.S. calls for market opening measures look self-serving and hypocritical.

Daredevil or Dinosaur?

The difficulties are compounded by Prime Minister Koizumi's own problems. After a nasty, public fight with the Liberal Democratic Party (LDP) old guard and her own bureaucrats, Foreign Minister Tanaka Makiko was forced to resign her post in January. Unfortunately for the prime minister, he probably picked the absolutely wrong occasion to cast her adrift: by most accounts, she was right to accuse LDP Diet Member Suzuki Muneo of interfering in Foreign Ministry decisions (in this particular case, the exclusion of certain Japanese nongovernmental organizations from the Afghanistan reconstruction conference that Tokyo was hosting). Since then, Koizumi's popularity has plunged some 30 points. Before firing Tanaka, the Koizumi Cabinet enjoyed (admittedly abnormal) approval ratings near 80 percent; as the quarter closed, a *Kyodo News Agency* poll showed ratings had plummeted to 44.8 percent.

Even worse for the prime minister, Tanaka has not gone quietly. After nursing her wounds, she has come out swinging and now accuses Koizumi of abandoning the reform agenda he once championed and of throwing his lot in with the LDP "old boys." Tanaka is the only Japanese politician who can rival Koizumi in popularity, although she claims she has no intention of running for the top slot. For his part, Koizumi has maintained that he is committed to reform. In his *New York Times* interview, he vowed that "my work is to get the reforms in Japan on track so that no matter who comes to power after me, our path of reform cannot be retracted."

That is music to U.S. ears. It reinforces the administration's belief that the prime minister is the best candidate to achieve real change. Thus, when Treasury Secretary Paul O'Neill visited Tokyo in January and criticized Japanese officials for trying to get quick results through exchange rate manipulation, he specifically exempted the prime minister. Indeed, O'Neill offered explicit support for Koizumi, as did President Bush during his February visit.

This approach also presents a problem for the administration: there is always a danger in tying policy to closely to a particular leader. With his popularity falling, Koizumi's leverage is diminishing. He is likely to remain in office, if only because there is no apparent alternative to him. But political fortunes change quickly in Japan and the U.S. cannot afford to champion yesterday's hero. The U.S. must walk a fine line: Washington must support Prime Minister Koizumi and encourage his reform efforts, but it must also ensure that it does not alienate other Japanese politicians while supporting him or the Japanese public in calling for change.

Holding the Line

March 31 marks the end of the first quarter and the end of the Japanese fiscal year. To virtually no one's surprise – media warnings of a "March crisis" notwithstanding – the Tokyo Stock Exchange rallied (thanks to intense scrutiny of short selling by the Financial Supervisory Agency), bank holdings recovered, and there were no financial calamities. The Diet passed the budget. Now, attention turns to the emergency measures law, soon to

be put before the Diet, and continuing efforts to prop up the economy. The former is likely to pass the Diet with considerably less fanfare than the latter. There is still no agreement on what needs to be done, and the incipient U.S. recovery could ease pressure for reform.

The U.S. looks to Japan to hold the line. On the security front, that means no backsliding. The extension of the SDF deployment is welcome, as is the emergency measures legislation. Holding the line on the economic front will not be as easy. Japanese officials have promised that Japan will not be the weak link in the global financial system. Japan will not be the epicenter of any financial crisis. That is good news, but it is enough only if the U.S. lowers its expectation of Japan. Sadly, that is a habit that might be worth cultivating in the months ahead.

Chronology of U.S.-Japan Relations January-March 2002¹

Jan. 7-8, 2002: Ministry of Economy, Trade, and Industry (METI) Minister Takenaka Heizo meets with U.S. Treasury Secretary Paul O'Neill and U.S. Trade Representative (USTR) Robert Zoellick in Washington, D.C.

Jan. 15, 2002: Treasury Secretary O'Neill urges Japan to attain annual real economic growth of 2 to 3 percent.

Jan. 17, 2002: Japanese Environment Minister Kawaguchi Yoriko urges U.S. to reconsider its rejection of the Kyoto protocol at the Asia-Europe Meeting (ASEM) ministerial meeting in Beijing.

Jan. 18, 2002: Yokohama District Court sentences three crew members of the USS Kitty Hawk to four years in prison for robbing and injuring a taxi driver.

Jan. 20, 2002: U.S. Secretary of State Colin Powell visits Japan for Afghanistan reconstruction conference, meets with Prime Minister Koizumi Junichiro and Foreign Minister Tanaka Makiko.

Jan. 21, 2002: Japanese Finance Minister Shiokawa Masajuro meets Secretary O'Neill in Tokyo.

Jan. 23, 2002: Secretary O'Neill warns that Tokyo should not tolerate a weak yen as a solution for nonperforming loans.

Jan. 29, 2002: FM Tanaka Makiko resigns.

¹. Chronology compiled by Pacific Forum Vasey Fellow Nakagawa Yumiko.

Jan. 29, 2002: Bank of Japan Governor Hayami Masaru says weaker yen will not solve Japan's economic problems.

Jan. 29, 2002: Nikkei closes at 9,919.48, first time below 10,000 since Oct. 10.

Jan. 31, 2002: USTR Zoellick urges Japan to combat deflation and promote free trade.

Feb. 1, 2002: Kawaguchi Yoriko is sworn in as foreign minister.

Feb. 3, 2002: Kishimoto Tateo, pledging to accept the relocation of the U.S. forces' heliport, is re-elected mayor of Nago.

Feb. 4, 2002: Japan launches H2A rocket.

Feb. 6, 2002: The annual Economic Report of the President characterizes Japan's banking and corporate sectors as "moribund" and says past fiscal and financial measures "have done little thus far" to improve economic prospects.

Feb. 8, 2002: U.S.-Japan working-level meeting on military equipment issues in Washington, D.C.

Feb. 9, 2002: Ehime Maru memorial ceremony held in Honolulu; U.S. participants include Deputy Commander-in-Chief of the U.S. Pacific Fleet Robert Willard.

Feb. 9, 2002: Assembly of the town of Chatan in Okinawa adopts statement calling upon the U.S. to clean up a polluted former U.S. shooting range.

Feb. 11, 2002: Chrysler President Dieter Zetsche warns that weak yen gives advantage to Japanese automakers.

Feb. 13, 2002: *Kyodo News Agency* reports that Japan Defense Agency (JDA) head Nakatani Gen recommends creating an Asian version of NATO as "cooperation to secure collective safety is the trend of the world."

Feb. 14, 2002: Iranian Deputy Foreign Minister Mohsen Aminzadeh visits Japan. Aminzadeh's message decrying Bush's "axis of evil" comment was later passed from PM Koizumi to President Bush and FM Kawaguchi to Secretary Powell.

Feb. 17-19, 2002: President Bush meets with PM Koizumi in Japan and promises continuing U.S. commitment to Japan and the region in his speech to the Diet.

Feb. 19, 2002: WTO orders U.S. to change antidumping measures against Japanese surface-treated steel sheet exports.

Feb. 19, 2002: JDA head Nakatani expresses caution about applying the antiterrorism law in the event of a U.S. military attack on Iraq.

Feb. 21, 2002: Japan Auto Manufacture's Association Chairman Okuda Hiroshi denies Japanese automakers' intention to use weaker yen to increase exports. Okuda also says he plans to talk with top executives of U.S. automakers.

Feb. 27, 2002: Department of Defense releases list of contributors to the war in Afghanistan; Japan is left off the list.

Feb. 28, 2002: FM Kawaguchi demands clarification of why the U.S. excluded Japan from the contributors' list for the war in Afghanistan. Japan is added to the list upon MOFA's complaint.

Feb. 28, 2002: Bank of Japan eases monetary policy by buying ¥1 trillion (\$7.44 billion) every month and eases restrictions on borrowing by companies to fight deflation.

Feb. 28, 2002: *Asahi Shimbun* reveals Bush letter to PM Koizumi dated Jan. 17 that expressed "strong concern" for Japanese economy.

March 1, 2002: *Kyodo News Agency* reports that U.S. agreed to return land used for the Senaha Communication Station in Okinawa.

March 1, 2002: Diet members petition the U.S. Embassy, protesting the exclusion of Japan from the list of contributors to the war on terrorism.

March 5, 2002: President Bush announces three-year tariffs of up to 30 percent on steel imports from Japan.

March 6, 2002: Japan requests bilateral talks with U.S. to resolve the dispute regarding steel imports.

March 19, 2002: Chairman of the Council of Economic Advisers Glenn Hubbard warns exports are not the route to economic recovery and urges resolution of the nonperforming loan problem.

March 20, 2002: Japan files complaint in the WTO over U.S. tariffs on steel imports.

March 20, 2002: Financial Service Minister Yanagisawa Hakuo counters Hubbard's comment.

March 21, 2002: U.S. Transportation Secretary Norman Mineta warns that the U.S. will consider blocking Japanese airlines if Japan does not accept a transfer of slots from Delta Airline to Federal Express at Narita airport.

March 22, 2002: Over 300 Ground Self-Defense Forces members leave for East Timor on UN peacekeeping operations.

March 26, 2002: Japanese Cabinet approves JDA head Nakatani's proposal to extend SDF support for the U.S. in the war on Afghanistan for six months beyond the original deadline May 19.

March 26, 2002: Secretary O'Neill says that the Japanese economy needs "to grow at a faster rate, again not only for their own people but for the (benefit) of the world economy," in Washington, D.C.

March 26, 2002: Japanese Diet passes FY 2002 general account budget totaling ¥81.23 trillion.

March 27, 2002: Chairman of the U.S. Joint Chiefs of Staff Gen. Richard Myers praises SDF dispatch, saying "My assessment is that it's superb," in an interview with *Kyodo News Agency*. Myers also expresses hope for longer support from SDF for U.S. war on terrorism.

March 28, 2002: The Naha District Court sentences U.S. Air Force Staff Sgt. Timothy Woodland to 32 months in prison on rape charge.

March 29, 2002: *Kyodo News Agency* poll shows that Koizumi Cabinet approval rate hits record low of 44.8 percent, dropping below 50 percent for the first time.

U.S.-China Relations:

Two Steps Forward, One Step Back

by Bonnie S. Glaser
Consultant on Asian Affairs

U.S. President George W. Bush's visit to Beijing, Feb. 21-22, was the highlight of Sino-U.S. relations in the first quarter of 2002. President Bush and PRC President Jiang Zemin held in-depth discussions on a broad range of international and bilateral issues and both reaffirmed their commitment to a "constructive, cooperative" relationship. They agreed to intensify high-level strategic dialogue and expand bilateral exchanges and cooperation in the areas of economy and trade, energy, science, and technology, environmental protection, the prevention of HIV/AIDS, counterterrorism, and law enforcement. Differences persisted over nonproliferation, Taiwan, human rights, and religious freedom. In March, following talks in Washington between Chinese and U.S. officials in charge of nonproliferation matters, there were signs that modest progress might be forthcoming later this year in the dispute over Chinese export controls and sales of missile technology. Improvement in the relationship was to some extent set back by Taiwan's Defense Minister Tang Yiau-ming's visit to Florida to attend a unofficial conference that included senior Bush administration officials. In protest, Beijing canceled a Chinese Navy ship visit to the United States planned for the latter half of 2002.

Summit Advances Cooperation, Highlights Differences

President Bush's 30-hour stay in Beijing, his final stop on a three-country Northeast Asia tour, marked the principal event in Sino-U.S. relations in the first quarter of 2002. Bush landed on Chinese soil on the 30th anniversary of former U.S. President Richard M. Nixon's groundbreaking visit to China. He held meetings with President Jiang and Premier Zhu Rongji, met briefly with Vice President Hu Jintao, held a joint press conference with Jiang, delivered a speech to students at Qinghua University, visited a bus engine factory, and toured the Great Wall. Presidents Bush and Jiang reaffirmed their commitment to a "constructive, cooperative" relationship, with Bush once again adding the term "candid" to underscore his desire for frankness in their dealings. Both U.S. and Chinese governments deemed the visit a success.

In his opening remarks at the joint press conference, Jiang declared that the leaders had agreed to intensify high-level strategic dialogue and increase contacts between various agencies at all levels, with a view to increasing mutual understanding and trust. The two presidents endorsed the conduct of bilateral exchanges and cooperation in the areas of

economy and trade, energy, environmental protection, the prevention of HIV/AIDS, counterterrorism, and law enforcement. They also agreed to hold meetings within the year of the Joint Economic Commission, the Joint Commission on Commerce and Trade, and the Joint Commission on Science and Technology. Jiang revealed that President Bush had invited him to visit the United States in October, prior to the Asia Pacific Economic Cooperation meeting in Mexico. In addition, he announced that Vice President Hu Jintao would soon make his first ever visit to the United States.

In the private sessions, Bush addressed a broad range of international, regional, and bilateral issues with Chinese leaders. He talked about shared U.S.-Chinese interests in South Asia, on the Korean Peninsula, in the Middle East, as well as in the UN Security Council. He recognized the challenges that China faces in fulfilling its ambitious plans for economic development and emphasized the importance of China carrying out its obligations under the World Trade Organization. Bush explained the U.S. commitment to deploying missile defense and his conviction that reliance on a mix of offense and defense would bring greater stability to the world, not less. In the area of nonproliferation, the president urged China to halt exports of missile technology and cooperate with the U.S. to keep weapons of mass destruction out of the hands of terrorists and their state sponsors. The two leaders had a lengthy exchange on religious freedom, in which Bush encouraged Jiang to open a dialogue with religious communities and religious figures, the Vatican and the Dalai Lama in particular. Jiang explained that Chinese citizens are allowed to practice their religious beliefs, but must do so according to the law that permits worship only within government-approved religious groups.

In his public remarks President Bush credited China for contributing to the war against terror and for supporting aid efforts to the post-Taliban government in Afghanistan. He lauded Jiang's "constructive leadership" in urging North Korean leader Kim Jong-il last fall to accept South Korea's offer to hold discussions and enlisted Jiang's further help in conveying to North Korea his sincere desire to resume contacts between Washington and Pyongyang. Jiang did not comment on whether he would comply with Bush's request, but he noted China's sincere hope that contacts between the U.S and North Korea would be resumed. There seemed to be less agreement between the two leaders on policy toward Iraq, however. Bush privately communicated his belief that Iraqi President Saddam Hussein's regime is dangerous and that the international community should not tolerate the flouting of the obligations that Hussein undertook in 1991. In response to a question posed by a reporter, Jiang counseled patience and stressed that "the important

thing is that peace is to be valued most.” In an effort to allay Beijing’s fears that a U.S. attack on Iraq was imminent, Bush said that no decision had been made about the use of force against Iraq and promised to consult with other countries before making such a determination.

Taiwan remained the area of greatest difference between the two presidents and Chinese leaders were clearly dissatisfied by President Bush’s remarks on what they continue to characterize as the most sensitive issue in U.S.-China relations. Bush twice publicly referred to U.S. obligations under the Taiwan Relations Act (TRA), a 1979 law requiring the U.S. to sell arms to Taiwan to help defend itself. Although Bush reiterated U.S. support for the “one China” policy, he refrained from public mention of the three communiqués, arousing suspicion that his administration might forsake the August 1982 communiqué in which the U.S. declared its intention “gradually to reduce its sale of arms to Taiwan, leading, over a period of time to a final resolution.” In the private session, Bush also apparently declined to voice U.S. opposition to Taiwan independence. An early version of Jiang’s opening statement at the press conference, which may have been released prior to the event, included the sentence: “we both expressed opposition to ‘Taiwan independence’ and the hope of solving the Taiwan question peacefully.” When Jiang delivered his statement to the press following the presidents’ discussion, however, that sentence was expunged.

Rather than explicitly opposing independence for Taiwan, President Bush opted for a more even-handed formulation, saying, “there should be no provocation by either party.” When pressed by Qinghua University students to go beyond support for a peaceful resolution and endorse peaceful reunification, Bush dodged the question, saying only that he hoped a peaceful solution “happens in my lifetime and I hope it happens in yours.” The subject of cross-Strait political dialogue was apparently not discussed during the summit, but Bush did raise with Jiang the new opportunities for cross-Strait dialogue on trade matters presented by both sides’ membership in the WTO. In January, U.S. officials encouraged Zhou Mingwei, deputy head of China’s Taiwan Affairs Office, to take advantage of the more stable political environment in Taiwan in the aftermath of the island’s December elections to renew dialogue with Taipei.

Jiang undoubtedly raised China’s objections to U.S. arms sales to Taiwan in his private talks with Bush. Just prior to Bush’s visit, China protested U.S. plans to sell destroyers to Taiwan and help Taiwan buy submarines, warning that the deals could damage Sino-U.S.

ties. According to National Security Adviser Condoleezza Rice, Bush underscored the impact of the changing “security environment” on U.S. obligations under the TRA, a probable reference to the direct correlation between China’s military build-up against Taiwan and U.S. willingness to sell advanced weapons to the island.

In his speech to students at Beijing’s prestigious Qinghua University, Bush extolled American liberty and urged China to be more tolerant of diversity and dissent. Chinese television carried the speech live, but the country’s official news agency edited out almost half of his remarks, mainly those concerning religious faith and freedom. Bush’s criticism of some Chinese textbooks’ portrayal of U.S. society was also excised along with his call for an end to religious persecution in China, his description of the Statue of Liberty, and even his praise for the heroic efforts of American police and fire fighters during the Sept. 11 disaster. A reference to the fact that political authority derives from a “free vote of the people” was surprisingly included in the published text, but Bush’s wish that the Chinese people might one day choose their own national leaders was censored.

Nonproliferation: Signs of Modest Progress

President Bush assigned greater priority to the task of curbing proliferation of weapons of mass destruction during this quarter, which increased pressure on Beijing to respond to Washington's concerns in this area. In the president's State of the Union address on Jan. 29, he stated that one of America's goals is "to prevent regimes that sponsor terror from threatening America or our friends and allies with weapons of mass destruction." Bush called on the members of the antiterror coalition to deny terrorists and their state sponsors the materials, technology, and expertise to make and deliver weapons of mass destruction. He singled out Iran, Iraq, and North Korea as an "axis of evil" that is "arming to threaten the peace of the world."

On the eve of Bush's departure for Asia, U.S. officials suggested that progress might be made during the summit toward resolving the nagging differences between the two countries on the November 2000 agreement in which China had pledged to end exports of ballistic missiles and missile technology and tighten missile export controls. No understanding materialized during Bush's talks with Jiang, however. China continued to insist that its commitment to halt exports of missile technology did not cover deals signed before the agreement was reached with the Clinton administration. Therefore, China maintains that its continuing transfers to Pakistan are not in violation of the agreement and demands that the U.S. lift the sanctions imposed on a Chinese company in August 2001. Beijing also wants Washington to relax the ban on launches of U.S. commercial satellites on Chinese rockets, which it agreed to as part of the November 2000 accord.

In a press briefing following the first round of talks between the U.S. and Chinese presidents, National Security Adviser Rice acknowledged that China is irritated by the imposition of sanctions and hopes to get them removed. "But we're not prepared to do that," she said. Rice also admitted that the "grandfathering" sticking point remained. "So we've got work to do still," she concluded. Flying back from China, Secretary of State Colin Powell said that the dispute over Beijing's export of missile technology remains "an irritation in the relationship" that the two countries would continue to try to resolve.

U.S. concerns about Chinese transfers of missile technology were highlighted by the CIA in a report on arms proliferation in the first half of 2001, made public in late January. The CIA cited China's assistance to Pakistan's production of solid-propellant short-range

ballistic missiles and development of the two-stage Shaheen II, a medium-range ballistic missile. China's sales of missile-related items to Iran, North Korea, and Libya were also noted. In addition, the CIA indicated that continuing contacts between Chinese and Iranian nuclear "entities" call into question whether China is adhering to its 1997 pledge to limit cooperation with Iran on a uranium-conversion plant that could be used to build nuclear weapons. The report also raised the possibility of continuing sales of chemical weapons-related equipment to Iran. A week prior to the report's release, the Bush administration imposed sanctions on two Chinese firms and one individual broker accused of supplying Iran with technology and equipment used to manufacture chemical and biological weapons.

The early March Washington visit by Liu Jieyi, the director general of arms control and disarmament for China's Ministry of Foreign Affairs, presented an opportunity to make headway on nonproliferation matters. Liu headed a delegation attending a two-day conference, the fourth annual track-two meeting between the U.S. and China on arms control, disarmament, and nonproliferation and held discussions following the conference proceedings with John Wolf and Avis Bohlen, assistant secretaries of state for nonproliferation and arms control, respectively. Wolf gave an upbeat account of his talks with Liu to the press, characterizing them as "far more substantive than the previous talks I had last fall." He revealed that Liu had provided new information about Chinese efforts to crack down on nuclear, chemical, and biological weapons and missile exports. "In all those areas they professed they are in the process of tightening their export controls," noted a U.S. official who was privy to the talks. Specifically, Liu said that China is bringing nuclear export controls "up to compatibility" with standards adopted by the Nuclear Suppliers Group, and chemical and biological export controls "up to compatibility" with standards set by the Australia Group. On sales of missiles and related technology, Liu maintained that Beijing would "take into account fully" the Missile Technology Control Regime, an international mechanism under which countries voluntarily agree to curb the transfer of missiles and missile technology.

U.S. officials are now hopeful that considerable progress can be made toward resolving the dispute over the November 2000 agreement, perhaps as early as late April when Vice President Hu Jintao visits Washington, or in the fall when Jiang comes to the United States. Narrowing outstanding differences between the U.S. and China on this and other nonproliferation issues would contribute to easing American mistrust of Beijing and provide a boost to the relationship.

Taiwan Defense Minister's U.S. Visit Triggers Retaliation

The U.S. decision to grant Taiwan Defense Minister Tang Yiau-ming a visa to attend a conference in St. Petersburg, Florida sponsored by the U.S.-Taiwan Business Council, a private organization, set off a series of diplomatic protests and retaliatory measures by Beijing. Prior stops in the U.S. by Taiwan defense ministers since Washington switched diplomatic recognition from Taipei to Beijing had only gained approval as transit visits en route to other destinations. Alarm bells were sounded in China when the conference agenda and participants were reported by the Taiwan press, revealing that Deputy Defense Secretary Paul Wolfowitz and Assistant Secretary of State for East Asian and Pacific Affairs James Kelly were both scheduled to deliver addresses. Beijing's ire was intensified by the willingness of both senior U.S. officials to hold private meetings with Tang Yiau-ming on the sidelines of the conference.

China's official *Xinhua News Agency* charged that by permitting Taiwan's defense minister to attend the conference, the U.S. had "blown a gust of strange, chilly winds into Sino-U.S. relations." Senior officials from China's Ministry of Foreign Affairs made solemn representations to the United States both before and after the conference took place. In an unusually strident demarche to U.S. Ambassador to China Clark T. Randt, Chinese Vice Foreign Minister Li Zhaoxing accused the U.S. of "pampering and supporting 'Taiwan independence'" and "trampling" on the principle of the three Sino-U.S. communiqués. Describing the Taiwan question as "a burden on the back of the United States for more than half a century," Li said that "keeping it on the back will do no good to the United States, for it may end up like lifting a rock only to drop it on one's toes." He urged the U.S. to relinquish the policy of taking Taiwan as an "unsinkable aircraft carrier" and using the Taiwan question to interfere in China's internal affairs.

Li also used harsh words to protest the U.S. Nuclear Posture Review (NPR), which was delivered to Congress in January, but became the focus of attention in early March when the document was leaked to the press. The NPR identified China as one of seven nations that the United States needs to be prepared to use nuclear weapons against. "Due to the combination of China's still developing strategic objectives and its ongoing modernization of its nuclear and non-nuclear forces, China is a country that could be involved in an immediate or potential contingency," the report allegedly noted. Li questioned U.S. motives in "nuclear saber-rattling at the Chinese people" and told Randt

that China would not yield to “outside intimidation, including nuclear blackmail.” A Chinese Foreign Ministry spokesperson declared that the PRC is waiting for an official and more clear-cut explanation from the U.S. on the possible use of nuclear weapons against China and six other countries.

On top of strong diplomatic protests, Beijing cancelled a Chinese Navy ship visit to the United States planned for later this year. China also denied permission for a U.S. Navy destroyer to make a routine port call in Hong Kong. Privately, a Chinese diplomat based in Washington, D.C. asserted that China hoped that by retaliating in a limited way, the U.S. would reconsider its policy toward Taiwan and refrain from taking further actions to upgrade U.S.-Taiwan relations. He indicated, however, that China’s reprisals were not intended to negatively affect the overall Sino-U.S. relationship and that Hu’s visit to the U.S. in late April would proceed as planned.

Relations Remain Fragile and Fraught with Suspicion

It is undeniable that some features of Sino-U.S. relations have changed considerably since Sept. 11, but it is also true that in other ways, the relationship has changed little. In the category of what has changed, the most significant is the increase in high-level contacts and the expansion of the agenda of cooperation between the two countries. What has not changed is persisting mutual suspicion and sharp differences on a multitude of issues. Both countries are uncertain about how much of a long-term threat each society poses to the other. Despite assurances by President Jiang to President Bush that China does not challenge the U.S. military presence in the Asia-Pacific region and views the U.S. as playing a stabilizing role, most Americans remain wary of Beijing’s long-term intentions. China is similarly skeptical of Bush administration officials’ assertions that the U.S. does not view China as an adversary. Doubts have been reinforced by the Pentagon’s NPR that includes contingency planning for a nuclear confrontation with China, among other countries.

Beijing is clearly upset by the Bush administration’s policy toward Taiwan, especially approval of significant arms sales, expansion of U.S.-Taiwan military cooperation, rhetorical support for Taiwan’s defense, and the trend of upgrading contacts between U.S. and Taiwan officials. China’s decision to cancel a naval port call to the U.S. and deny U.S. Navy ship visits to Hong Kong are intended as a shot across the bow – a warning to the administration that there are limits to China’s forbearance. Beijing’s

response was carefully calibrated to affect only a small segment of the bilateral relationship, however. Preserving good relations with the United States remains China's top foreign policy priority.

Chinese leaders are inclined to continue their conciliatory posture toward the U.S., despite their complaints and concerns about U.S. policy. Preoccupied with leadership succession and protracted economic and social challenges, Chinese leaders want to avoid a confrontation with Washington that could jeopardize the economic benefits that flow from stable U.S.-China ties. Beijing's tolerance is not inexhaustible, however. Pressing China too hard on Taiwan or other sensitive issues could evoke a strong backlash that results in heightened cross-Straits tension and U.S.-China confrontation, neither of which is in U.S. interests.

Chronology of U.S.-China Relations January-March 2002

Jan. 8, 2002: President Jiang Zemin meets with a delegation led by Rep. Donald Manzullo, chairman of the U.S.-China Inter-Parliamentary Exchange Group of the U.S. House of Representatives.

Jan. 10, 2002: Loral Space & Communications Ltd., under federal investigation since 1997 for allegedly passing sensitive missile technology to China, agrees to pay \$14 million as part of a civil settlement that will allow it to resume shipping satellites and other high-technology gear to that country.

Jan. 13, 2002: Zhou Mingwei, deputy head of China's Taiwan Affairs Office, arrives in the U.S. for a week-long visit; he attends a conference in New York and holds consultations with U.S. officials in Washington, D.C.

Jan. 16, 2002: The U.S. imposes sanctions on three Chinese entities found to be in violation of the Iran Nonproliferation Act of 2000. The three PRC firms accused of supplying Iran with materials used to make chemical and biological weapons are Liyang Chemical Equipment Company, the China Machinery and Electric Equipment Import and Export Company, and an individual broker and agent named as Q.C. Chen.

Jan. 18, 2002: Harvard University's John F. Kennedy School of Government signs an agreement with China's Qinghua University and the Development Research Center of the State Council to train 300 high-ranking Chinese officials over the next five years.

Jan. 18, 2002: President George W. Bush waives sanctions imposed by his father against China following the 1989 crackdown on student protesters in Tiananmen Square to permit the export of a bomb containment and disposal unit to the Shanghai fire department.

Jan. 19, 2002: *Financial Times* and *The Washington Post* report that 27 listening devices were found hidden on President Jiang Zemin's refitted Boeing 767.

Jan. 20, 2002: Ngawang Choephel, a 34-year old Tibetan music scholar serving an 18-year sentence for spying, is released from prison on medical parole and allowed to fly to the U.S. He reportedly suffers from hepatitis and pulmonary bronchitis and had served about six years of his sentence.

Jan. 23, 2002: China frees Liu Yaping, an U.S. resident, from detention in the province of Inner Mongolia. Liu, a permanent U.S. resident businessman, had been held without trial for more than a year.

Jan. 25, 2002: President Bush reports to Congress that it is in the national interest of the U.S. to terminate the suspensions under section 902 of the Foreign Relations Authorization Act insofar as such suspensions pertain to the export of defense articles or defense services in support of efforts by the government of Japan to destroy Japanese chemical weapons abandoned during World War II in China. License requirements remain in place for these exports and require review and approval on a case-by-case basis by the United States government.

Jan. 30, 2001: The CIA issues an annual report that identifies China, along with Russia and North Korea, as "key suppliers" of nuclear, chemical, and biological weapons materials and missile-delivery systems.

Feb. 1-6, 2002: Vice Foreign Minister Li Zhaoxing visits the U.S to make preparations for Bush's China tour. Cui Tiankai, director general of the Ministry of Foreign Affairs

Policy Planning Department, holds consultations with his counterpart Richard Haass during the visit.

Feb. 6, 2002: In his annual presentation to the Senate Select Committee on Intelligence of the CIA's estimate of threats to U.S. national security, CIA Director George Tenet warns Congress that over the past year China has increasingly honed its operational military skills to be better prepared to deal with possible military action in the Taiwan Strait and to deter the U.S. from defending Taiwan in case of a mainland attack.

Feb. 7, 2002: Senator Max Baucus (D-MT) and Congressman Doug Bereuter (R-NE), the chairman and co-chairman, respectively, of the Congressional-Executive Commission on China, hold the first hearing of the commission. The theme of the inaugural hearing is "Human Rights in the Context of the Rule of Law."

Feb. 11, 2002: About 24 U.S. generals and admirals travel to Beijing as part of the Capstone program for new flag officers. The officers visit the People's Liberation Army National Defense University and a PLA military base.

Feb. 21, 2002: President George W. Bush lands in Beijing on a 30-hour "working visit" during which he meets with Chinese President Jiang Zemin and Premier Zhu Rongji; Presidents Bush and Jiang Zemin hold a joint press conference following their first session of talks. Bush delivers a speech at Qinghua University and visits the Great Wall of China.

Feb. 28, 2002: Presidents Jiang and Bush exchange messages to commemorate the 30th anniversary of signing the U.S.-China Shanghai Communiqué.

March, 4, 2002: The Department of State's Bureau of Democracy, Human Rights, and Labor releases the annual Country Report on Human Rights Practices in China, Hong Kong, and Macao.

March 5, 2002: Forty-two legislators submit House Resolution 357 calling on the Bush administration to recognize the authorities of Tibet who are currently exiled in Dharamsala, India, as the legitimate representatives of Tibet if those Tibetans in exile and the Beijing regime do not sign an agreement that provides for the political autonomy of Tibet within three years.

March 6, 2002: Liu Jieyi, director general of the Chinese Foreign Ministry's Department of Arms Control and Disarmament, meets with U.S. Assistant Secretary of State for Arms Control and Nonproliferation John Wolf.

March 7, 2002: U.S. Ambassador Clark T. Randt is summoned to the Chinese Foreign Ministry to hear "serious representations" from Assistant Foreign Minister Zhou Wenzhong regarding the U.S. decision to grant Taiwan Defense Minister Tang Yiau-ming an entry visa to attend a conference in the United States.

March 10-12, 2002: U.S.-Taiwan nongovernmental business meeting in Florida. U.S. Deputy Secretary of Defense Wolfowitz and Assistant Secretary of State for East Asian and Pacific Affairs James Kelly meet informally with Taiwan's DM Tang and Chief of the General Staff Li Chien.

March 11, 2002: Foreign Ministry spokesman Sun Yuxi says that Beijing is "deeply shocked" over reports that the Nuclear Posture Review, delivered by the U.S. Defense Department to Congress last January, outlined the possible use of nuclear weapons against seven countries including China.

March 11, 2002: The Information Office of the State Council of the PRC releases its annual report on the human-rights record of the U.S.

March 13, 2002: All 18 Congressional members of the Congressional-Executive Commission on Human Rights and the Rule of Law in China, mandated by Congress as a result of passing permanent normal trade relations, sign a letter to President Bush requesting that he support a resolution condemning China's human rights practices at the UN Human Rights Commission meeting opening March 18 in Geneva.

March 15, 2002: China, the world's largest steel maker, files a complaint to the WTO against the United States' decision to impose tariffs of up to 30 percent on steel imports to protect its producers.

March 16, 2002: Chinese Vice FM Li Zhaoxing summons Ambassador Randt to protest the visit by Taiwan DM Tang to the U.S.

March 18, 2002: China denies permission for the USS Curtis Wilbur, a U.S. Navy destroyer, to make a routine port call in Hong Kong April 5-9.

March 19-21, 2002: China and U.S. hold maritime transportation talks in Beijing.

March 20, 2002: CIA Director Tenet delivers testimony to the U.S. Senate Armed Services Committee on the threats facing the U.S., including China.

March 21, 2002: Beijing announces that it will cancel a planned exchange of naval ship visits later this year in retaliation for the Taiwan's defense minister visit to the U.S.

March 29, 2002: An advance team from China arrives in the U.S. to make preparations for Vice President Hu Jintao's visit in late April.

U.S.-Korea Relations: Riding the Roller-Coaster

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From President George W. Bush's highly controversial "axis of evil" speech in January to a surprise announcement in late March that a high-level South Korean envoy would visit Pyongyang, this quarter was the most tumultuous in recent history in U.S.-Korean relations. At the end of the quarter, there is no more assurance of diplomatic progress toward peace and stability in the region than there was at the beginning. Much depends on North Korea's intentions, which at this point are still unknown.

From Tentative to Tailspin

The quarter opened tentatively, with North Korea scorning critical Bush administration statements and the U.S. pursuing its campaign against terrorism in Afghanistan. Middle-level U.S. officials met with North Korean officials in early January, pressing the U.S. offer to meet "any time and any place" to resume the bilateral dialogue but made no apparent progress. Frustrated at the apparent impasse in U.S.-North Korea relations, South Korean President Kim Dae-jung suggested that allowing North Korean leader Kim Jong-il some means to save face would move the negotiations forward.

North Korea took initial steps toward improving relations with the U.S. in mid-January by inviting four former U.S. ambassadors to Korea to visit Pyongyang for talks. And during this period of uncertainty, South Korean opposition leader Lee Hoi-chang met with Vice President Dick Cheney and other U.S. officials in Washington.

The watershed event of the quarter occurred on Jan. 29 when President Bush, in his State of the Union address, accused North Korea of being one of three states that could potentially threaten the United States: "North Korea is a regime arming with missiles and weapons of mass destruction, while starving its citizens ... The United States of America will not permit the world's most dangerous regimes to threaten us with the world's most dangerous weapons."

Shortly after the speech, the State Department and the U.S. Ambassador to South Korea Thomas C. Hubbard insisted that the president's statement did not represent a shift in policy. The U.S. was still fully open to resuming its bilateral dialogue with North Korea without any preconditions, they said.

North Korea reacted harshly to the U.S. president's words, however, saying: "Mr. Bush's remarks clearly show what the real aim the U.S. sought when it proposed to resume talks with the DPRK recently ... We are sharply watching the United States moves that have pushed the situation to the brink of war after throwing away even the mask of 'dialogue' and 'negotiation.'...The option to 'strike' impudently advocated by the United States is not its monopoly."

The North Korean statement apparently tried to justify North Korea's earlier reluctance to resume talks with the U.S. It essentially argued that the proposed U.S. negotiations were a sham designed to divert North Korea's attention from the real U.S. goal of coercing the DPRK. In a rhetorical sense, the statement aimed to match Bush's tough comments by alluding to North Korea's ability to take military action unilaterally if it felt threatened.

The Fallout in South Korea

The "axis of evil" speech set in motion a chain of events that quickly led to the dismissal of South Korea's foreign minister and President Bush's apparent decision to exercise "damage control" during his mid-February visit to Seoul.

During a press conference with visiting South Korean Foreign Minister Han Seung-soo in Washington shortly after the State of the Union address, Secretary of State Colin Powell for the first time publicly expressed U.S. doubts about the Sunshine Policy. He questioned whether the "results" of that policy justified the efforts of the South Korean government to build ties with North Korea.

Taken together, the "axis of evil" speech and Secretary Powell's remarks put great political and diplomatic pressure on the South Korean government. The statements implied that, in spite of the U.S.-South Korea alliance, the U.S. was prepared to take any unilateral measures it deemed necessary, in the short- to medium-term, to prevent North Korea from threatening the United States. This position had the effect of creating new and serious war fears in South Korea and sharply undercut the Korean (and Japanese) government's policy favoring inter-Korean reconciliation. The opposition party in South Korea immediately attacked President Kim for being "out of step" with U.S. policy and thus weakening national security.

The U.S. statements also heightened anti-American feelings in South Korean public opinion because they seemed to demonstrate the U.S. was ready to attack North Korea at the cost of thwarting Korea's long-term process of reunification. The statements called into question, in the most fundamental way, U.S. support for President Kim's policy toward North Korea.

While observers pointed out that Bush's remarks were largely meant to reassure the U.S. public in the aftermath of the Sept. 11 attacks, the effects of the president's words went well beyond their intended audience. Four days after the "axis of evil" speech, President Kim dismissed Foreign Minister Han in part to relieve domestic political pressure and, in part, to show disapproval of the new Bush rhetoric. Foreign Minister Han was considered close to the U.S. government and was blamed for a failure to warn Seoul as well as for the substance of the new U.S. position.

The next two weeks in U.S.-South Korean relations, leading up to President Bush's visit to Seoul, were more turbulent than any time since the nuclear crisis with North Korea in 1993-4. President Kim did all he could to bolster support for his North Korea policy, even while shrill North Korean propaganda accused the U.S. of ratcheting up pressure and risking the outbreak of war. The Pentagon released a report estimating that the next "large-scale regional war" scenario in the near term would likely be on the Korean Peninsula. In South Korea, student demonstrators and civic groups organized anti-U.S. protests and one radical student group occupied the offices of the American Chamber of Commerce.

Damage Control

When President Bush visited Seoul on Feb. 19-21, it was apparent that the White House intended to use the trip to improve U.S.-South Korean relations and exercise damage control in the aftermath of the "axis of evil" speech. Bush strongly expressed U.S. support for inter-Korean reconciliation and pointedly declared that the U.S. would not attack North Korea. His latter statement was at least the equivalent of the U.S. declaration of "no hostile intent" toward North Korea that the Clinton administration announced in October 2000. Bush's statement largely fulfilled North Korea's request that the new U.S. administration endorse former President Bill Clinton's North Korea policy before it would agree to resume bilateral talks with the United States. The U.S. president accomplished this diplomatic gesture at the same time as he continued to express frankly his negative views of the North Korean regime.

The South Korean government, which had conveyed deep nervousness prior to the visit about possibly aggressive Bush statements in Seoul, appeared deeply relieved that the Bush visit went smoothly. The trip had the effect of reinforcing the U.S.-South Korea alliance, improving policy coordination between the two governments, and lowering the palpable tension between North Korea and the U.S. to some degree.

From a policy standpoint, the South Korean government undertook a new effort, during and after the Bush visit, to put the U.S. policy of ending North Korea's export of missiles and development of weapons of mass destruction much higher on its own policy agenda. In the past, it had largely left these issues to the United States.

In China, on the final leg of his trip, President Bush asked for President Jiang Zemin's assistance in pressing North Korea to resume bilateral talks. Jiang reportedly offered to convey U.S. views to Pyongyang and shortly thereafter, China undertook several

diplomatic efforts to restart the U.S.-North Korea discussions. Since the last round of Four-Party Talks in August 1999, China had found itself on the sidelines of most diplomatic developments on the Korean Peninsula and appeared to welcome a more active role.

For its part, North Korea issued a public statement after the Bush visit to Seoul rejecting the U.S. request to resume bilateral talks and charging that the U.S. intended to “stifle” its political system. The latter remark appeared to respond to President Bush’s derogatory statements about North Korea’s totalitarian regime and the distinction Bush drew between U.S. support for the North Korean “people” as opposed to its government. South Korean political observers generally down-played the significance of this North Korean statement and said North Korea “needed time” to digest the meaning of the Bush visit.

Agreed Framework under Threat

In spite of the beneficial effect the Bush visit had on official U.S.-South Korea relations, a remarkably sharp rise in anti-American sentiment in Korean public opinion occurred shortly after he left Seoul. While the underlying cause of this change was likely the “axis of evil” speech (and the fear of a new war it engendered among ordinary Koreans), two other unrelated events triggered rhetorical attacks on Americans in the news media and over the Internet. These events were: the decision of an Olympic judge to deny a South Korean skater a gold medal and award it instead to an American and the subsequent derogatory remark of American talk-show host Jay Leno about the Olympic incident. Both events led to widespread accusations of American “prejudice” and “racism” against Koreans, a major sensitivity among the South Korean public.

In the several weeks following President Bush’s visit to South Korea, it was unclear what its short-term impact would be on either North-South relations or U.S.-North Korea ties. The U.S.-North Korean relationship received two negative jolts in mid-March. The first occurred when a leaked Pentagon report (the Nuclear Posture Review) indicated that the U.S. was preparing contingency plans for the possible use of nuclear weapons against various countries including China, Russia, and North Korea. The report further documented the need for a “new generation” of nuclear weapons to meet future threats.

The second adverse event was the first-time U.S. decision not to certify that North Korea was meeting its obligations under the 1994 Agreed Framework, which froze North Korea’s nuclear production. Even though the Bush administration indicated it would not certify North Korea’s compliance, it decided to legally “waive” the certification requirement. This waiver procedure allows the U.S. to continue fulfilling its obligations under the accord to supply North Korea with heavy fuel oil.

North Korea reacted to these events by denouncing the “nuclear lunatics” in the White House and declaring that it would re-examine all agreements with the U.S., including the nuclear agreement. Taken together, the Pentagon report on new uses for nuclear weapons against potential adversaries, the U.S. decision not to certify North Korean compliance,

and the North Korean reaction fundamentally jeopardized the sustainability of the Agreed Framework, which for more than seven years has frozen the North's nuclear program.

The one piece of evidence that U.S.-North Korean bilateral talks stood a chance of resuming came when State Department North Korea Coordinator Jack Pritchard met on two occasions with North Korea's Ambassador to the United Nations Pak Gil-yon in mid-March. Public reports indicated the U.S. view that these discussions were "useful" but did not provide details on any specific progress.

Against this background of events, the announcement on March 25 that South Korea would send a high-level special envoy to Pyongyang to resume North-South talks came as a major surprise. Reports indicated that North Korea's willingness to meet with Lim Dong-won, President Kim's special adviser on foreign policy (and the architect of the Sunshine Policy), followed secret talks between the two sides. Notably, just a week before this announcement occurred, Lim warned publicly that a new nuclear crisis might envelop the Korean Peninsula within a year, unless outstanding nuclear and missile issues with North Korea are resolved.

At the planned meeting in Pyongyang on April 3, Lim will reportedly brief North Korea on President Bush's visit to Seoul and urge North Korea to resume bilateral talks with the United States. He is also expected to discuss reconnection of the inter-Korean railway, a high priority for President Kim, and the resumption of family reunions between North and South Korea. Reports further indicated that North Korea might dispatch a return delegation to South Korea to attend the opening of the World Cup on May 31.

U.S.-Korea Trade Issues

After President Bush announced his decision to impose tariffs of 8 to 30 percent on 14 categories of imported steel products on March 5, the ROK government reacted sharply. The Ministry of Foreign Affairs and Trade expressed strong regret at the decision and threatened to take the dispute to the World Trade Organization (WTO) if further negotiations did not prove fruitful. Over a 120-day period, beginning on March 20, South Korea and other affected countries have been told they can seek agreements with the U.S. for tariff exclusions on particular products.

In these negotiations, South Korea's reported strategy is to request U.S. reconsideration of the tariff rates on a number of products, especially flat steel items. While negotiating and preparing for a possible WTO lawsuit, Korea intends to cooperate with Japan and member countries of the European Union that have also been very critical of the U.S. steel decision.

South Korean industry officials were reportedly shocked by the U.S. decision since they had considered themselves to be working with the U.S. government to control production in a period of global oversupply of steel. During 2001, Korea exported \$6.7 billion in steel products, with about 15 percent (approximately \$1.1 billion) destined for the United

States. The 14 Korean steel products on which new tariffs will be levied total approximately \$600 million-700 million of these exports to the U.S.

Arms Sales

In the last week of March, the South Korean Defense Ministry indicated that it had narrowed its choice to two companies – Boeing and Dassault Aviation – to supply 40 advanced fighter jets to Korea in a deal worth \$3.23 billion. The Ministry said its final selection of the successful bidder would occur in mid-April.

The U.S. government has backed Boeing Corporation's bid for this project, which is the subject of stiff competition and recent controversy. The primary competitor to Boeing, Dassault Aviation of France, in mid-March faced accusations of engaging in bribery to obtain secret information about the project. Following the arrest of two former military officials who appeared to have a relationship with Dassault's Korean agent, the French aviation company denied all accusations and said it was the victim of "manipulation."

At the time of President Bush's visit to the ROK, some newspaper editorials suggested that South Korea would favor Boeing's bid as a means of influencing U.S. policy. But the Korean Defense Ministry strenuously asserted that it was conducting the project evaluation in an entirely objective manner that was free from political influence.

Military Base Issues

In late 2001, the issue of moving the main U.S. military base in Seoul, Yongsan military compound, became a major matter of public interest. The large Yongsan facility occupies a swath of prime real estate in downtown Seoul and controversy arose over announced plans to construct a new apartment complex there. At the time, the U.S. recommitted itself to move the base to a new location if the South Korean government shouldered the lion's share of moving expenses.

During this quarter, quiet and sometimes difficult negotiations over the base relocation took place between U.S. military officials and the South Korean Defense Ministry. The parties ultimately decided to go ahead formally with the relocation process – which will take as long as 10 years to complete – and indicated they would reach a final agreement on the location of the new site by June. The political effect of these talks was to quell public anger over the new apartment complex at the Yongsan base, which had ignited protests over the "permanent" U.S. military presence in downtown Seoul.

Future Prospects

There is no doubt that President Bush's "axis of evil" speech created at least a short-term diplomatic crisis for South Korea by appearing to seriously undercut the government's policy fostering inter-Korean reconciliation. The Bush speech forcefully asserted the primacy of nuclear and missile issues in U.S.-North Korean relations, growing out of greatly heightened U.S. concerns following the Sept. 11 terrorist attacks. Fortunately,

from the standpoint of “alliance management,” the U.S. president’s meetings in Seoul smoothed relations with its close ally and helped to reintegrate U.S. and South Korean policy toward North Korea.

While the different emphases in U.S. and South Korean policies remain, South Korea has now for the first time elevated the nuclear and missile issues to the top of its diplomatic agenda with North Korea. Without resolution of those issues, Seoul deeply fears a reoccurrence of the nuclear crisis of 1994 and with it, a tragic end for the Sunshine Policy. For its part, Washington has once again underlined support for inter-Korean reconciliation and given North Korea a security assurance (not to offensively attack the DPRK) that Pyongyang specifically sought in recent months. Nevertheless, in asserting a generally harsher tone toward North Korea, it is not clear how much weight Washington actually gives to deep South Korean concerns about the costs of a new war on the Korean Peninsula.

The main reason for uncertainty about the development of U.S.-North Korean relations in the coming months is the inability to discern North Korea’s intentions. Even while North Korea continues to reject a resumption of negotiations with Washington, it agreed in late March to receive a high-level South Korean envoy to reinvigorate North-South relations. If North Korea uses these talks to seriously address security concerns and to foster resumption of bilateral negotiations with the U.S., the process of peaceful reconciliation on the Korean Peninsula can once again proceed apace. On the other hand, if North Korea cynically tries to play South Korea and the U.S. against each other, North Korea will likely hasten the advent of a new confrontation with the United States.

Chronology of U.S.-Korea Relations January-March 2002

Jan.1, 2002: North Korea calls for military build-up to meet the U.S. threat and for improvements in the DPRK standard of living.

Jan. 3, 2002: Economic indicators forecast imminent Korean economic recovery.

Jan. 10, 2002: U.S. Special Envoy Jack Pritchard and North Korean UN Ambassador Pak Gil-yon meet in New York with no apparent progress.

Jan. 14, 2002: South Korean President Kim Dae-jung urges the U.S. “to allow North Korea to save face” to help re-start bilateral U.S.-North Korea talks.

Jan. 15, 2002: International Atomic Energy Agency (IAEA) officials arrive in North Korea to visit nuclear facilities.

Jan. 18, 2002: U.S. and South Korea finalize environmental measures on U.S. bases.

Jan. 22, 2002: North Korea offers visitors to Mt. Kumgang free access to Pyongyang for festival celebrating anniversary of the late Kim Il-sung.

Jan. 25, 2002: A BBC documentary claims U.S. commanders ordered indiscriminate killing of Korean refugees during Korean War.

Jan. 25, 2002: Opposition leader Lee Hoi-chang meets Vice President Dick Cheney in Washington.

Jan. 26, 2002: U.S. and North Korea fail to reach agreement after four days of MIA talks.

Jan. 29, 2002: President Bush, in his State of the Union address, says North Korea is part of an “axis of evil” threatening the U.S.

Jan. 31, 2002: The U.S. State Department insists that the U.S. is still open to dialogue with North Korea despite “axis of evil” rhetoric.

Feb. 1, 2002: North Korea says Bush speech is “little short of a declaration of war.”

Feb. 3, 2002: Secretary of State Colin Powell expresses skepticism about the results of the Sunshine Policy to South Korean Foreign Minister Han Seung-soo.

Feb. 4, 2002: President Kim dismisses Han as foreign minister and appoints Choi Sung-hong in his place.

Feb. 5, 2002: President Kim calls for easing tension with North Korea through dialogue and preventing the threat of a new Korean war; ruling party leader Kim Geun-tae warns that Bush stance should not undermine Sunshine Policy.

Feb. 6, 2002: U.S. Deputy Chief of Mission in Seoul Evans Revere says the U.S. would not take military action against North Korea without prior consultation with South Korea.

Feb. 7, 2002: Pentagon report says most likely large-scale regional war scenario in the near term would be on the Korean Peninsula.

Feb. 8, 2002: North Korea UN Ambassador Pak says the DPRK is ready to resolve tensions with U.S. and South Korea through dialogue.

Feb. 13, 2002: Secretary Powell says U.S. has “no plan to start a war” with North Korea.

Feb. 17, 2002: President Bush reaffirms U.S. offer to talk with North Korea and says if it “abandons” weapons of mass destruction (WMD), the U.S. would welcome more trade with North Korea.

Feb. 18, 2002: Radical South Korean students occupy offices of American Chamber of Commerce in Seoul to protest Bush visit.

Feb. 20, 2002: In South Korea, President Bush rules out offensive attack on North Korea and expresses support for Sunshine Policy.

Feb. 21, 2002: In China, Bush asks President Jiang Zemin to help resumption of bilateral U.S.-North Korea talks.

Feb. 22, 2002: North Korea rejects U.S. request to resume bilateral talks, saying the U.S. wants to “stifle” its system.

March 1, 2002: President Kim says there is “no alternative” to the Sunshine Policy.

March 3, 2002: Korean Business Survey Index hits two-year high based on improved Korean economy.

March 5, 2002: President Bush announces tariffs of up to 30 percent on steel imports.

March 5, 2002: U.S. State Department Human Rights report condemns human rights violations in North Korea.

March 6, 2002: South Korea expresses strong regret at U.S. decision on steel import tariffs and weighs challenge at WTO.

March 10, 2002: The Bush administration is reported to prepare contingency nuclear attacks against seven countries, including North Korea.

March 11, 2002: European Chamber of Commerce in Korea announces it will send trade delegation to Pyongyang.

March 12, 2002: Korean representative of Dassault Aviation acknowledges giving money to a South Korean military official to influence fighter jet procurement.

March 13, 2002: North Korea says it will re-examine all agreements with the U.S., including the Agreed Framework, in light of new nuclear threat to North Korea by the U.S.

March 15, 2002: Special Envoy Pritchard meets in New York with DPRK UN Ambassador Pak for “useful” talks.

March 18, 2002: Twenty-five North Korean defectors arrive in Seoul after first seeking asylum in Beijing.

March 19, 2002: China says it will crack down on nongovernmental organizations that assist defectors.

March 20, 2002: President Bush refuses to certify North Korea's compliance with the Agreed Framework but will continue heavy fuel oil delivery.

March 25, 2002: South Korea announces that Presidential Adviser Lim Dong-won will visit Pyongyang as a special envoy April 3.

March 27, 2002: South Korea narrows choice of bidders in billion-dollar fighter jet project to Boeing and Dassault Aviation.

U.S.-Russia Relations: Growing Pains

by Joseph Ferguson
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Half a year into the U.S.-Russian antiterror partnership, it is once again apparent that allies in wartime are not immune to down cycles in their relations. This is especially true when the partnership is built on shaky foundations and for reasons of expediency rather than strategic necessity. The United States and the Soviet Union found this out in 1941-45 and it is again the case for Moscow and Washington in 2002. This is not to suggest that a new Cold War will ensue once antiterror operations in Central and Southwest Asia cease. In fact, the international situation shows promise of significant U.S.-Russian cooperation in the future. Nevertheless, as this year's first quarter indicated, it will take concerted efforts from both sides to make this partnership a long-lasting affair.

Starting on the Wrong Foot

The year began with a series of events that cast a negative shadow on U.S.-Russian relations. In early January it was revealed in *The Washington Post* that the Bush administration would not necessarily dispose of large numbers of nuclear warheads that would have otherwise been destroyed according to a verbal agreement reached between Presidents George W. Bush and Vladimir Putin in Texas last fall. Both sides had agreed to begin negotiations on limiting the level of nuclear warheads to between 1,700 and 2,200. Russia criticized the U.S. plan to "put back on the shelf" warheads that could easily be converted back into weapons.

Russian leaders also expressed their unhappiness toward State Department criticism of Russian actions in Chechnya. Defense Minister Sergei Ivanov derided the United States for its "double standards" by calling on the world to combat terrorism around the globe, while criticizing Russia for doing just that in Chechnya. President Bush's reference to the "axis of evil" in his State of the Union address even elicited a response from the normally unflappable Putin. Putin said that Russia was against "blacklisting" any nations, and Russian politicians from all sides rushed to defend both Iran and Iraq. All the while, NATO expansion appears now to include the Baltic republics, perhaps even in the second round of new entries next year. The Russian public then took its turn to heavily criticize the "domineering attitude" of the United States in the wake of the Olympic spat over figure skating, ice hockey, and blood doping. The crowning

indignation for many Russians was the U.S. imposition of tariffs of up to 30 percent on imported steel, a move likely to hurt Russian producers.

U.S. actions in Central Asia have continued to strike a nervous chord around Russia. Each week brings forth new articles in the Russian press about U.S. plans to make the deployment in Central Asia a permanent one. *Izvestia* announced in a headline that the “American flag will stay” in Central Asia. The Moscow daily *Kommersant*, normally given to neutral reporting, added fuel to the fire by speculating that the main goal of the U.S. intervention in Afghanistan was not to combat terrorism but to support U.S. corporations in securing access to oil and gas deposits in the region. In light of U.S. actions, the daily *Vremya Novostei* proclaimed that the new U.S.-Russian “friendship is finished.” Soon thereafter the United States announced that it was sending a detachment of special forces to Georgia to train the Georgian Army to fight terrorism, bringing the criticism in Russia to a crescendo. In an editorial, the *Nezavisimaya Gazeta* lamented about the “Georgia we have lost.” President Putin was the object of criticism in the press and the Duma over his seeming passivity in the face of U.S. actions. So great was the criticism from within Russia that U.S. officials publicly denied interest in a permanent Central Asian deployment (see Jan. 23 in the chronology).

Putin Stays the Course

Vladimir Putin, however, remains imperturbable as ever. He has kept on his stated course of integrating Russia with the West. He no doubt feels that Russian and U.S. interests coincide in Central and Southwest Asia. In early March Putin announced that U.S. forces in Georgia are “no tragedy” for Russia’s interests. U.S. forces have at least temporarily stabilized the situation in Afghanistan and are looking to do the same in Georgia. Russian leaders feel that both of these countries are primary staging grounds for “terrorists” operating in Chechnya. Moscow analyst Gleb Pavlovsky, a former Putin advisor, says, “The current situation is very advantageous for our country. The Americans have done this [dirty work] for us.” Another analyst in Moscow, Andrei Piontkovsky, also argues that the geopolitical interests of Russia and the U.S. coincide. Piontkovsky feels that it is better to have the U.S. in control of the strategic Fergana Valley (in Central Asia) than the Taliban. He also feels that Russia and the U.S. have common long-term strategic interests in Northeast Asia (vis-à-vis China). Putin, he surmises, has made his strategic choice in favor of an alliance between Russia and the West. Meanwhile, Putin’s political standing in Russia is still strong. What opposition forces do exist are divided and his popularity remains sky high. Though some can discern chinks in Putin’s armor, thus far his West-leaning stance has not hurt him. It remains to be seen how long this situation can hold.

These days the term Central Asian “Great Game” is heard in a slightly different context. Rather than U.S.-Russian competition, there seems to be a new pattern of cooperation that extends from antiterrorist operations to oil extraction. One Russian oil firm, LUKoil, has expressed interest in participating in the Baku-Ceyhan pipeline. The Baku-Ceyhan project was initially conceived as U.S. plan to pipe out the resources of Kazakhstan and

Azerbaijan, bypassing Russia and Iran. Now, opposition to this plan in Russia is relatively muted.

Russia has also refused OPEC demands to support a massive cut in oil production meant to prop up world prices. Many in the West fear that increased oil prices would make the current worldwide recession much more severe. Though Russia did initially agree to marginal cuts, it was far below what Saudi Arabia had asked for, and by the end of the year the production quotas were dead in the water. By February Russian oil production had grown to over 7 million barrels per day, topping Saudi Arabian production for the first time in a quarter of a century. The Russian government has patiently explained to the Saudis that Russian firms are private and exports cannot always be controlled. Most oil firms in Russia have come out strongly against production and export ceilings. The U.S. and Europe are quietly happy with Russia's stand. The issue of Iran and Iraq, however, divides Moscow and Washington. Iraq owes Russia a lot of money (estimates reach \$20 billion), and Iran is a steady customer for Russian arms and nuclear technology. Any change in regime could significantly put a dent in Russia's already meager export markets.

Turning Heads at the SCO

Leaders in China are still wondering where they fit in. Officially on board the antiterrorist coalition, China's interests in Central Asia have taken a blow. Their major ally Pakistan is looking to re-engage the United States, and Beijing's dream of building an energy bridge from Central Asia to the Pacific has been put on hold. Though there has been some rejuvenated talk of a Beijing-Delhi-Moscow axis (c.f., *Asia Times*), this thinking seems far-fetched for now. A meeting of the Shanghai Cooperation Organization (SCO) was held in Beijing in January. China and Russia expressed support for U.S. actions in Afghanistan and also expressed their support for a continued strong antiterrorism coalition. Nevertheless, the leaders at the summit seemed to be groping for some sort of agenda and were unable to find one. An editorial in the Japanese *Nikkei Shimbun* speculated that China has been trying to redirect the organization as a bulwark meant to contain Washington's new influence in Central Asia. Meanwhile, at the SCO summit the junior partners (the leaders of the Central Asian republics) had their heads expectantly turned toward the U.S.

Though President Putin seems unfazed by U.S. actions in Central Asia, voices of caution no doubt whisper in his ear warnings about bending over too far backward to please the U.S. At this point most Russians seem divided about the stepped-up U.S. presence in their backyard. It is no doubt a blow to Russian pride. But at the same time many recognize that a strong relationship with the United States is in the interest of Russia in order to shore up what is indeed a "soft underbelly" to the south and southeast of the Volga heartland. For the time being in Russia cooperation seems to take precedence over confrontation.

Now U.S. and Russian policymakers are making preparations for the upcoming presidential summit to be held in St. Petersburg in May. The summit will be less about terrorism and Central Asia than about arms control. The two sides cannot escape what has been the primary negotiating point between the two nations for the past four decades. What the new spirit of cooperation in Central Asia can do, however, is help the two nations come to agreement in an amicable and long-lasting way.

Chronology of U.S.-Russia Relations January-March 2002

Jan. 8, 2002: *The Washington Post* reveals that the Bush administration is planning to retain nuclear warheads that would normally be dismantled under a proposed bilateral arms control agreement with Russia. The article also hints that the U.S. may be preparing to resume nuclear weapons testing. Russia reacts with a terse statement by Foreign Ministry spokesman Aleksandr Yakovenko that calls for reductions in the Russian and U.S. strategic nuclear arsenals to be “radical,” “verifiable,” and “irreversible.”

Jan. 10, 2002: “The latest information on Russian operations in Chechnya indicates a continuation of human-rights violations,” State Department spokesman Richard Boucher tells a news briefing. The official statement marks the end of a post-Sept. 11 period during which the U.S. government avoided criticizing Russia’s campaign in Chechnya.

Jan. 15-16, 2002: Russia-U.S. consultations on strategic offensive arms reductions are held in Washington. The U.S. delegation is headed by Under Secretary of Defense for Policy Douglas Feith. The Russian delegation is headed by deputy chief of the General Staff Gen. Yuri Baluyevsky.

Jan. 23, 2002: Gen. Tommy Franks, commander of U.S. forces in Afghanistan, says that the Pentagon is not planning to build permanent military bases in Central Asia. Deputy Secretary of State Richard Armitage backs up Gen. Franks’ statement, announcing that Washington considers the Central Asia region Russia’s sphere of influence.

Jan. 27, 2002: An op-ed piece written by Russian Foreign Minister Igor Ivanov is published in *The New York Times*. It is part of an effort by Moscow to stem the perceived deterioration in relations between the U.S. and Russia.

Jan. 30-Feb. 2, 2002: Russian Prime Minister Mikhail Kasyanov visits Washington and New York to meet with U.S. officials and business groups to promote Russian WTO membership.

Feb. 2-3, 2002: At a security conference in Munich U.S. Deputy Defense Secretary Paul Wolfowitz and Russian Defense Minister Sergei Ivanov exchange barbs over President George Bush's reference to an "axis of evil" in his State of the Union speech. Ivanov defends the record of Iran and accuses the West of "double standards" for failing to condemn the Chechens as "terrorists" with the same vigor they pursue Usama bin Laden and his al-Qaeda network.

Feb. 6, 2002: In testimony to the Senate, CIA Director George Tenet gives Russia a mixed report card. He lauds improved U.S.-Russian ties since Sept. 11 but warns that Russia has lost the ability to prevent the spread of dangerous technology.

Feb. 11, 2002: In an interview with *The Wall Street Journal*, Russian President Vladimir Putin praises U.S.-Russian relations, but in a reference to the "axis of evil" speech, he says that Russia opposes "blacklisting" certain countries.

Feb. 12, 2002: Russian Defense Minister Sergei Ivanov says that the U.S. should abandon its military presence in former Soviet republics in Central Asia once the war in Afghanistan is over.

Feb. 19, 2002: In Moscow Russian Deputy Foreign Minister Georgii Mamedov and John Bolton, the U.S. under secretary of state for arms control and international security, draft an agreement on nuclear disarmament for signature at a May presidential summit.

Feb. 20, 2002: The United States announces that it will send a team of 200 military advisors to Georgia to help train the Georgian Army in combat against terrorists ensconced in the Pankisi Gorge in the eastern part of Georgia near the Chechen border.

March 5, 2002: President Bush announces the imposition of tariffs from 8 percent to 30 percent on several types of imported steel (including Russian steel) in an effort to aid the ailing U.S. industry. Russia threatens retaliation and soon imposes a ban on U.S. poultry imports.

March 9, 2002: *The Los Angeles Times* reports that the Bush administration has drawn up contingency plans that include targeting nuclear weapons on seven nations, including Russia.

March 12, 2002: Russian Defense Minister Ivanov, in Washington on an official visit, holds separate meetings with President Bush and Defense Secretary Donald Rumsfeld. Talks center on the war in Afghanistan and strategic arms agreements.

March 18-20, 2002: Gen. Franks meets with senior officials at the Russian Ministries of Defense and Foreign Affairs.

March 21-22, 2002: U.S. and Russian negotiators meet in Geneva. Mamedov and Bolton discuss arms control issues and set the agenda before an April meeting between U.S. Secretary of State Colin Powell and Russian Foreign Minister Igor Ivanov.

U.S.-Southeast Asia Relations: The War on Terrorism: Collaboration and Hesitation

by Sheldon W. Simon
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In a wide-ranging visit throughout Southeast Asia this March, FBI Director Robert Mueller carried the message that the United States believed al-Qaeda operatives were located in several ASEAN states and that the U.S. government was prepared to assist regional governments in locating and apprehending terrorists. Mueller's visit was stimulated by the discovery of a plot to bomb the U.S. Embassy in Singapore, which was thwarted by the arrests of dozens of people in Singapore and Malaysia. The plot apparently involved terrorist cells in these neighboring states as well as in Indonesia – all with suspected ties to al-Qaeda. Among the evidence gathered from the arrests in Singapore were surveillance videotapes of the U.S. Embassy and tons of explosives. In the Philippines, the United States has begun advising and training Philippine forces in the use of modern counterterrorist technology to enhance prospects for capturing the Abu Sayyaf terrorist gang holding two Americans and a Filipina hostage.

ASEAN states have reacted differently to the U.S. war on terrorism. The Philippines has welcomed U.S. troops for training exercises and solicited military and economic aid. Singapore conducted extensive arrests of terrorist cell members. Malaysia is cooperating with Singapore but rejects any suggestion of U.S. military involvement. Indonesia, home to multiple internal insurgencies, has hesitated to confront terrorist groups. President Megawati Sukarnoputri's government may view them as a distraction from its primary goal of holding the country together.

Islamic Radicalism in Southeast Asia

Within Indonesia, Malaysia, Singapore, and the Philippines, radical Islamic groups exist. Their strength varies from country to country; their ability to extend operations beyond Southeast Asia, much less into the United States, is minimal. That said, a number of these groups, such as the Indonesian Islamic Defenders Front (IDF), have threatened U.S. installations and Westerners in Indonesia. The IDF and the militant *Laskar Jihad*, which has fought Christian Indonesians in the Moluccas, may have received some financial support from Usama bin Laden, though both groups deny links to al-Qaeda. Indeed, while these groups "talk the talk" of *jihad*, their activities are more akin to local terrorizing. The IDF ran protection rackets in Jakarta, while *Laskar Jihad* has directed its militance entirely against the Christians of eastern Indonesia.

Similarly, the 15 suspected terrorists arrested in Singapore in December 2001 were said to be part of a clandestine organization, *Jemaah Islamiah*. This group and a Malaysian counterpart, *Kumpulan Militan Malaysia* (KMM), had individual members who were trained in Afghanistan, but as yet no institutional linkages to al-Qaeda have been established. In the Philippines (described in more detail below) the Abu Sayyaf may have had some contacts with al-Qaeda in the mid-1990s, but the group is viewed by most knowledgeable observers to be little more than bandits and thugs who murder and kidnap for ransom.

In much of Southeast Asia, most Islamic activism is associated with local issues, particularly separatism: the Achenese in Indonesia and the Moro Islamic Liberation Front (MILF) in the Philippines. When the Philippine, Indonesian, and Malaysian governments express support – however limited – for U.S. antiterrorist initiatives, there is frequently a *quid pro quo*. That is, the U.S. must include each country's particular national terrorist challenge under the U.S. rubric of global terrorism. Thus, for example, Malaysia's Prime Minister Mahathir Mohamad can paint the Islamic opposition party PAS (Pan Malaysian Islamic Party or Islam Se-Malaysia) with a terrorist brush for his own political reasons in exchange for not having to worry about U.S. human-rights sensibilities.

Nonetheless, al-Qaeda members have moved in and out of Indonesia regularly over the past decade and have funneled millions of dollars to radical Islamic groups there. Moreover, militants in Indonesia are found in both the police and military. To make matters worse, unlike Singapore and Malaysia, where the authorities are searching out and disrupting terrorist cells, Indonesia has chosen to deport rather than incarcerate suspects and has also declined to look for bank accounts linked to terror groups.

In late January, Indonesia's intelligence agency confirmed the existence of an al-Qaeda training camp in Sulawesi, which included not only Indonesians but also Europeans and Thais. Nevertheless, the government has been loath to make arrests. It has not seriously searched for the cleric Riudan Manuddin, even though the United States named him the probable operational director of the plot to blow up the U.S. Embassy in Singapore. Neither has Abu Bakar Bashir been detained despite being identified by U.S. intelligence as a paymaster for Muslim militant organizations. President Megawati's reticence toward antiterrorism is based both on worry of an Islamic backlash and the fact that Islamic political parties are allied with Vice President Hamzah Haz, who has designs on the presidency.

While the Pentagon would like to allocate the lion's share of \$21 million recently appropriated for global antiterrorism to Indonesia, its ability to do so is obstructed by Congressional restrictions on aid to the Indonesian armed forces because of the latter's poor human-rights record.

The most surprising terrorist development in Southeast Asia was the discovery of an elaborate Islamic group in Singapore that was plotting to bomb Western embassies and U.S. military personnel on the island. Of the 15 arrested, all but one was Singaporean. Given the city-state's tight internal security, it is remarkable that such a large group had gone undetected for so long, though local officials claimed they had been monitoring the group for some time. Interrogation revealed that the members of the cell had contacted al-Qaeda about funding their plan, but bin Laden's organization did not follow up. In addition to evidence of the cell's plans in Singapore, information about its plans was found in Afghanistan at the homes and offices of al-Qaeda operatives who had fled. Officials in Malaysia and Singapore agreed that the cells in their countries had been part of a network that included Indonesia and the Philippines. Yet when Malaysia and Singapore asked Indonesia to detain Bashir, allegedly linked to the attacks, Jakarta demurred saying it had no evidence Bashir had committed any crime. Bashir, founder of a radical boy's boarding school in Java where many of the 28 arrested Singaporeans and Malaysians had studied, stands apart from the mainstream of moderate Islam in Indonesia. Bashir's school became a funnel for radical Islam in Java, including *Laskar Jihad*.

These Southeast Asian " sleeper " groups had been organized in the early 1990s and were activated after the U.S. bombing of Afghanistan, possibly on orders from al-Qaeda leaders. Several of the Malaysian militants had been trained by al-Qaeda in Afghanistan, repatriated, and told to avoid contact with Islamic organizations to prevent official suspicions. As one Western diplomat put it in referring to the Southeast Asian network: " These guys were not a rogue group. There was a management hierarchy and a functional breakdown. It was like a KGB cell. " Singaporean authorities believe these cells are instruments of al-Qaeda. Others are not so sure, though they acknowledge al-Qaeda contacts with some members of the cells. Malaysia seemed to be the center for Southeast Asian militants because Kuala Lumpur does not require visas for citizens from Muslim countries.

Subsequent investigations and arrests in Malaysia, Singapore, and the Philippines have reinforced the conclusion that at least two of the Sept. 11 hijackers had met in Malaysia and received cash from a Malaysian cell member. The United States has been negotiating with Malaysia for the extradition of the Malaysian Army captain who allegedly served as paymaster for the Sept. 11 hijackers, but Prime Minister Mahathir publicly rejects the suggestion that his country could have been used as a staging area. While Malaysian authorities have shared the results of their interrogations of arrested militants with the United States, they resist extraditing them.

In March the Bush administration decided it would be " counterproductive " to send U.S. troops to Indonesia out of concern for an anti-American reaction. Rather, a decision was made to work through law enforcement agencies. Hence, the visit to Jakarta in mid-March by FBI Director Robert Mueller. Deputy Secretary of Defense Paul Wolfowitz, a former ambassador to Indonesia, pointed to the deep sense of pride and independence in Indonesia and stated: " If we want their cooperation, and their cooperation is essential to our success, we can't look like we are interfering in their internal affairs. "

U.S. Operations in the Philippines

In late January, the United States began to deploy what is scheduled to become 660 U.S. soldiers, including Special Forces, to the southern Philippines where Muslim resentment against the Christian central government is as old as the Philippines itself. Upon the invitation of President Gloria Macapagal-Arroyo, the U.S. contingent is participating in “Balikatan 2002,” a joint training exercise whose predecessors always took place in Luzon or the Visayas out of harm’s way. This time, however, the exercise will be carried out at least partly on the island of Basilan where a small militant group, the Abu Sayyaf, is holding two Americans and a Filipina hostage. From a professional military perspective, “Balikatan 2002” offers U.S. antiterrorist training, particularly in the use of up-to-date equipment, including night-vision capability and state-of-the-art communications. Small numbers of Americans are to be assigned to Philippine forces as advisors but not as combatants.

President Macapagal-Arroyo’s invitation has led to considerable controversy within the Philippine Congress and vocal opposition from the country’s political left, though it has elicited support from the country’s Catholic Bishops Conference, which in the early 1990s was strongly opposed to a U.S. military presence. The Philippine president has calculated that the political fallout is more than compensated by U.S. military and economic aid, which will improve the capacity of the armed forces to combat insurgencies and will pump resources into the economy.

From the U.S. perspective, the deployment of U.S. forces to the Philippines, albeit under the guise of a training exercise, constitutes the next location for the U.S. war on terrorism after Afghanistan. Deputy Secretary Wolfowitz stated that the destruction of the Abu Sayyaf “would be a small blow against the al-Qaeda network,” though he went on to emphasize that military actions would be carried out by Philippine troops. The exercise is scheduled to last until June with the possibility of an extension until the end of the year. Its U.S. commander is Brig. Gen. Donald Wurster, the head of Special Operations in the Pacific, an indication of how important Washington sees this deployment.

In fact, the Abu Sayyaf’s current connection to al-Qaeda is problematic. While the Abu Sayyaf was formed in the early 1990s and in its early days proclaimed religious fervor, it has become a criminal gang engaged in murder and kidnapping for ransom, striking not only in the Philippines but also in Malaysia. The group’s focus is the southern Philippines; it possesses neither the intention nor the capability to strike the United States. Although it may have had some early contacts with al-Qaeda operatives in the mid-1990s, there is no evidence that these have continued, especially since the Abu Sayyaf now funds itself through kidnappings, which have raised in excess of \$20 million. Rather than an al-Qaeda clone, the Abu Sayyaf is more in the tradition of southern Philippine pirates.

The main issues in the joint exercise, which in many respects is a search and rescue operation, are who commands the U.S. participants and what their rules of engagement are. The understanding appears to be that the U.S. troops serve only as advisors, do not engage in combat, but can defend themselves if attacked. How all this plays out in the fog of battle, however, remains to be seen. As for who commands, U.S. law and practice require that U.S. officers command U.S. forces. However, the Philippine constitution prohibits the operation of foreign combat forces on Philippine soil – a major reason for the U.S. deployment being called a training exercise. Discussions between the two countries' defense and foreign policy leaders apparently led to an understanding that Philippine officers had "authority" over the forces they lead including U.S. advisors; but U.S. officers retained "command." (One wonders if this is a distinction without a difference.) Nevertheless, through March, no U.S. advisors were involved in firefights against the Abu Sayyaf.

There are other risks for the U.S. forces in Zamboanga and Basilan. One is that the Abu Sayyaf could be confused with the MILF, a much larger dissident organization with armed forces that is engaged in negotiations with Manila. Moreover, some former rebels who had fought with the MILF and Moro National Liberation Front (MNLF), the latter now governing part of Mindanao, have defected to the rebel side. If Philippine forces with U.S. advisors clash with these groups, the whole basis of the U.S. presence is undermined. Another possibility is that the Abu Sayyaf may try to seize a propaganda advantage from the U.S. presence by recasting the conflict as a fight by foreign Christians against righteous Muslim warriors. An additional disturbing feature is the Philippine Army's reputation in Muslim-controlled areas. It has employed some of the same terrorist tactics as its adversary. Since the Abu Sayyaf has no uniforms and can melt into the civilian population, the parallel with the Vietnam War should be disturbing to U.S. armed forces.

In February, the United States began intelligence-gathering flights over the southern Philippines. Based elsewhere in Asia, the planes are capable of detecting human movement in the jungle as well as monitoring cell phones. Unmanned aerial vehicles are also being used. Additionally, U.S. advisors are training their Philippine counterparts to fly night-capable Huey helicopters. While Philippine forces have been engaging the kidnap/ransom group more vigorously since the Americans arrived, the hostages have still not been located as of March 2002.

A Cautious Conclusion

Southeast Asian terrorist groups are essentially homegrown and not part of a centrally organized international terrorist network, although individual members have trained with al-Qaeda in Afghanistan. Some Islamists from Malaysia have gone to participate with *Laskar Jihad* in Indonesia, but for the most part, these groups are small, poorly armed, and stay at home. Embryonic efforts at intelligence sharing within the region have begun, but they must overcome local nationalism and some suspicions of sharing secrets with neighbors.

The United States is offering financial and technical assistance to enhance antiterrorist capabilities for the police, customs, and finance officials as well as regional armed forces. This year's annual "Cobra Gold" joint exercise in Thailand will focus on an antiterrorist scenario involving participants from Singapore, Thailand, and the United States as well as observers from several other Asian states, including China.

Yet over the long run, Southeast Asian states must change the political-social-economic milieu in which terrorism breeds. Specifically, socio-economic development in the southern Philippines, economic recovery in Indonesia, as well as the restoration of law and order in the Moluccas and Sulawesi, and still in Indonesia, a political solution to the conflicts in Aceh and Papua (Irian Jaya). Internal security resources in Southeast Asia are low. Until these capabilities are enhanced and the socio-economic deficits erased, terrorism will continue to flourish regardless of outside efforts to eradicate it. Hunting down terrorists deals with the symptoms but not the underlying disease.

Chronology of U.S.-Southeast Asia Relations January-March 2002

Jan. 1, 2002: Philippine Armed Forces Chief of Staff Gen. Diomedio Villaneuva states he does not favor U.S. forces participating in military operations in Basilan.

Jan. 1, 2002: A Philippine Army spokesman says that the Philippine military is primarily interested in acquiring new U.S. equipment to use against the Abu Sayyaf terrorists.

Jan. 1, 2002: Malaysian Prime Minister Mahathir Mohamad states his country wishes to improve relations with the U.S. and that Malaysia is a "stable, democratic, progressive Muslim nation."

Jan. 3, 2002: Philippine President Gloria Macapagal-Arroyo states that U.S. troops will not be used to fight against the Abu Sayyaf.

Jan. 4, 2002: Malaysia arrests 13 terrorists, but Defense Minister Najib denies that al-Qaeda cells exist in his country.

Jan. 6, 2002: Singapore announces the December arrest of 15 Muslim extremists, accusing them of planning to blow up military targets and embassies in the city-state and focusing on the U.S.; the 15 are said to be linked to al-Qaeda.

Jan. 7, 2002: Philippine presidential spokesman Rigoberto Tiglao says that there can be no base for U.S. forces in the Philippines and that U.S. advisors will be under the command of Philippine officers.

Jan. 7, 2002: Deputy Defense Secretary Paul Wolfowitz says that U.S. armed forces are assisting friendly states such as the Philippines and Indonesia to close down terrorist networks.

Jan. 8, 2002: USCINCPAC Adm. Dennis Blair states that multilateral cooperation is essential in the war on terrorism and will be a common cause for Asia.

Jan. 9, 2002: Indonesian Foreign Minister Hassan Wirayudha states that Indonesia had been cracking down on terrorism long before Sept. 11 and had cross-border controls in place.

Jan. 11, 2002: U.S. and Indonesian intelligence officials believe that hundreds of foreigners who may be linked to al-Qaeda visited a secret training camp in Indonesia.

Jan. 11, 2002: Philippine Foreign Affairs Under Secretary Lauro Paja believes that U.S. forces will be sucked into the fighting against the Abu Sayyaf.

Jan. 11, 2002: The U.S. Embassy in Singapore releases a statement of confidence in the ability of the Singapore government to protect U.S. citizens and interests in the wake of the revelation that the 15 Muslims arrested were targeting U.S. military facilities and personnel.

Jan. 15, 2002: Philippine presidential spokesman states that the U.S. could participate in the rescue of the American hostages held by the Abu Sayyaf and that they have the right to defend themselves if fired upon.

Jan. 18, 2002: Singapore's National Security Department releases a statement claiming that it had independently identified the *Jemaah Islamiah* terrorists in Singapore and did not rely on video tape in Afghanistan found by U.S. forces to locate the suspects.

Jan. 18, 2002: Philippine President Macapagal-Arroyo notes that she has asked the U.S. not to include the Moro Islamic Liberation Front (MILF) in Mindanao on its list of terrorists because the government is negotiating with it.

Jan. 18, 2002: U.S. Senator Sam Brownback says that the Philippines would be the next Afghanistan while the Philippine president reiterates that foreign troops will not be involved in combat. The U.S. chargé in Manila also refutes Brownback's statement.

Jan. 18, 2002: It is revealed that the Pentagon is resuming limited training of Indonesian forces in counterterrorism.

Jan. 23, 2002: Secretary of State Colin Powell justifies the U.S.-Philippine "Balikatan 2002" exercise as help from the United States to aid the Philippine effort to defeat terrorism.

Jan. 23, 2002: Philippine Vice President Teofisto Guingani, Jr. abandons his opposition to U.S. forces advising Philippine troops in Mindanao. Another opponent, Sen. Aquilino Pimentel, also lifts his opposition.

Jan. 25, 2002: Malaysia files an official protest to the U.S. Embassy assailing U.S. the “inhumane” treatment of Taliban and al-Qaeda detainees at Guantanamo Bay, Cuba.

Jan. 25, 2002: The U.S. announces it is providing the Philippine military eight helicopters, a high-speed patrol boat, and 30,000 M-16 rifles for use against the Abu Sayyaf.

Jan. 29, 2002: The Philippine Catholic Bishops Conference expresses full support for U.S. assistance to crush the Abu Sayyaf.

Jan. 29, 2002: Indonesian FM Hasan Wirayuda announces that the U.S. has offered training for Indonesian police to combat international terrorism.

Jan. 30, 2002: An FBI report states that al-Qaeda operatives met in Malaysia during 2000 to plan the Sept. 11 attacks and that Malaysia has emerged as “one of the primary operational launch pads” for the attacks.

Jan. 30, 2002: Adm. Blair states that the U.S. goal in Asia is to ensure that the region becomes inhospitable for terrorists.

Jan. 30, 2002: U.S. Special Forces C-130 aircraft is fired upon while flying over Luzon in an area where the Communist New People’s Army has forces.

Jan. 31, 2002: High-level Philippine officials express dismay at President Bush’s remarks that the Philippines was harboring international terrorists.

Feb. 4, 2002: One thousand protestors demonstrate in front of the U.S. Embassy in Manila against the “Balikatan 2002” exercise in Mindanao.

Feb. 6, 2002: CIA Director George Tenet in Congressional testimony says that al-Qaeda may be connected to terrorist groups in Indonesia and the Philippines.

Feb. 8, 2002: Philippine President Macapagal-Arroyo lashes out at opponents of the joint Philippines-U.S. “Balikatan 2002” exercise in Basilan as “anti-Filipino and partners of terrorists.”

Feb. 10, 2002: The U.S. expresses disappointment that the UN has decided to pull out from trial arrangements in Cambodia for surviving Khmer Rouge leaders. The Cambodian government refused to accept UN conditions for the tribunal that had largely been crafted by the U.S.

Feb. 11, 2002: The U.S. and Thailand announce a joint program to combat the smuggling of people for prostitution and illegal labor. The U.S. will provide training equipment and money.

Feb. 13, 2002: The U.S. and Philippines sign a Terms of Reference for their joint military exercise, which stipulates that U.S. forces would not become involved in conflicts with groups currently negotiating with the Philippine government [i.e., the MILF].

Feb. 14, 2002: Malaysian government says that Yazual Sufaat, a former Malaysian Army captain allegedly involved in the Sept. 11 bombings, will not be extradited to the U.S. but dealt with under Malaysian law.

Feb. 21, 2002: A U.S. Army Special Forces helicopter crashes into the sea in the Philippines while on a routine flight during “Balikatan 2002,” killing all passengers.

Feb. 21, 2002: Adm. Blair emphasizes the importance of Asian regional cooperation in the war on terrorism at a Pacific defense symposium in Washington, D.C.

Feb. 21, 2002: The U.S. begins intelligence-gathering flights over the southern Philippines in the hunt for the Abu Sayyaf as part of the “Balikatan 2002” joint exercise.

Feb. 26, 2002: Thai Prime Minister Thaksin Shinawatra reacts strongly to U.S. State Department criticism of Thailand’s decision to expel a *Far Eastern Economic Review* correspondent for an article discussing tension between the prime minister and the king.

Feb. 28, 2002: U.S. Navy Secretary Gordon England praises Singapore for contributing to the security and stability of Southeast Asia.

March 1, 2002: Adm. Blair before a House subcommittee warns that U.S. involvement in the Philippines could become a Vietnam War-like “slippery slope” if the conflict broadens beyond its original mission.

March 1, 2002: Adm. Blair tells U.S. Congressman Dana Rohrabacker that Taiwan’s offer of five F-5s to the Philippines would benefit its air force.

March 6, 2002: Vietnam and the U.S. agree to conduct joint research on the effects of Agent Orange – the defoliant used by the U.S. during the Vietnam War which may have had long-term adverse health effects.

March 10, 2002: The U.S. sends a special prosecutor to Southeast Asia to facilitate the extradition of terrorists apprehended in the region.

March 14, 2002: U.S. pilots train Philippine counterparts in the use of Huey helicopters with night-flying capability. Initially earmarked for Basilan, there may be another target – Jolo, bastion of the MILF.

March 20, 2002: FBI Director Robert Mueller in the Philippines states that he believes al-Qaeda operatives are active in several Southeast Asian countries.

March 20, 2002: U.S. Army Special Forces speed into a Basilan combat zone to rescue wounded Philippine soldiers after a clash with the Abu Sayyaf.

March 27, 2002: Senators Daniel Inouye and Ted Stevens are given permission by the Philippines to observe “Balikatan 2002” as a prelude for more U.S antiterrorist and legislation for the Philippines.

China-Southeast Asia Relations: Courtship and Competition

by Lyall Breckon
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China rounded off an intense series of high-level visits to Southeast Asian capitals that began last year with a visit by PRC President Jiang Zemin to Vietnam. The relationship is still troubled by border problems, and Jiang's trip was higher on pomp and atmospherics than actual achievements. Indonesia's President Megawati Sukarnoputri made her first official bilateral visit to China in March. Economic and trade goals were at the top of the agenda, but she was clearly seeking China's political support as well at a time when her government faces international criticism on issues ranging from antiterrorism to human rights. Trade and transnational crime issues along China's southern borders are increasingly gaining Beijing's attention, as evidenced by the range of initiatives China is taking to strengthen transportation links on the Mekong River and through its southern neighbors to the sea, and programs to counter the flood of narcotics into its southwestern provinces.

China's response to U.S. steps in Southeast Asia to counter international terrorism, including sending a force of more than 600 military personnel to the southern Philippines to advise and support the Philippine armed forces in operations against the Abu Sayyaf terrorist/criminal group, has been mixed. A lengthy analytical article in an official journal in February claimed that the "pretext" of antiterrorism had made it easy for the United States to expand its global military power and "set up bases around the world." On the other hand, according to some reports, Chinese sources say that China "recognizes that the U.S. has interests in Asia and does not challenge its presence." (If so, however, Vietnam may be an exception – see below.)

China's efforts to woo Southeast Asian governments, and its proposal for a China-ASEAN Free Trade Area last year, may give ASEAN governments some welcome additional bargaining leverage as their economies struggle to recover. China's proposal may lie behind Japanese Prime Minister Koizumi Junichiro's early January swing through five Southeast Asian countries and his own competitive free trade area initiative in Singapore at the end of his trip. The state of Japan's economy, however, and the lack of evidence of a real commitment to open Japan's markets weaken the allure of Koizumi's initiative. Taiwan sent an economic mission to Southeast Asia as well during the quarter.

China and Indonesia: Reviving Old Ties?

Chinese leaders gave a warm reception to Indonesian President Megawati during her March 24-28 visit to China. Both leaders recalled the role of Megawati's father, Sukarno, who established close relations with China after Indonesia's independence (although they went into the deep freeze for most of the Suharto era). Megawati's trip was clearly aimed at gaining political support at a time when her country is receiving international criticism on issues from international terrorism to continued human rights abuses and at getting help for her country's stagnant economy, still shunned by foreign investors. She achieved some results on both scores.

President Jiang, in his meeting with Megawati, called for stronger cooperation between the two countries on international and regional affairs and commended her efforts to improve the condition of the ethnic Chinese in Indonesia and integrate them into the national life. Megawati agreed on the need for coordinated regional and global policies and called for a return to the "famous Asian-African spirit" introduced by her father and Chairman Mao Zedong. Jiang announced a \$400 million loan to Indonesia. Trade between the two countries reportedly rose \$7.5 billion in 2000 but dropped to \$6.7 billion last year. Indonesian trade officials argue that Indonesia's vast reserves of minerals and hydrocarbons and China's production of affordable consumer goods make them natural trading partners.

In January China's National Offshore Oil Company invested in energy assets in Indonesia that reportedly made it the largest foreign offshore oil producer in that country. One specific goal Megawati and her large delegation undoubtedly pursued was advancing a \$10 billion liquified natural gas (LNG) deal to supply China's first LNG reception terminal, in Guangdong Province, with gas from a huge new field in Papua. Indonesia, Australia, and Qatar are on the short list for a decision reportedly to be made at mid-year.

Among the five new agreements signed during Megawati's visit was one providing for establishment of consulates in Medan and Surabaya in Indonesia, and Shanghai and Guangzhou in China.

China and Vietnam: Border Disagreements Continue

President Jiang made his second visit to Vietnam as president Feb. 27-March 1. Reporting from both sides on his talks with Vietnamese leaders suggests that despite Jiang's reference to the trip as a "family visit" and the pomp that accompanied it, Jiang and his party did not encounter the warmth evident in other recent travels to Southeast Asian capitals by Jiang, Premier Zhu Rongji, and other top party and government officials. Official media on both sides lavished praise on the decades of traditional close friendship between the two countries, with only glancing allusions to the major tensions and episodes of armed conflict that characterized much of the period since 1975. As Presidents Bill Clinton and Vladimir Putin had done during their Hanoi visits, Jiang made a live TV broadcast to the nation, referring to "difficult periods" in the past but asserted

that friendship between peoples had always prevailed and appealed to shared Marxist ideology and Confucian culture.

Economic issues were a priority agenda item. China's entry into the WTO and its success in attracting foreign investment have caused concern for Vietnamese leaders, who have put themselves on track for WTO membership in the next two years and now openly advocate China's economic reforms as a model. Two economic agreements were signed during the visit, on science and technology cooperation and on preferential credits amounting to \$12 million. Trade between the two countries rose from \$37.7 million in 1991 to over \$3 billion in 2001. Their goal is to increase it to \$5 billion in 2005. (The figures do not include a large but difficult to estimate illegal cross-border trade, mostly in manufactured goods from China to Vietnam.)

Border issues were the other major topic and posed tougher problems. Beijing and Hanoi reached agreements on demarcation of their land border in 1999 and on maritime zones in the Tonkin Gulf in 2000, but neither has been fully implemented. The Tonkin Gulf accord is blocked by a fisheries dispute. Jiang and his hosts conducted "frank" talks on the problem and urged a speedy resolution but failed to achieve it. The final communiqué of the visit stated that the two sides had agreed to persist in trying to resolve the problem through "peaceful negotiations," and not use or threaten force.

Over the past decade Vietnam has placed high priority on resolving its territorial issues with China to put a nagging source of potential conflict behind them. As noted previously in these pages, at one point Hanoi deferred completion of the bilateral trade agreement with the United States to avoid any possible irritation from China while the land border talks with China were going on. It now appears, however, that the border accords may have been purchased at the cost of some loss of support for the regime among students, party conservatives, nationalist hard-liners in government and the armed forces, and local authorities along the border. The Foreign Ministry was forced in January to deny it had arrested a dissident journalist for criticizing the agreements. The journalist, Bui Minh Quoc, had allegedly visited border areas to document local irritation at Hanoi's concessions. The government spokesperson claimed the arrest was not connected to the border agreements and defended the agreements as "important steps forward on building a peaceful and stable environment" reached after "tremendous efforts" over many years.

During his visit Jiang probably also raised China's concerns about the future of the U.S.-built naval base at Cam Ranh Bay after the Russians depart from it later this year. Comments by the U.S. Commander in Chief, Pacific Adm. Dennis Blair, during a visit to Hanoi, prompted a lengthy critical article in the *China Youth League Newspaper* on Feb. 7. The paper quoted U.S. Ambassador to Vietnam Ray Burghardt as stating that "the United States will eventually return to Vietnam as its ally" and observed that a U.S. military return to Cam Ranh would "enable it to achieve its objective of hindering China militarily."

The article appeared to be a clear warning to Hanoi that China would watch the disposition of the base facilities at Cam Ranh closely and would view the presence of U.S. forces there as a hostile act. Two days later a Vietnamese spokesperson denied that Hanoi would sign a military access agreement for Cam Ranh with any country. Tokyo's *Kyodo News Agency* reported after Jiang's visit that he had extracted a promise from Vietnamese Communist Party General Secretary Nong Duc Manh not to grant the U.S. access to Cam Ranh.

Expanding Regional Transport Infrastructure

China and its neighbors announced a number of communications infrastructure projects during the quarter aimed at increasing commercial transport and tourist travel to and from China. Beijing said in February that it would open an east-west road through Yunnan Province linking Shanghai and Myanmar, and another road through Laos that will connect with northern Thailand (and, if joined to Thailand's highway system, could become part of a pan-Asian highway stretching to Singapore). A port and shipyard at Thilawa, south of Yangon, built by the China National Construction and Agricultural Machinery Import and Export Co., was inaugurated Feb. 2. Observers report it is intended to facilitate shipment of export goods from China's southwest provinces, transshipped by barge down the Irrawadi River, to global markets.

The expansion of commercial shipping on the upper Mekong is increasingly important for the economies of southern China and Thailand. Beijing announced during the quarter that it would fund dredging and upgrading of a section of the river between Yunnan and Luang Prabang in Laos, making it possible for larger ships to steam upriver. Bangkok media reported March 2 that China will invest \$11.4 million in a duty-free industrial park in Chiang Rai in northern Thailand.

The Thai government remains committed to close and cooperative relations with China, but there has been some domestic grumbling about the growth of China's influence in the kingdom's north, in the form of Chinese-language shop signs and the use of Chinese as the language of commerce. Thai security officials are reportedly concerned, moreover, at the possibilities for increased illegal Chinese immigration as communications links grow. Other Thai commentators see China making Thailand a "strategic outpost" in its effort to counter U.S. influence.

Air links between China and Southeast Asian destinations are also expanding. Tourism by Chinese citizens visiting the region is increasing, helping to compensate for the drop in numbers of American and other visitors after Sept. 11. In the other direction, China is encouraging "roots travel" to the PRC by Southeast Asians of Chinese ancestry. Direct flights were announced during the quarter between Kuala Lumpur and Fuzhou, Brunei and Shanghai, and Ho Chi Minh City and Shanghai. On Feb. 25, China and Singapore signed an expanded air services agreement that could nearly double passenger and cargo air services between the two countries, which have grown annually at rates of 14 percent and 21 percent, respectively.

Common Concerns on Narcotics

China stepped up efforts to gain the cooperation of regional governments in suppressing production and trafficking in narcotics, especially amphetamines, whose use is spreading among growing numbers of rural people in southern China and Southeast Asia. The Chinese government organized or participated in several meetings during the quarter with upper Mekong states to improve drug enforcement programs and announced a training program in Yunnan for Myanmar's police officers. Chinese media demanded steps to curtail drug use in Yunnan, and the government reported that with Myanmar's cooperation it had cracked several major cases, killing or apprehending narco-bosses and destroying drug production facilities in border areas. Beijing also claimed success with assistance programs aimed at crop substitution in Yunnan, Myanmar, and Laos.

Chinese and Philippine officials met in January to work out implementation of earlier agreements on combating drug trafficking and other crimes. Philippines police said that 57 foreigners were arrested in 2001 for dealing in amphetamines and other illegal drugs, most of them Chinese, including a notorious five-person gang from Fujian.

China and Laos: Still Traveling the "Socialist Road?"

Laotian Prime Minister Bounngang Vorachit visited Beijing Feb. 5, holding talks with President Jiang and Premier Zhu. Five agreements were signed during the call on Zhu, on extradition – further evidence of China's urgent interest in law enforcement on its southern border – and economic cooperation and education. Jiang commended the Laotian leadership's "continuous development of the socialist cause," to which Bounngang responded that China's development gave Laos "greater confidence in taking the socialist road."

Implications for the United States

There are few signs that the undercurrents of warning about U.S. "hegemonism" in China's dialogue with Southeast Asian governments are achieving their purpose. There is little sign as well that Washington regards China's intensifying courtship of the ASEAN states as a current threat to U.S. interests or goals. Southeast Asian economic recovery is a U.S. objective: competition among Asia's larger players, including China, to help achieve that objective can expand U.S. export markets and investment opportunities. Some of China's regional initiatives, including counternarcotics programs and Mekong navigation, echo steps the United States has pursued in Southeast Asia for many years. Neither China nor any of Asia's other major economic powers can, as of now, replace the markets, technology, and other benefits the United States provides to the Southeast Asian economies.

This said, it is important that the United States, absorbed as it is by the urgency of ensuring that international terrorism does not gain footholds in Southeast Asia, not neglect the broader dimensions of U.S. engagement with Southeast Asian governments. Addressing their priorities and asserting a continued intention to remain a force in the

region, at the same time it is pressing for cooperation on terrorism, will help achieve the latter.

Chronology of China-Southeast Asia Relations January-March 2002

Jan. 4, 2002: Vietnamese Communist Party Secretary General Nong Duc Manh tells visiting Chinese judicial officials that the two countries should increase exchanges on fighting crime, especially corruption.

Jan. 4, 2002: Vietnam and China inaugurate hydrofoil service between Hai Phong and China's Guangxi Province.

Jan. 7, 2002: China announces the first annual meeting between provincial narcotics and law-enforcement officials of China and Vietnam in highland areas of the countries' common border. They agree to crack down on narcotics trafficking and related crime.

Jan. 7, 2002: Thai media report that the Thai government asked Taiwan to cancel a planned visit to Bangkok by Taiwan Vice President Annette Lu Hsiu-lien.

Jan. 8, 2002: Cambodian Senate President Chea Sim and National Assembly President Norodom Ranariddh meet with Nie Ronggui, visiting chairman of the Sichuan provincial People's Political Consultative Conference. Prince Ranariddh promises Cambodia will remain faithful to the "one China" policy.

Jan. 9, 2002: Singapore's Trade Development Board announces the largest ever Singaporean business mission to Beijing and Shandong, seeking business opportunities in the 2008 Beijing Olympics.

Jan. 14, 2002: The Vietnamese government awards its garrison on Truong Sa Lon (Big Truong Sa) Island in the Spratly archipelago the Order of Achievement, Second Class, and announces measures to improve life for the soldiers and officers stationed there.

Jan. 20-23, 2002: Wang Zhongyu, state councilor and secretary general of the State Council of the People's Republic of China, leads a goodwill delegation to Myanmar, where they meet with Lt. Gen. Khin Nyunt, first secretary of the State Peace and Development Council.

Jan. 24, 2002: Li Peng, chairman of China's National People's Congress, meets with Cambodia's King Norodom Sihanouk and Queen Monineath, visiting China for medical check-ups.

Jan. 28, 2002: China announces it is renovating the house in the Guangxi Zhuang autonomous region where Vietnamese Communist leader Ho Chi Minh lived for a year, in 1943-44, after release by the Kuomintang. When complete it will be a cultural relic, open to tourists.

Jan. 29-31, 2002: The fourth official Chinese delegation visits Myanmar in a 10-day period, led by Luo Zhaohui, deputy director general of the Asia Affairs Department of the PRC Foreign Ministry.

Jan. 29, 2002: Indonesia's Navy Chief of Staff Indroko meets with Chinese Defense Minister Chi Haotian in Beijing and tells him the Indonesian armed forces hope to further relations with the PLA, especially the navy.

Jan. 30, 2002: Jane's Defense Weekly reports that China will for the first time send observers to the annual Thai-Singapore-U.S. Cobra Gold exercise in Thailand in May. China, which had appeared ready to accept the invitation last year until the April EP-3 incident, will join 13 other Asia-Pacific nations in sending observers.

Feb. 4, 2002: Defense Minister Chi meets with Lao Defense Minister Duoangchay Pichit, who tells Chi that Laos hopes to learn from the PLA and promote cooperation between the two armed forces.

Feb. 11, 2002: A Chinese Foreign Ministry spokesman says China is "very concerned" about the arrest of 95 Chinese fishermen by the Philippine Navy Jan. 31-Feb. 1 near Scarborough Shoal in the South China Sea. Philippine sources say the fishermen were caught blast-fishing. They were later released.

March 3, 2002: Indonesian police withdraw a permit for Falun Gong followers to stage a march through central Jakarta. Chinese embassy officials tell the press that they had requested the ban because Falun Gong is an "evil cult."

March 11, 2002: Taiwan announces that a mission from its Ministry of Economic Affairs won orders totaling \$286 million during visits to Thailand and Vietnam.

March 21-22, 2002: Brunei's Crown Prince Al-Muhtadee Billah meets with President Jiang Zemin and Vice President Hu Jintao on his first visit to China.

March 23, 2002: Hanoi releases trade figures indicating that tariffs on Vietnamese exports to China have been reduced by an average of 27 percent. Vietnam earns close to \$2 billion exporting agricultural and primary products and light manufactures to China, many of which have benefited from tariff reductions. Vietnam imports steel, automotive products, chemicals, and consumer commodities from China.

March 25, 2002: China announces that Shanghai Airlines will open direct flights between Shanghai and Ho Chi Minh City (Saigon).

China-Taiwan Relations: Triangular Cross-Currents

by David G. Brown
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The effects of Taiwan's legislative elections and China and Taiwan's accessions to the World Trade Organization (WTO) rippled through cross-Strait relations this quarter, but did not produce any breakthrough in political dialogue. In January, PRC Vice Premier Qian Qichen made an important statement indicating flexibility in Beijing's attitude toward Taiwan's Democratic Progressive Party (DPP). In Taipei, government leaders further loosened restrictions on cross-Strait trade and investment and emphasized their desire for talks on economic issues, which Beijing continued to rebuff. The strong support for Taiwan, which U.S. President George Bush expressed during his Asia trip, whetted Taipei's appetite for improvements in U.S.-Taiwan relations. One result was the visit to the U.S. by Taiwan Defense Minister Tang Yiau-ming that, together with other U.S. actions, has sparked new concerns in Beijing about the direction of U.S. policy toward Taiwan. While Beijing's handling of President Bush's visit to China indicated the importance that the PRC leadership places on relations with the U.S., Beijing's concerns over the Tang visit have raised clouds over the planned visit of PRC Vice President Hu Jintao to the U.S. this spring.

Ripples from Taiwan's Election

The December Legislative Yuan (LY) elections saw important changes in the political landscape in Taiwan but did not significantly alter the factors that have maintained a relatively stable situation in the Taiwan Strait over the past 18 months. Premier Zhu Rongji's report to the National People's Congress in March repeated the now familiar elements of China's policy toward Taiwan, without any threats or sense of urgency. Zhu's report formally incorporated Vice Premier Qian's three-point statement last year on "one China" into official policy.

As one would expect, it took Beijing some time after the election to assess the implications of the weakened political position of the Kuomintang (KMT) and the New Party, the strengthened role of President Chen Shui-bian's DPP, and the political reemergence of Beijing's nemesis, former President Lee Teng-hui. One product of that reassessment was revealed in Qian's statement in January for the seventh anniversary of

President Jiang Zemin's Eight Points. While indicating no change in basic policy, Qian took a more moderate line on the DPP saying that "the broad masses of DPP members are different from the small number of Taiwan independence elements" and indicating that Beijing was willing to invite DPP members to China under appropriate circumstances. Significantly, PRC Vice President Hu Jintao attended and implicitly identified himself with Qian's remarks. Qian's softer line was expressed in traditional united front terminology that implied that Beijing was expanding its united front approach to include many DPP members among those it is seeking to mobilize to isolate "die-hard separatists."

How much of a change this policy represents in practice remains to be seen. Beijing's Taiwan Affairs Office (TAO) has made clear that this more open attitude toward dealings with DPP members does not extend to President Chen or his administration. Also, it can be recalled that two years ago the PRC authorized the mayor of Xiamen to invite Frank Hsieh, the DPP mayor of Kaohsiung, to China. Taipei blocked that trip. What more might be envisaged now is not clear. No prominent visit by a DPP member has been made to China this quarter.

Nevertheless, Qian's tone in commenting on the DPP was different, and this was welcomed cautiously by leaders across the political spectrum in Taipei, including President Chen. TAO Deputy Director Zhou Mingwei visited Washington earlier in January and previewed Qian's more moderate line to officials in Washington. The Bush administration welcomed Qian's statement and may have had a hand in encouraging Taipei to do likewise.

How to Talk about Economic Issues

In his talk, Qian also emphasized the importance of strengthening cross-Straits economic ties and said that Beijing was "willing to listen to ideas about establishing an economic cooperation mechanism." There was no explanation of what this meant. Perhaps, Beijing was reacting to remarks Mainland Affairs Council (MAC) Chairwoman Tsai Ing-wen made in December, saying that if economic issues could not be dealt with through the WTO or in the Straits Exchange Federation-Association for Relations Across the Taiwan Strait (SEF-ARATS) channel then Taipei could consider establishing another "economic mechanism." Some PRC scholars guess Qian may only have been referring to an idea frequently mentioned by Beijing that private associations should negotiate cross-Straits air and shipping arrangements. Whatever was meant, it is clear that Beijing wants to strengthen economic links with Taiwan. In discussion at the National People's Congress (NPC) in March, President Jiang said both sides should seize the opportunity created by joint accession to the WTO to strengthen economic relations.

Since Taipei's formal admission to the WTO in January, Taipei officials from Chen on down have continually voiced their desire to expand cross-Straits economic relations, open direct travel through the "three links," and address outstanding economic issues in talks with Beijing. In their view, many economic issues can only be resolved with government involvement. Soon after Qian's statement, Chen's new premier, Yu Shyi-kun, proposed

sending an economic delegation to China. In February, MAC Chairwoman Tsai urged that cross-Strait economic talks be “normalized” through the early establishment of a “proper communication mechanism.” Given this interest, it would be reasonable to assume some private feelers are being made.

Nevertheless, Beijing’s practice has not changed. Beijing has continued to call on Chen to accept the “one China” principle as a precondition for talks. No contacts have occurred in the semi-official SEF-ARATS channel, and Beijing has preferred to use private associations to work out pressing issues, such as the treatment of mainland seamen working on Taiwan fishing boats – an issue Beijing raised this February.

“Gradual Independence”?

While appearing more flexible about the DPP and relaxed on most cross-Strait issues, Beijing propagandists have criticized President Chen for what they describe as “gradual” or “creeping “ independence. Propaganda on this theme began in January after Chen announced that the words “issued in Taiwan” would be added to ROC passports. Beijing linked this with other minor steps Taipei had taken, including the decision of the Government Information Office to change its logo, which had previously included a map of China, as well as with the Foreign Ministry’s announcement that it would study the possibility of using the word “Taiwan” in the names of unofficial offices abroad. A PRC Foreign Ministry spokesman later tied Taipei’s sending Defense Minister Tang to the U.S. into this same pattern of minor “steps towards independence.”

Bush’s Support for Taiwan

President Bush’s trip to Asia in late February produced further evidence of the president’s strong commitment to Taiwan. In his address to the Japanese Diet, which was intended to lay out basic elements in the administration’s Asia policy, Bush included a straight-forward reaffirmation of the U.S. commitment to the “people of Taiwan.” He had referred to Taiwan as a “friend” in his pre-departure radio address. In Beijing, standing beside President Jiang, Bush made an unprecedented public reference to his intention to abide by the Taiwan Relations Act. Chinese analysts have noted that Bush did not pair this mention with the usual references to the three Sino-U.S. communiqués; U.S. officials say that nothing should be read into this omission.

As is usual, there had been some anxiety in Taipei before the trip, and the new foreign minister, Eugene Chien, had established a special working group to monitor developments. So, Bush’s statements of support were warmly welcomed by political leaders and the media in Taipei. Foreign Minister Chien said subsequently that U.S.-Taiwan relations had never been better, and President Chen has expressed his appreciation to visiting Americans.

Earlier, another Bush, Richard Bush, chairman of the American Institute in Taiwan (AIT), made another unexpected gesture of public support for Taiwan. In a speech in Taipei on Jan. 28, he indirectly but clearly said that it was unreasonable for Beijing to demand Taipei's acceptance of the "one China" principle as a precondition for talks. In the past, the U.S. has encouraged dialogue but avoided getting drawn into the policy issues between the two sides. Richard Bush's remarks were the first time that a spokesman for the U.S. has publicly taken a position on a central issue in cross-Straits negotiations. His remarks were welcomed by the Chen administration but were disturbing in Beijing. Beijing's reaction has been muted. The criticism has been made by scholars and commentators rather than official spokespersons, apparently because Beijing wishes to maintain the facade that AIT is an unofficial organization. Since then, Assistant Secretary of State for East Asian and Pacific Affairs James Kelly has reiterated longstanding policy that the U.S. does not intend to mediate between the two sides.

Recognizing that it has a friendly administration in Washington, Taipei is pressing its advantage. One product of this was U.S. approval for the new defense minister, Tang Yiau-ming, to visit the U.S. to attend a "summit" conference in March on defense issues organized by the U.S.-Taiwan Business Council. For Beijing, ever vigilant about changes in U.S.-Taiwan relations and always concerned about protocol and appearance, this first and high-profile visit by a defense minister was disturbing. Washington predictably played down the significance saying that ministerial officials had visited before and that the event was a private one. However, on the fringes of the conference, Deputy Secretary of Defense Paul Wolfowitz had a long closed-door meeting with Minister Tang. Tang also met with Asst. Secretary Kelly.

The publicity surrounding Tang's visit and that it came shortly after Bush's meetings with PRC leaders raised serious concerns in Beijing. The Foreign Ministry made this issue the focal point of a series of high-level protests in Beijing and Washington during March. It appears that the Beijing leadership was surprised and embarrassed by the Tang visit and by the leak of information about the Nuclear Posture Review (NPR), which included comments that the U.S. was considering using nuclear weapons in a Taiwan Strait context. Vice President Hu Jintao in particular may be concerned that his planned visit to the U.S. in April might be followed by some other "surprise" U.S. actions related to Taiwan. In mid-March, the PRC Foreign Ministry spokesman hinted that recent U.S. actions put the planned visits by Vice President Hu and President Jiang in question but later made clear that planning for Hu's visit was continuing.

Taipei's appetite is for more. C. J. Chen, Taipei Economic and Trade Office (TECRO) representative in Washington, has said he wants to end the ban on TECRO officers making calls at the State Department. Foreign Minister Chien told the Legislative Yuan that Taipei would be pursuing "presidential diplomacy," which appears to be a new version of pragmatic diplomacy focused on foreign visits by President Chen. A hoped-for visit to Sweden failed to gain approval in March. A Chen visit to the U.S. is a goal to be sought before the 2004 presidential election.

Cross-Strait Economics

The signs of economic recovery in the U.S. are raising hopes for a similar recovery in Taiwan. Taiwan's index of leading indicators was up in February for the fifth straight month. Taipei's Board of Foreign Trade (BOFT) reported that exports to China jumped 50 percent in January from a year earlier.

For 2001, cross-Strait trade was \$30 billion, down 7.4 percent from 2000, according to BOFT figures. Beijing put the total at \$32.3 billion. Despite this decline, cross-Strait trade has become more important for both sides. Since Taiwan's exports elsewhere fell more than those to China, Taiwan's dependence on the mainland market increased. The BOFT reported that exports to the mainland accounted for 19.6 percent of total Taiwan exports last year and that from November 2001 through January 2002 the mainland was Taiwan's largest export market. Seen from the PRC side, imports from Taiwan in 2001 were second behind those from Japan and slightly ahead of those from the U.S. Taipei's statistics for investment in the mainland, which are at best indicative of trends, showed investment approvals up 7 percent during 2001, with most of the growth in the high-tech sector.

Shortly after Taipei's formal admission to the WTO on Jan. 1, Premier Chang announced that Taipei would take a gradualist approach to implementing its commitment to open its market to the mainland. In mid-January, the Executive Yuan has announced that more than 2,000 additional tariff items would be open to imports from the mainland, increasing permitted items from about 50 percent of all tariff items to 75 percent. Gradual opening of the services sector is planned but will require legislation. A bill to permit PRC citizens to invest in Taiwan real estate was under consideration in the LY in late March. The Executive Yuan completed more general draft legislation to authorize PRC investments in Taiwan business. Beijing continued to state its position that cross-Strait economic issues should not be addressed in the WTO context. However, in late March, the Ministry of Foreign Trade and Economic Cooperation (MOFTEC) launched an anti-dumping investigation into imports of cold-rolled steel from South Korea, Taiwan, and elsewhere – an action that could be the precursor to a WTO case.

During the LY recess, little progress was made in further implementation of the recommendations of the Economic Development Advisory Commission (EDAC) to expand economic ties with the mainland. In January, the first group tour of PRC tourists came to Taiwan. In early February, Taipei authorized eight commercial banks to open representative offices in China. However, the major EDAC-related issue was whether to authorize Taiwan firms to invest in 8-inch wafer fabrication foundries in the mainland. A bitter and important battle raged over the political, economic, and technical aspects of this issue with former President Lee Teng-hui and his Taiwan Solidarity Union leading the opposition and President Chen supporting his key economic officials who were crafting a set of conditions for approving such investments. On March 29, Premier Yu announced a limited and conditional policy for authorizing companies to invest in 8-inch wafer foundries in China. All in all, Taipei made considerable progress in opening its market and reducing restrictions on investments in China.

Since Vice Premier Qian's statement in January, Beijing has shown a more positive attitude toward Taipei's handling of cross-Straits economic ties. In contrast to its cool attitude when the "mini three links" were launched in January 2001, Beijing publicly hailed the first sailing of a PRC cargo ship from Xiamen to Kinmen in March. Moving with considerable speed, Beijing approved in early March representative offices for two of the banks that Taipei had authorized earlier. But this interest has not, as mentioned above, softened Beijing's opposition to talks on economic issues with representatives of the Chen administration. When an issue arose over the treatment of PRC seamen working on Taiwan fishing boats, Beijing would not allow officials of the Chen administration to participate in a delegation of the Taiwan fisheries industry that came to Beijing in mid-March to consult on the issue.

Implications for Policy

Cross-currents are at work in the triangular relationship. While mildly concerned about some steps taken by the Chen administration, Beijing remains relaxed about cross-Straits relations while its attention is focused on pressing domestic issues. Although wanting talks with Beijing on economic issues, Taipei is unwilling to meet Beijing's conditions. With cross-Straits dialogue stalled and encouraged by President Bush's support, Taipei is pressing for improvements in U.S.-Taiwan relations. The Bush administration, still plagued by internal differences over China, is having difficulty finding a balanced way to achieve both constructive relations with Beijing and closer ties with Taipei. Steps Washington has taken with Taiwan are now complicating the position of those in Beijing who want to maintain cooperative relations with Washington.

There are two dangers in these complex cross-currents. Beijing's unwillingness to deal with President Chen encourages Chen to devote greater attention to the politically popular task of strengthening Taiwan's standing internationally and particularly with the U.S. Bush's strong support for Taiwan only entices Taiwan, and its partisans in Washington, to pursue improved ties to the point where Sino-U.S. relations may be harmed. Beijing needs to start dealing with Chen, and Washington should exercise greater caution in handling relations with Taipei.

Chronology of China-Taiwan Relations January-March 2002

Jan. 1, 2002: Taiwan joins the WTO; President Chen Shui-bian urges "constructive cooperation" with China.

Jan. 13, 2002: President Chen announces the word "Taiwan" will be added to ROC passports.

Jan. 13, 2002: PRC Foreign Ministry spokeswoman says adding "Taiwan" is step toward independence.

Jan. 15, 2002: Taipei announces 2,000 plus new items authorized for import from China.

Jan. 18, 2002: Taiwan Affairs Office (TAO) Deputy Zhou Mingwei in Washington.

Jan. 21, 2002: Taiwan Premier Chang Chun-hsiung resigns.

Jan. 24, 2002: PRC Vice President Hu Jintao attends meeting on anniversary of Jiang's eight points.

Jan. 24, 2002: Statement by PRC Vice Premier Qian Qichen contains new formulations on DPP and reference to a new "economic cooperation mechanism" with Taiwan.

Jan. 25, 2002: Mainland Affairs Council (MAC) gives cautiously positive response to Qian.

Jan. 28, 2002: American Institute in Taiwan (AIT) Chairman Richard Bush gives talk in Taipei voicing support for view that "one China" should not be precondition for dialogue.

Jan. 30, 2002: TAO's Zhang amplifies Qian's remarks at end of Taiwan Work Conference.

Feb. 1, 2002: Yu Shyi-ku sworn in as Taiwanese premier; Yu proposes sending economic delegation to China.

Feb. 5, 2002: First group of overseas PRC tourist arrives in Taiwan.

Feb. 6, 2002: U.S. International Trade Commission launches study of U.S.-Taiwan Free Trade Agreement.

Feb. 18, 2002: In Japanese Diet speech, President Bush reaffirms U.S. commitment to Taiwan.

Feb. 20, 2002: MAC's Tsai calls for normalizing cross-Straits economic relations and establishment of a proper "communication mechanism."

Feb. 22, 2002: Qinghua students challenge President Bush on U.S. Taiwan policy.

Feb. 25, 2002: Taipei Foreign Ministry sets up task force on using "Taiwan" in names of unofficial offices.

Feb. 26, 2002: PRC Foreign Ministry spokeswoman criticizes Taiwan for "incremental independence" steps.

Feb. 27, 2002: First PRC ship transports cargo from Xiamen to Kinmen.

Feb. 27, 2002: Taipei reports cross-Straits trade down 7 percent to \$30 billion in 2001.

March 5, 2002: Premier Zhu Rongji's report contains standard low-key statement of Taiwan policy.

March 7 2002: PRC protests U.S. issuance of visa to Taipei Defense Minister Tang Yiau-ming.

March 11, 2002: Defense Minister Tang attends nongovernmental business conference in Florida, meets Deputy Secretary of Defense Paul Wolfowitz and Assistant Secretary of State for East Asian and Pacific Affairs James Kelly.

March 11, 2002: People's Bank of China approves representative offices for two Taiwan banks.

March 15, 2002: Taiwan Representative Chen says TECRO seeks meetings at U.S. State Department.

March 16, 2002: PRC Vice Foreign Minister Li again protests U.S. meetings with Minister Tang.

March 18, 2002: Private Taiwan fisheries delegation ends talks in Beijing on seamen issue.

March 21, 2002: PRC Foreign Affairs spokeswoman hints U.S. visits by Jiang and Hu are in question.

March 23, 2002: Beijing's MOFTEC launches anti-dumping investigation of South Korea and Taiwan.

March 26, 2002: Premier Zhu criticizes U.S. violation of communiqués, calls for cooperation.

March 28, 2002: PRC Foreign Ministry spokeswoman says planning for Hu Jintao visit to the U.S. continues.

March 28, 2002: Executive Yuan approves draft legislation authorizing PRC investments in Taiwan.

March 29, 2002: Premier Yu announces decision of conditional approval for Taiwan investment in 8-inch wafer fabrication plants in the PRC.

North Korea-South Korea Relations: Slow, Stopped, or Stop-go?

by Aidan Foster-Carter
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First, a confession. Because of travel commitments, this article was first drafted in mid-March. Its tone thus reflects the chill in inter-Korean ties at that time. But I did note that “surprises can never be ruled out” – and sure enough, on March 25 came the news that senior presidential adviser and ex-unification minister Lim Dong-won, the architect of the Sunshine Policy, will go to Pyongyang in early April as South Korean President Kim Dae-jung’s special envoy. That falls in the next quarter, so it would be wrong to preempt it now. At first glance it looks driven by concerns about the U.S., such as the Pentagon’s leaked Nuclear Posture Review (NPR) and U.S. President George Bush’s refusal to certify that North Korea is fully in compliance (except at the Yongbyon site) with the 1994 U.S.-DPRK Agreed Framework. While hope springs eternal even in this jaded breast, we shall see if this visit, unlike its many predecessors, ushers in a new phase and a sustained peace process – or is just the latest stop-go.

Winter is Kim Jong-il’s favorite season; the traits he most hates are compromise and surrender. The Seoul daily *JoongAng Ilbo* carried these and other insights (favorite color? Red, of course) into the North Korean leader’s tastes, quoting the February issue of the DPRK literary monthly *Chosun Munhak*. Kim is also cited as detesting flattery and sycophancy, so his 60th birthday on Feb. 16 must have been misery for him. Called *hwan’gap*, this anniversary is traditionally a big one in Korea, and North Korea celebrated it with all its customary pomp and circumstance. More of the same is due in April for the 90th birthday of his late father Kim Il-sung. Such grand events tend to render the DPRK even more introverted than usual and thus weigh against hopes that it might emerge from its bunker and seriously re-engage South Korea any time soon.

Maybe the dear leader’s seasonal preferences account for the long chill that has settled on inter-Korean relations. Someone who equates compromise with surrender would in any case have a problem with the kind of sustained negotiating process, with both sides yielding ground, that the world hoped had finally begun with the June 2000 North-South summit. Twenty-one months later, this seeming breakthrough must now regretfully be filed away with all the other false dawns: 1972, 1985, and 1990-2. Each time, it looked as if North Korea was seriously ready to talk; for a few months or years, talk it did. But every time, although much was said, little was really done. In all cases, sooner or later Pyongyang pulled out, leaving the Peninsula never quite unchanged, yet far less so than had been hoped. Witness the fact that each time talks start, it is from scratch. The 1985

agreement was ignored in 1991, and that in turn was sidelined at the 2000 summit. Despite an overused Korean proverb – *sijaki banida*: the first step is half the journey – only the second step, if and when it ever comes, will prove that a real peace process is at last under way.

Straws and Sensitivities

Even the current South Korean government, nine months away from a presidential election that it looks set to lose, now seems readier to accept that Kim Jong-il, through action and inaction, has definitively and fatally rained on Kim Dae-jung's Sunshine Policy. Some clutching at straws continues. Movement is seen on the northern side of the stalled cross-DMZ road-rail link and for a moment hearts leap in Seoul. The fiercely anti-communist KCIA of old would be startled to hear its cleaned-up successor, the National Intelligence Service (NIS), earnestly tell the ROK National Assembly on Feb. 26 that not only the North's economy but even its human rights are improving. Both might be true; yet the suspicion persists that, as ever, what the Blue House wants to hear sets the agenda. Similarly, much that might upset North Korea has vanished from the NIS website and that of Koreascope, believed to be of the same provenance. *Vantage Point*, Seoul's main English-language monthly on North Korea, was switched from hawkish military intelligence types at *Naewoe Press* to the official *Yonhap News Agency* under Kim Keun, a DJ trusty. It is still scholarly and useful, but with an equal and opposite bias from before. It will be intriguing to see which way these jump if from next year South Korea's next president is, as widely expected, either the main opposition leader Lee Hoi-chang or some other conservative.

As readers may surmise, broad longer-term ruminations like this mean there is sadly little news to report on inter-Korean relations currently. As of mid-March, the two sides had not officially met this quarter. Neither – though surprises can never be ruled out in this area – did there seem any immediate prospect of improvement. On this, the official mood in Seoul shifted palpably during the quarter. After many appeals to Pyongyang to resume both inter-governmental talks and the family reunions organized by the Red Cross, on March 4 Unification Ministry sources said there will be no more official South Korean proposals unless and until the North takes the initiative.

Slow and Steady is Seoul's New Stance

The same day, a meeting of the ROK's National Security Council produced the headline: "NSC to bring North to table slowly." Ministers reportedly favored a steady approach in consultation with other concerned powers, above all the U.S. This was one of those quarters where the most significant events cross-cut *Comparative Connections'* bilateral boundaries. Even at the best of times, inter-Korean ties cannot be considered without factoring in the U.S. role: not only due to the ROK-U.S. security alliance, but because Pyongyang regards U.S. positions as paramount. So President Bush's Jan. 29 designation in his State of the Union address of North Korea, along with Iran and Iraq, as an alleged "axis of evil," predictably did nothing to make Pyongyang more inclined to sit down with

either Washington or Seoul. Many in South Korea reckon it is not just Kim Jong-il who has cast a cloud over Sunshine, but “friendly fire” from Washington as well.

All in all, slow and steady is Seoul’s only option at the moment. A further, domestic reason for this, as press comment noted, is that any hasty overtures to Pyongyang at this time, even if they bore fruit, risk being interpreted as electioneering and so could cause a backlash. Thus even if Kim Jong-il suddenly decided to visit Seoul after all, Kim Dae-jung – who spent most of 2001 asking him to fulfill this pledge – would now think twice before agreeing. What in 2000 or even in 2001 would have been received with optimism, now risks only deepening cynicism. In any case, the Dear Leader will now wait and see who next occupies the Blue House – all the way until February 2008. Lee Hoi-chang, the current favorite, has been called a “human scum” by DPRK media for his criticisms of the Sunshine Policy as appeasement. He would be less generous than Kim Dae-jung and more insistent on reciprocity. Yet even he did not endorse Bush’s “axis of evil” phrase.

Kumgangs and Goings

In the absence of any official contact, the inter-Korean main event this quarter was due to be a meeting of civic groups at Mt. Kumgang in late February to celebrate the lunar new year: not an official holiday in the North, unlike the South, though Kim Jong-il’s birthday partly substitutes. The last such gathering, held in Pyongyang last August, generated a furious row in Seoul after a few Southern leftists danced to the North’s tune; it caused the resignation of Unification Minister Lim Dong-won, the architect of Sunshine, and the collapse – for the second time – of the ruling Millennium Democratic Party’s coalition with the small right-wing United Liberal Democrats.

This time the government was taking no chances and banned 40-odd activists from attending. A further 216 made the trip and were already at the North’s mountain resort when the Northern preparatory committee summarily announced that the event was off. Southerners who stayed and remonstrated gathered that the last-minute order had come from Pyongyang. The DPRK statement blamed “rightist forces” in South Korea and the U.S., claiming absurdly that pressure from the latter was responsible for the 40 fellow-travelers being forbidden. More moderate NGOs on their return opined that such big events were no longer worth the risk, as cancellation cost too much time and money (even though the Unification Ministry shoulders the financial burden).

Meanwhile, smaller-scale and lower-key civilian exchanges – the lasting and wholly positive legacy of the Sunshine Policy, whose momentum no future government in Seoul will now stop – also continued; although not altogether smoothly. On March 7 the Seoul daily *Chosun Ilbo* reported that Pyongyang was currently putting off all Southern visitors, except business ones. The latter continued to ply a modest trade. January’s total was \$28.2 million, comprising \$20.8 million in Northern exports and \$7.4 million from the South, although \$4 million of the latter was aid rather than trade. One hundred fourteen firms were involved, 40 of whom had goods made up in the North (processing on commission or POC). This volume, around \$300 million annually, has persisted for several years now. For South Korea it is minute, but for the North these exports are

second only to what it sells to Japan. The potential is much greater if only a project like Hyundai's proposed export zone near Kaesong – which had planned exports rising to \$20 billion a year – ever got off the ground. But as with all the schemes agreed at or after the June 2000 summit – not least an inter-Korean road and rail link, essential if Kaesong were to become a Shenzhen – when or if this will happen is now uncertain.

The future of Kumgang itself as a resort has also been in doubt, with falling tourist numbers and Hyundai Asan's losses rising as a result. Seoul's belated and contentious decision to prop up the project stems the red ink, or transfers it to the taxpayer. On March 3, the Korea National Tourism Organization (KNTA) finalized a deal to buy Hyundai's Kumgang hotel and spa for 46.2 billion won. This would take KNTA's total stake to 76.6 billion won (almost \$60 million), and enable Hyundai to pay most of its fee arrears to Pyongyang. But boosting numbers will be harder: Kumgang's novelty has worn off, and subsidized trips for the elderly and students do not sound like a recipe for profitability.

Football or Food?

Although on paper the omens are not good, it is North Korea's nature to spring surprises. What might it have up its sleeve? Brent Choi (Choi Won-ki), one of Seoul's most astute Pyongyang-watchers, reckons Kim Jong-il may not let slip his last chance with Kim Dae-jung entirely – as he did with then-President Clinton, by failing to start missile talks sooner. Writing in *Foreign Policy in Focus*, Choi suggests that Kim “could mix informal cultural and economic contacts with more formal political ones ... to keep aid and revenue flowing without sacrificing his pride.” Specifically, a Northern football team might come South during the World Cup in June; while Southern tourists head to Pyongyang to see Arirang, North Korea's biggest ever mass-game spectacular.

The North is certainly keen to attract tourists and their money. Arirang has its own websites, in Japanese even. Yet as with the Olympics 14 years ago – when, admittedly, the political climate was very different – the DPRK was offered a piece of the soccer action. It chose to look this gift horse in the mouth and mount Arirang as a rival (dream on) instead. With each side now busy ensuring that its own big event goes smoothly, it is very late to start talking exchanges. Still, if at the last minute Kim Jong-il does show willing, Kim Dae-jung will do his best to oblige.

Aid is a surer bet. One consequence of Pyongyang's on-off tergiversations on dialogue last fall was that 300,000 tons of grain offered by Seoul did not get sent. But this is one offer that the North truly cannot afford to refuse, utterly dependent as it remains on outside food aid. By the end of February, this year's UN World Food Program (WFP) appeal of \$215 million was only 25 percent funded; this time last year, 50 percent had been secured. Donor fatigue and Afghanistan are factors.

Seoul has pledged 100,000 tons of grain and delivery began in March. It may yet give much more, for reasons other than charity. South Korea is awash in rice, yet Southerners eat ever less of it. Last year's bumper harvest – even the North had its best crop in five years – sent prices plummeting, prompting angry protests by farmers. Stockpiles now top 1.4 million tons, and the government wants to clear at least half of this before this year's harvest adds to the pile. The obvious answer, as suggested by the state-run Korea Rural Economic Institute on March 7, is to send most or all of it North. Even the Grand National Party (GNP), mindful of the farming vote, supported last year's grain offer. In the past Seoul has also sent fertilizer, which would have to arrive by May to be of use. How far to try to extract some political *quid pro quo* from Pyongyang will, as ever, be a matter for debate.

The food gap between the two Koreas was starkly highlighted in an ROK government report in March. Last year, 47 million South Koreans wasted more food than 23 million North Koreans ate – 2 million tons of vegetables, 1 million tons of meat and fish, half a million of grain, 200,000 tons of fruit and more: totaling 4 million tons and costing \$300 million to dispose of. Meanwhile Northern consumption was 3.9 million tons, most of which was basic staple grains. Statistics such as these cut two ways. The South can easily afford to feed the North – but come reunification, how could the North ever catch up?

Fugees in da House: From Trickle to Flood?

The past quarter's torpor in inter-Korean ties was rudely shattered in mid-March by a salutary reminder that states are not the only actors. The well-publicized entry of 25 North Koreans into the Spanish Embassy in Beijing on March 14, swiftly followed by deportation to Manila and on to Seoul, focused attention once more on DPRK refugees in China – and the growing militancy of nongovernmental organizations (NGOs) campaigning on this issue, which means this thorny trilateral issue will not go away.

Unlike last July, when a similar group entered the United Nations High Commissioner on Refugees' Beijing office, China moved quickly to settle the immediate issue. But like then, predictably, it also reacted by reportedly cracking down on refugees in its border regions. Activists like the ubiquitous Norbert Vollertsen, the German doctor expelled from North Korea in 2000, threaten to continue such stunts – including disrupting the World Cup in South Korea in June – to highlight what they see as China's suppression and South Korea's complicity in discouraging defectors. While the Sunshine Policy has played down this and all North Korean human-rights issues, the opposition GNP has said that, if it takes power next year, it will be more robust on the question. If so, this will pose new challenges for not only North-South but also Sino-Korean ties.

The latest incident also forces South Koreans to confront their own ambivalence. Pious talk of reunification does not help the few (under 2,000) Northern defectors in their midst, who mostly find life hard. What then if a German scenario suddenly bumps the numbers up to 23 million?

Envoi

“The people’s happiness is my happiness.” Thus Kim Jong-il, in the above mentioned interview. He added that his goal in life is to create a lasting legacy. As Kim Dae-jung’s presidency limps toward a sadly lame-duck conclusion, at least the Nobel peace prize winner’s place in history is secure. Kim Jong-il will be remembered too – but the question is: for what? There is still just time to retrieve something of the June 2000 summit’s high hopes. But the clock is ticking fast.

Chronology of North Korea-South Korea Relations January-March 2002

Jan. 2, 2002: South Korea’s unification minister says his ministry’s prime goal this year is to realize Kim Jong-il’s visit to Seoul, but that this can be neither guaranteed nor predicted.

Jan. 4, 2002: The ROK’s National Intelligence Service (NIS) reports that 583 North Koreans defected to South Korea last year, almost twice as many as in 2000.

Jan. 4, 2002: Pyongyang is reported as opposing plans of the Korean Peninsula Energy Development Organization (KEDO) for a satellite communication link between South Korea and the consortium’s nuclear reactor site at Kumho, North Korea.

Jan. 6, 2002: Seoul denies a local press report that it plans to offset Hyundai Asan’s losses on the Mt. Kumgang tourism project from the Inter-Korean Economic Cooperation Fund.

Jan. 8, 2002: North Korea invites the South’s Council for Reconciliation and Cooperation to Pyongyang to discuss a joint lunar new year event.

Jan. 15, 2002: South Korea’s Red Cross returns three Northern fishermen, rescued at sea by a Russian merchant ship and dropped off at the Southern port of Chinhae, via Panmunjom.

Jan. 17, 2002: Kim Dae-jung says he has had a report that the North may be resuming work on cross-border rail links.

Jan. 21, 2002: South Korean opposition leader Lee Hoi-chang says he opposes official aid for the Mt. Kumgang tourism project absent concessions by North Korea.

Jan. 21, 2002: A joint meeting of the government, political parties, and social organizations in Pyongyang expresses its intention to re-establish inter-Korean dialogue at all levels.

Jan. 23, 2002: The ROK Unification Ministry reports that last year 1,686 one-way North-South sea voyages (down 18.7 percent) carried 837,000 tons of cargo (up 19.1 percent).

Jan. 29, 2002: Jeong Se-hyun, a former vice minister and NIS special advisor, replaces Hong Soon-young as unification minister.

Jan. 30, 2002: South Korea gives \$19 million to provide 100,000 tons of corn to the North via the WFP.

Feb. 5, 2002: DPRK media confirms that North and South have agreed, at a working meeting in Pyongyang, to hold a joint lunar new year festival at Kumgangsan toward the end of February.

Feb. 5, 2002: South Korea's new foreign minister, Choi Sung-hong, calls on North Korea to resume talks with both South Korea and the U.S.

Feb. 6, 2002: Pyongyang radio urges South Koreans to protest U.S. President George Bush's visit to Seoul.

Feb. 7, 2002: The unification minister says South Korea will seek to open a direct air route to the KEDO's reactor site at Kumho in North Korea for workers and emergency medical teams.

Feb. 9, 2002: Ten North Korean defectors arrive in South Korea via "a third country" (usually China), bringing this year's total to 54.

Feb. 19, 2002: A Korean People's Army sergeant defects across the front line near the South's new Dorasan rail station, just a day before Presidents Bush and Kim Dae-jung visit the same spot.

Feb. 26, 2002: Over 200 South Korean activists leave Seoul for lunar new year celebrations at Mt. Kumgang.

Feb. 27, 2002: After arriving in Kumgangsan, the Southern delegates learn that Pyongyang has cancelled the joint event.

Mar. 3, 2002: A DPRK statement blames the breakdown of the planned joint lunar new year event on the U.S. and anti-reunification forces in South Korea.

Mar. 4, 2002: The South's Unification Ministry says that if the North agrees to resume family reunions, it will consider Mt. Kumgang as a venue.

Mar. 8, 2002: Hyundai Asan says it has paid \$1.3 million in tourist fees to North Korea.

Mar. 8, 2002: The unification minister says Seoul may restrict travel by Northern defectors after one returned to the North for his wife, was caught, and reportedly shot, but escaped again.

Mar. 8, 2002: South Korea said it will send anti-malarial drugs and equipment worth \$700,000 to North Korea next month via WHO.

Mar. 8, 2002: god (gee-oh-dee), a South Korean boy band, are to visit North Korea later this month and plant trees as goodwill envoys of the New Millennium Life Movement, an NGO.

Mar. 10, 2002: North Korean tourism officials visiting Japan reportedly want up to 10 flights daily between Seoul, Pyongyang, and Beijing during the World Cup and Arirang festival.

Mar. 14, 2002: Twenty-five North Korean refugees seek asylum in the Spanish Embassy in Beijing.

Mar. 15, 2002: China allows the 25 North Korean refugees to be flown to Manila, Philippines.

Mar. 18, 2002: The Twenty-five North Korean refugees – six families and two orphan girls – arrive in Seoul.

Mar. 18, 2002: *Rodong Sinmun*, North Korea's ruling party newspaper, questions the possibility of inter-Korean dialogue while U.S.-DPRK relations remain aggravated.

Mar. 19, 2002: Senior presidential secretary Lim Dong-won warns that 2003 could see a new security crisis as in 1994. He also reveals that 150 Southern firms are operating in North Korea, and some 800 South Koreans are living in Pyongyang, Kungang, and the Sinpo nuclear site.

Mar. 19, 2002: An ROK Red Cross youth delegation, returning after handing over gifts worth \$470,000 at Nampo port, says North Korea has asked for Southern fertilizer aid.

Mar. 25, 2002: Both Koreas announce simultaneously that ROK senior presidential secretary Lim will visit Pyongyang in early April as Kim Dae-jung's special envoy.

Mar. 26, 2002: North Korean media condemn joint air combat exercises of U.S. and South Korean troops as a "frenzied exercise in preparation for air battle."

China-Korea Relations:

Transit, Traffic Control, and Telecoms: Crossing the “T’s” in Sino-Korean Exchange

by Scott Snyder

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The dramatic entry of 25 North Korean refugees into the Spanish Embassy in Beijing – an event staged by a network of international North Korean human-rights activists – has highlighted the plight of North Korean refugees, put at risk an informal network of primarily South Korean nongovernmental organizations (NGOs) that had assisted North Korean refugees to come to Seoul with tacit approval from the Chinese government, and presented the governments in Beijing and Seoul with a knotty issue they have repeatedly tried to avoid. Although the trade relationship continues to develop at a breakneck pace with South Korean efforts to crack China’s telecommunications and Internet services sectors, China’s exports to South Korea these days are not so impressive: North Korean refugees, drugs, illegal migrants, and an increasingly serious “yellow dust” of spring, which interrupted Korean daily life due to high levels of poisonous particles from the Gobi Desert in Inner Mongolia. (No wonder Beijing faces a chronic trade deficit with Seoul!)

Perhaps most striking this quarter is that despite a visit to China by National Assembly Speaker Lee Man-sup in January and a two-day visit to Beijing by ROK Foreign Minister Choi Sung-hong to discuss South Korea’s latest diplomacy with the North and to manage growing concerns regarding PRC management of North Korean refugee issues, the real action in the relationship this quarter has been driven by NGOs and business interests. The two governments are struggling simply to keep up with events on the eve of the 10th anniversary of Sino-ROK normalization.

The “Underground Railroad” Surfaces with an Unauthorized Stop in Beijing

A network of international human-rights activists focused on North Korea’s situation has made dramatic efforts to target the PRC’s policy of not recognizing North Koreans who cross the border into China as refugees and of failing to allow access to border regions by the offices of the UN High Commissioner for Refugees. The opportunity for planning and coordination by this NGO network occurred in connection with the third “International Conference on North Korean Human Rights and Refugees,” held in Japan on Feb. 9-10, 2002. At that meeting, international NGOs publicly criticized China’s human-rights record, demanding that China not only grant legal refugee status to North Koreans in its border areas but that it also allow foreign NGOs and religious groups to

help these people resettle in third countries. German doctor Norbert Vollertson, the most visible spokesman among these activists, described the strategy as an attempt to destabilize the DPRK regime by establishing refugee camps on the Chinese border with the North, saying “We would try to create a flood, spreading information about the camps through the underground railroad across North Korea.”

The execution of the event itself on March 14 was a dramatic success, as the NGO network was able to successfully stage the defection of 25 North Korean refugees to the Spanish Embassy in Beijing and draw the attention of the international media to their plight. This event constituted the largest single mass defection of North Koreans to the South. The PRC government pragmatically followed the now widely accepted formula for such cases, quickly facilitating the group’s transit to a Southeast Asian country (in this case, the Philippines), from which the group arrived in South Korea with relatively little difficulty on March 18.

The NGO network attracted media attention while facilitating the arrival of 25 North Korean refugees, but the hubris accompanying their dramatic and unexpected success has set into motion a harsh and effective response from Beijing. As South Korean human-rights activists were naively making public announcements that their next activity would be to organize the simultaneous defection of hundreds of North Korean defectors to locations across Beijing, the PRC government responded by cracking down on North Korean refugees in China and identifying international participants in the North Korean human-rights network as *persona non grata* and systematically denying them visas to enter the PRC. In short-sighted pursuit of individual publicity and on a bet that the PRC government had no choice but to accept international humiliation, these NGO activists have needlessly put at risk hundreds of North Korean refugees who might have otherwise quietly followed an admittedly arduous but relatively effective route to South Korea. One need only examine the Falun Gong case to recognize that public demonstrations in Beijing and premised on surprising or embarrassing China’s public security department and senior leadership are counterproductive and do not persuade the Chinese leadership to respond constructively to these issues.

The first gathering of international NGOs to discuss North Korean human rights in October 1999 originally placed this issue on the bilateral agenda between Beijing and Seoul (see “Deepening Intimacy and Increased Economic Exchange,” *Comparative Connections*, Vol. 1, No. 3). Estimates of the number of North Korean refugees illegally staying primarily in Jilin and Liaoning Provinces in the PRC range from official estimates of 10,000-30,000 to unofficial estimates of 100,000-300,000. From the mid-1990s, the flow of North Korean defectors has increased exponentially to over 148 in 1999, over 312 in 2000, and over 583 last year. This year, defections are occurring at a slightly higher rate than in 2001, and the adaptation of North Korean defectors to South Korean society is a social strain that is just beginning to emerge in Seoul. Some defectors have returned to China and North Korea in attempts to contact and bring family members to Seoul; in February, a defector was prevented from boarding a flight to Seoul from China with two North Korean family members who had been hiding illegally in China for some months and did not have appropriate travel documents. This case and others are

being worked quietly through official negotiations between Seoul and Beijing. Even more vexing is the issue of how the ROK government may deal with North Korean defectors who become South Korean citizens and are subsequently detained if they return illegally to the North.

The Chinese government has consistently claimed that North Korean refugees cross the border primarily for economic reasons and often stay for only a short time before returning to North Korea with goods and money for their families. The tacit *modus operandi* that has been in place since the late-1990s was that the PRC would tolerate quiet activities by South Korean NGOs to assist North Korean refugees in China and even to facilitate their asylum in South Korea via third countries, but that public attention to these activities would not be tolerated. There had been an active crackdown on North Korean refugees during the summer of 2001 in Jilin Province as part of the nationwide “Strike Hard” campaign against corruption and social ills. Several of the defectors who arrived at the Spanish Embassy had spent substantial time in China but had been captured as part of the “Strike Hard” campaign, repatriated, and escaped again from North Korea to avoid back-breaking and possibly life-threatening punishment in North Korean penal camps. (Prior to the mid-1990s, repatriated North Korean refugees would certainly not have found a second chance to escape to China.)

Compared to previous winters, the flow of new North Korean refugees into Yanji in Jilin Province is reported as dramatically reduced this year as a result of more effective North Korean border controls and improved internal food availability. Compared to five years ago, the refugee situation in northern China is quite stable. However, South Korean NGOs that have operated shelters for long periods of time find that those under their care can neither integrate into Chinese society nor return to the DPRK without risking their lives. Thus, the only realistic and truly humanitarian option for these individuals is to defect to South Korea. To relieve the current pressure in a humanitarian way, one pragmatic option for consideration would be the negotiation of an orderly and quiet transit to Seoul of long-term North Korean refugees who have been under the protection of South Korean NGOs in China for one year or more. At the same time, South Korean nongovernmental attempts to influence ROK foreign policy on key issues are only likely to increase as part of the impact of democratization on South Korean foreign policy. These influences will inevitably complicate official relations with South Korea’s key partners, including China and the United States. The challenge for South Korean officials is to more effectively incorporate and represent public opinion in ways that enhance South Korea’s national interests.

The Dark Side of a Burgeoning Sino-ROK Exchange Relationship

The consistent theme of the Sino-ROK relationship during the past decade has been the rapid development of the economic relationship, which has occasionally overshadowed some of the other more complicated aspects of Sino-Korean exchange. We now turn to an inventory and update of the “dark clouds” on the edges of the relationship –mentioned individually in previous issues of *Comparative Connections* but not presented comprehensively.

The most serious problems in the relationship are directly related to consular issues that have arisen with the dramatic rise in person-to-person exchange between China and South Korea to about 2 million persons per year. South Korean tourists topped 1.6 million people, while Chinese tourism to Korea increased by over 20 percent to about 337,000 last year. (The lack of Chinese signage and Chinese language capabilities will be a source of irritation to Chinese visitors during the World Cup, which has been projected to attract over 60,000 Chinese to South Korea.)

South Korea has been identified as a destination for illegal immigration from the PRC. The most dramatic example occurred last fall with the deaths of scores of Chinese who had been locked into airtight containers aboard a Korean ship that had taken on illegal immigrants in the East China Sea (see “Keeping the Eye on the (WTO) Prize While Containing Consular Crises,” *Comparative Connections*, Vol. 3 No. 4), but two additional incidents have become known this year. First, 20 Chinese illegal immigrants were detained at Gunsan port for illegal immigration from Dalian, and 43 Chinese traveling on tourist visas were processed through Incheon airport on the afternoon of March 16 and subsequently disappeared from the tour group in which they were traveling after passing through customs. They are suspected of having been met and taken away from the Incheon airport by a Korean broker. Many successful cases of illegal immigration obviously may not be reported to the authorities, but the rise in the reports of failed attempts does not necessarily imply increased effectiveness on the part of South Korean Coast Guard or immigration authorities.

Even among foreign workers who have technically come to South Korea under legal auspices from China as well as Central and Southeast Asia there is a continuing problem with labor exploitation. South Korean NGOs have reported over 70 “mysterious” deaths among migrant workers since June 2000, and there are now over 360,000 foreigners in South Korea as industrial trainees, over two-thirds of which are reported to have overstayed their work visas. Korean-Chinese migrant workers held demonstrations March 28 to protest ROK government policies and discriminatory corporate working conditions. Some Chinese-Koreans in the Korean Autonomous Region of Yanbian are reported to be buying World Cup tickets with the idea that it may also facilitate their illegal immigration to Korea by guaranteeing them an entry visa.

Excluded from the 1.6 million Korean tourists in China are four South Korean National Assemblymen who have been pursuing the revision of a 1999 act to give special privileges to ethnic Koreans residing overseas, a provision that was declared unconstitutional on the basis of the fact that it discriminated against ethnic Korean citizens in China and Russia (see *Comparative Connections*, Vol. 3 No. 4). However, the Chinese government sternly opposes measures that might give Korean-Chinese rights approaching dual citizenship and has twice denied the legislators visas to conduct four days of interviews in Beijing, Shenyang, and Yanji. Now, there is a lengthening list of South Korean NGO activists on the consulate’s visa blacklist.

China has also become a dangerous destination for South Korean businessmen and tourists. Over 100 Koreans are reportedly being detained in China for a variety of reasons, and the execution of a Korean citizen for drug trafficking without receiving proper representation from the South Korean government was a major scandal in the latter part of 2001. Three South Koreans have been murdered in business disputes in China during the first quarter of this year alone. The South Korean Embassy in Beijing has reported that over 15 Koreans were murdered, 177 assaulted, 95 kidnapped or illegally confined, and 64 robbed during the course of the past three years, and over 1,800 ROK passports have been reported missing in China, some of which were probably used to “process” illegal immigration by Chinese and ethnic Korean-Chinese (*Chosonjok*) into South Korea.

The increase in drug use among South Koreans has been highlighted by the recent arrests of a number of Korean celebrities for using methamphetamines and other drugs, over 90 percent of which are believed to enter the country from China. The Korean customs service interdicted over 31 kg of drugs last year and is beefing up its narcotics divisions and attempting to screen flights from China more carefully in light of these developments. The South Korean and Chinese governments also signed an extradition treaty earlier this year that will come into force April 11, making it possible to extradite over 100 Korean suspects who have escaped to China.

Another unwelcome import to South Korea from China is “yellow dust” from the Gobi Desert, which has become a more and more vexing dilemma due to environmental degradation in China and an unusually mild and dry winter. For the first time this year, schools and some factories were closed March 22 and 23 in response to the severe dust storms, and the level of particulate matter in the atmosphere soared, causing eye irritation, choking, and other allergic reactions. This phenomenon is the most dramatic impetus for the regional environmental cooperation among Korea, Japan, and China that has developed during the past several years. So far there have been no concrete results in response to this increasingly serious environmental issue.

Finally, trade conflicts will likely increase with the dramatic rise in Sino-Korean economic relations and with China’s entry into the WTO. The Korean Commercial Arbitration Board has reported that Korea’s biggest current problems with China are in the areas of payment, transit, and product quality. Of 79 conflict cases presented to the Board since 1998, 32 were related to the issue of receiving payment on loans, 16 were related to shipment issues, and 15 were related to product quality. Both Beijing and Seoul have begun to test the implications of China’s WTO membership, as South Korea lowered dumping tariffs on Chinese lighters in conformity with WTO rules, while China considered dumping cases against Korea and Japan in the area of polyester staple fiber and steel imports. China’s industrial development plans eventually may challenge Korea’s market leadership in key sectors, including steel, automobiles, electronics, and petrochemicals, according to a recent study by the Korea Economic Research Institute. Given the anticipated flood of Chinese exports and the intense competition to build market share among newly established foreign entrants into China’s domestic market, stay tuned.

Boarding the Telecoms Train: The Superglue of the Sino-Korean Relations

Economic opportunity associated with China's sustained growth is setting the tone of Sino-Korean relations, even despite a global downturn. The economic dynamism of this relationship has been well-rehearsed in past issues of *Comparative Connections* and will be emphasized further as the 10th anniversary of Sino-ROK normalization will be officially marked in August of this year. China's customs office reported that South Korea was the PRC's sixth largest trading partner in 2001, with total trade of \$39.91 billion, up 4.1 percent from the previous year. South Korea trailed the United States, Japan, Hong Kong, and ASEAN, but surpassed Taiwan. The PRC surpassed Japan in the year 2001 as South Korea's second largest trading partner and surpassed the U.S. as South Korea's number one destination for foreign investment. Over 16,000 South Koreans are now studying in China, and South Koreans anticipate no limit to the growth of Sino-ROK trade relations, estimating that two-way trade will top \$100 billion by the time of the Beijing Olympics in 2008.

The biggest areas of opportunity are in the telecommunications and Internet sectors, with the South Korean government making strenuous efforts to expand telecom exports in order to take advantage of Korea's own rapid adaptation and leadership in broadband and ADSL (asymmetrical digital subscriber lines) technologies in addition to its expertise in CDMA (code-division multiple access) handset production and network management. The Ministry of Information and Communication (MIC) is promoting Korea Telecom, SK Telecom, and Hanaro Telecom, which have captured the lead positions in promoting the rapid development of the South Korean broadband market (number one in the world) as an export opportunity to China and other Asian countries interested in investing in their respective national communications infrastructures. The MIC said its 2002 target for exports of info-tech products to China is \$10 billion. SK Telecom has been providing consulting services for successful commercial launches of CDMA technology in Heilongjiang, Fujian, Liaoning, Jiangsu, and Hainan Provinces. Korean companies are trying to take advantage of South Korea's competitiveness in bidding for China's expansion of CDMA infrastructure as a way of building a presence in the China market, which is projected to maintain double-digit growth for some time. Korean Internet and software companies have also aggressively sought Chinese partners in anticipation of the expansion of Chinese content development, including in the gaming areas where South Korean companies have already shown success and popularity.

Another new focus is the concern of Korean companies with capturing domestic market share as China's market opens. Several Korean companies, including Samsung Electronics and LG, have done a very good job of positioning themselves for China's market opening. Sunwards Co., a Korean company that specializes in fashion mall planning and management, announced that it will open a Korean department store in May after recently acquiring the management rights to the Wooi Department Store in Shanghai operated by Wooi Group, China's largest retail distribution company. Korean cosmetics companies, including LG Household and Health Care, Coreana Cosmetics, and Hanbul Cosmetics, have tried to position themselves to enter the China market. Korean small and medium enterprises (SME) expanded exports to China last year by over 17 percent to

\$1.3 billion, and the Korean Small and Medium Business Administration has announced the formation of an “ASEAN Plus Three SMEs Network,” to be established later this year to facilitate regional e-commerce.

Sino-Korean relations continue to ride a wave of economic optimism that has been able to drown out an increasingly diverse array of negative concerns that have arisen in the relationship. It will be interesting to see whether these issues build up to a point where they affect the burgeoning trade relationship and to what extent the current unbounded optimism over the future of the economic relationship remains justified.

Chronology of China-Korea Relations January-March 2002

Jan. 2, 2002: South Korea slashes tariffs on 250 imported products from China by about 30 percent and China cuts tariff rates by 3.6 percentage points on 691 Korean products in accordance with China’s joining the Bangkok Agreement.

Jan. 9-17, 2002: National Assembly Speaker Lee Man-sup meets with Chinese leaders in Beijing to discuss the situation on the Korean Peninsula and Sino-South Korean relations.

Jan. 11, 2002: South Korean Minister of Information and Communications Yang Sung-taek announces that Korea will participate in China’s second bid for CDMA equipment in the first quarter of the year with mobile telecom equipment based on the cdma200-1x format.

Jan. 15, 2002: Seoul City plans to develop a “little Chinatown” in selected districts in western Seoul, building upon a Chinese community there.

Jan. 17, 2002: The Korea Economic Research Institute projects that a three-way free trade agreement with Japan and China would improve Korea’s trade balance by \$12 billion annually.

Jan. 22, 2002: Incheon International Airport Customs will toughen drug surveillance in response to drug smuggling, most of which is suspected to involve methamphetamines smuggled from China.

Jan. 26, 2002: Maritime police arrest 20 Korean-Chinese who attempted to illegally enter Korea from Dalian, PRC, at the port of Gunsan, North Jeolla Province.

Feb. 1, 2002: Chinese authorities arrest a North Korean defector with South Korean citizenship at an airport in Harbin, Heilongjiang Province, when he tried to board a flight for South Korea with his daughter and granddaughter, who did not have proper travel documents.

Feb. 14, 2002: China's customs bureau announces that South Korea was China's sixth largest trading partner last year, after Japan, the United States, the European Union, Hong Kong, and ASEAN.

Feb. 26, 2002: Business leaders from the ROK, Japan, and China announce they will launch the inaugural meeting of a joint business consultative body, tentatively named "Korea-Japan-China Business Forum," during the second half of this year in Seoul.

March 1, 2002: Seoul expresses concern to Beijing over a series of homicides in China involving Korean victims, calling for a thorough probe of the incidents.

March 10, 2002: The ROK Ministry of Information and Communication announces that Korea and China will sign a memorandum of understanding the next month on cooperation in fourth generation mobile communication technology.

March 11, 2002: Kim Ha-joong, the ROK ambassador to China, and Chinese Vice Foreign Minister Wang Yi follow up ratification of an extradition treaty between the PRC and South Korea set to take effect April 11.

March 13, 2002: China refuses for the second time in two months to issue visas to South Korean lawmakers responsible for preparing a bill that would allow millions of ethnic Koreans into the country to visit and work in Korea freely.

March 13, 2002: China completes a procedural investigation as a precursor to determining whether anti-dumping charges on Korean polyester staple fiber are warranted.

March 13, 2002: Unification Minister Jeong Se-hyun meets with Wang Jiarui, deputy head of the External Liaison Commission of China's Communist Party, to discuss inter-Korean dialogue and Seoul-Beijing relations.

March 14-18, 2002: Twenty-five North Korean defectors, supported by a coalition of international human-rights activists, enter the Spanish Embassy in Beijing and request asylum. PRC authorities promptly arrange for their transfer to the Philippines, with onward travel to Seoul.

March 15, 2002: Forty-three Chinese tourists disappear from their tour group after passing through customs at Incheon International Airport, sparking a nationwide search.

March 21, 2002: The worst "yellow dust" storm in 18 years hits Seoul, leading to plant and school closings and posing a serious health hazard for Korean residents.

March 25, 2002: North Korean defectors and human-rights activists protest China's policy toward North Korean refugees in front of the Chinese Embassy in Seoul, and threaten to launch a campaign to boycott the 2008 Beijing Olympics.

March 28, 2002: South Korean Foreign Minister Choi Sung-hong meets in Beijing with PRC Foreign Minister Tang Jiaxuan to brief him on the purpose of a planned April 3-5 trip to Pyongyang by Lim Dong-won, President Kim Dae-jung's special envoy, and to discuss disputes over China's policy toward North Korean defectors hiding in China.

March 29, 2002: A candlelight vigil by some 1,000 Korean-Chinese workers in Seoul is held to protest South Korean government policies toward migrant workers.

Japan-China Relations:

Smoother Sailing across Occasional Rough Seas

by James J. Przystup

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1972-2002: 30th Anniversary of the Normalization of Japan-China Relations

On Jan. 7, the *Asahi Shimbun* devoted its editorial to the Japan-China relationship. In a retrospective as well as prospective look at the bilateral relationship, the *Asahi* observed that relations with China over the past 30 years had endured a number of twists and turns. But looking back, the *Asahi* saw that ties have gradually deepened and, in turn, contributed to regional peace and stability.

The original constructs for the relationship, Japan as economic superpower and China as the world's largest developing country, have experienced a qualitative change as Japan has stagnated for more than a decade while China has attracted foreign investment and become the world's factory. In Japan, this has resulted in concerns about a loss of competitiveness and apprehension over the emergence of China as an economic threat. And, as underscored by last year's controversy over agricultural safeguards, economic problems have become politicized.

The *Asahi's* answer was to quote from a column written in October 1972, a month after normalization, in which China's economic transformation was envisaged as well as the eventual pressure that low-cost, quality goods from China would put on Japanese industries. This, the column argued, would only be a natural development. The answer for Japan would be to devise in both its industrial structure and in its intellectual/manufacturing infrastructure policies that will allow it to compete in the future. Thirty years later the writer of that column still saw China's development as a historical necessity and argued that the challenge for Japan, now as then, is to find a path that would allow for co-existence and co-prosperity with a developing China.

Off the Editorial Page ... Planning for the Anniversary

The following day conductor Ozawa Seiji and producer Asari Keita called at the prime minister's residence to discuss the joint Japan-China production of *Madame Butterfly* in Beijing – a venture that Prime Minister Koizumi Junichiro had promoted to advance bilateral exchanges during the 30th anniversary year.

At the end of the month, senior political figures Nonaka Hiromu and Koga Makoto of the Liberal Democratic Party (LDP), Kanzaki Takenori of the Komeito, and Nikai Toshihiro of the Conservative Party met in Osaka to discuss activities to mark the anniversary year. Plans would include the dispatch of some 10,000 Japanese visitors to China and the welcome of some 3,000 Chinese visitors. The four agreed to serve as sponsors for an association of parliamentarians from the three ruling parties, which would aim to promote commemorative activities. The association was formally established on Feb. 4 with former Prime Minister Hashimoto Ryutaro serving as chairman.

Meanwhile, in Beijing, 53 Japanese representatives of nongovernmental Japan-China Friendship Organizations met with PRC President Jiang Zemin on Jan. 28. Jiang repeated his formulation of looking to the future using history as a mirror and emphasized the importance China's third generation of leaders attached to the development of nongovernmental relations between the two countries. The following day, Foreign Minister Tang Jiaxuan hosted a reception for the Japanese visitors and underscored the importance of Jiang's remarks. To facilitate study trips of Japanese primary, middle, and high school students, The *People's Daily* reported that the government had decided to do away with visa requirements for groups of five or more students for visits of up to 30 days.

On Feb. 9, President Jiang met with a delegation from the ruling coalition's Conservative Party. Jiang underscored the importance of the relationship to the people of both countries. In his presentation, the president argued that a prosperous China would benefit not only the Chinese people but Japan and the international community as well, and that the peaceful development of Japan would benefit China and Asia. In a departure from previous remarks, Jiang did not refer to the issues of history and refrained from using his "history as a mirror" formulation. According to the *Asahi*, however, China's *Xinhua News Agency* reported that Jiang did urge both countries to teach the next generation a correct understanding of history.

Prime Minister Koizumi's dramatic firing of Foreign Minister Tanaka Makiko, largely for domestic political reasons, cast a passing shadow on 30th anniversary preparations. In 1972, Tanaka's father, then-Prime Minister Tanaka Kakuei, had visited China to effect the normalization of relations. In Beijing and in Tokyo, the foreign minister was regarded as a member of the pro-China faction of the LDP. On the evening of Jan. 29, *Xinhua News Agency* unofficially expressed concern over the implications of Tanaka's dismissal for the bilateral relationship, which, in Beijing's eyes, had only recently begun to move in the right direction.

(At the end of March, Tanaka and her husband traveled to China and were received in Beijing with Cabinet-like status. Li Peng, chairman of the Standing Committee of National People's Congress, met the party at the airport, and Tanaka later met with Li and Chinese Foreign Minister Tang among other high-ranking officials. The Foreign Ministry's deputy spokesperson observed that China never forgets "an old friend.")

Tanaka's successor Kawaguchi Yoriko moved quickly in a telephone call to China's foreign minister to reassure Beijing of her intention to improve relations with China across the board during the anniversary year. The new foreign minister also expressed her interest in visiting China but had yet to firm up her diplomatic travel schedule.

In early March, sources in Beijing reported that preparations were underway for a visit to Japan by Vice Premier Wen Jiabao sometime in early May. Widely seen as a strong candidate to succeed Zhu Rongji as premier, Wen's visit was viewed as another indication of the importance China's leadership attached to relations with Japan. Meanwhile, preparations moved ahead for the April visit of Li Peng to Japan.

Dealing with Issues and Expanding Cooperation

Efforts were also made at the bureaucratic and private-sector level to deal constructively with a number of sensitive issues affecting the relationship.

In mid-January, police officials met in Beijing to strengthen cooperation on illegal immigration, smuggling, and other organized crime related activities. In a first-of-its-kind step, Chinese police authorities agreed to visit Japan later in the month to develop a first-hand, on-the-scene understanding of Chinese criminal activities there. The authorities also agreed to antiterrorist cooperation with respect to the coming World Cup soccer tournament.

The meeting took place a week after the Japanese Coast Guard's seizure of 150 kg of amphetamines and the arrest of seven Chinese-speaking crew members in the waters off Kyushu on Jan. 7. The coast guard's search and seizure benefited from a tip from Chinese police authorities. The tip marked the third time since November that Chinese authorities had assisted in a potential drug-smuggling case. On March 1, a delegation of mid-ranking Japan Defense Agency (JDA) officials met in Beijing with China's Defense Minister Chi Haotian. Referring to amphetamines smuggling, Chi said that he wanted to take up the issue of Chinese-Japanese cooperation in the matter with JDA Director Nakatani Gen when he visits China later in the year.

At the same time, the Japanese government reached internal agreement on a proposal to establish a comprehensive bilateral mechanism to address economic issues. The mechanism would function at a vice ministerial level and include representatives from Japan's economic bureaucracies, including the Ministry of Economy, Trade, and Industry (METI), the Finance Ministry, and the Ministry of Agriculture, Forestry, and Fisheries. The proposal would call for annual meetings and also establish committees to exchange views on trade and investment issues. With China's entry into WTO and with memories of last year's safeguards dispute still fresh, the Foreign Ministry saw the initiative as a way to prevent similar controversies from arising. The new economic structure would parallel existing bilateral security and diplomatic dialogues. In the Foreign Ministry's view, the proposal reflected Tokyo's willingness to strengthen relations across the board by establishing a rules-based dialogue.

Also affecting Japan-China relations was the problem of trademark infringement of Japanese products and their marketing in China and Southeast Asia. At the end of February, Yamaha, Honda, Suzuki, and Kawasaki, together with Japan's Vehicle Manufacturers Association, dispatched a private-sector delegation to China under the leadership of Yamaha's President Hasegawa Takehiko to meet with their private-sector counterparts.

This marked the first large-scale, Japanese private-sector initiative to deal with the auto-bike trademark infringement problem. Of the existing world demand for auto-bikes, nearly 1 million vehicles, close to half are manufactured in China; of that number, 80 percent are knock-offs and 20 percent of that number find their way into the markets of Southeast Asia.

According to Japanese government statistics, China accounts for 34 percent of the region's counterfeit goods, putting it far ahead of Taiwan (18 percent), and South Korea (14 percent). At the government level, in early February METI Vice Minister Hirose Katsutada raised the issue during a visit to China. The *Asahi Shimbun* credited Beijing with making efforts to deal with the problem at a national level, but, at the same time, noted that compliance at the provincial and local level was another matter. Accordingly, Japan was reaching out to the private sector and working to strengthen cooperation with China's customs and police officials. To counter Chinese knock-offs in Southeast Asia, Honda, on Feb. 19, announced that it would begin to manufacture auto-bikes in Vietnam, giving it a 40 percent cost saving.

Commercial Relations – A Record Year

For the third consecutive year, Japan-China set a new record high in 2001. Total two-way trade, according to figures released by Japan's External Trade Organization on Feb. 12, amounted to \$89.2 billion. The rate of increase, however, slowed to 3.5 percent over the previous year. This was due a steep fall-off in Japan's domestic demand for fabric and clothing, which is now, in large part, supplied from Chinese sources. Likewise, demand for personal computers and office machinery was also down. Overall, imports from China grew at a rate of 5.1 percent, while Japan's exports to China increased at a rate of 2.2 percent.

Over the first quarter, private-sector cooperation continued to expand along with the business operations of Japanese companies in China.

Advancing future economic cooperation, the two governments on Jan. 10 signed a memorandum of understanding to promote cooperation in the field of communications. Both see the agreement as opening the door to joint development in areas such as the next generation of the Internet and third-generation cell-phones. The next day, government and private-sector representatives met with their Chinese counterparts to exchange views at a Japan-China Communications Roundtable.

Seeking to head off another trade conflict involving the application of emergency safeguards, METI put off taking action on a petition filed by Japan's towel manufacturers against towel imports from China. A marked fall in towel imports from China facilitated METI's decision. In 1999, towel imports from China had increased 16.5 percent over 1998; in 2000 the increase amounted to 15.4 percent. However in the period Aug. 2000-Aug. 2001, imports fell to 8.5 percent and 4.2 percent in the period from Sept. 2001 to Jan. 2002.

The Mystery Ship

On Dec. 22, the Japanese Coast Guard intercepted and exchanged fire with an unidentified ship operating within Japan's exclusive economic zone (EEZ). The ship fled from the Japanese Coast Guard, crossing into China's own EEZ, where it was scuttled. Determining the identity of the ship, almost immediately suspected of being a North Korean spy ship from debris found floating in the water at the site of the sinking, became a political issue in Japan. The prospect of raising the sunken ship soon became a diplomatic issue between Tokyo and Beijing.

From the standpoint of international law, the Japanese Foreign Ministry asserted that the ship could be raised even without China's consent because the ship had been scuttled in international waters. Nevertheless, as a practical matter, should a decision be made to raise the ship, it was recognized that it would be best to notify Beijing, given China's position on the matter. According to Japanese Coast Guard sources, the Law of the Sea Treaty posed no problem to raising the ship, but it rested in China's EEZ and because raising the ship could pose environmental problems, discussions with China were probably necessary.

In Beijing, on Dec. 25, the Foreign Ministry's spokesperson asked Japan to pay careful attention to China's interests and concerns. Because the ship rested in China's EEZ, it was hoped that Tokyo would inform Beijing of its management of the issue.

Over the ensuing month, China's diplomatic formulation remained unchanged. At the end of January, PRC Foreign Ministry's Deputy Spokesperson Zhang Qiyue again addressed the issue of Japan's raising the sunken ship. Zhang emphasized the location of the ship in China's EEZ and requested that, as Tokyo worked its way through the decision process, it respect China's interests and high degree of concern. On Feb. 7, Dai Bingguo, head of the Chinese Communist Party External Liaison Department, conveyed a similar message to a visiting delegation from Japan's Conservative Party in Beijing to discuss 30th anniversary commemorative events. However, it was later reported that when Vice Premier Qian Qichen met with the delegation on Feb. 8 he had expressed his "understanding" with respect to Tokyo's interest in raising the ship.

The same day, Prime Minister Koizumi, responding to questions in the recently convened Diet about raising the suspect ship, announced his intention to determine the facts of the incident but noted that winter weather had thus far precluded recovery-related activities. On Feb. 22, Tokyo announced its decision to launch a five-day underwater survey of the

ship, beginning Feb. 25. The Chief Cabinet Secretary Fukuda Yasuo also announced that the government had informed China of the decision the previous day.

The Japanese Coast Guard began survey activities on Feb. 26. Initial findings confirmed that the ship had been scuttled but remained largely intact; characters on the stern of the ship suggested it was home-ported in China. It was also reported that a Chinese research ship was operating within 5 km of the Japanese Coast Guard survey ships. In Beijing, the Foreign Ministry noted that the activities were taking place within China's EEZ, where China, under the UN Convention on the Law of the Sea, exercised jurisdiction over natural resources and the environment, and called on Japan to act with great care, respecting China's national interests and concerns.

The story became a bit more interesting and complicated on March 1. The *Asahi Shimbun* reported that the United States in late December had provided Japan with satellite intelligence on three North Korean ships that had sailed from the North Korean port of Nampo. The satellite intelligence also picked up a ship identical to the one that had been scuttled at a Chinese military port near Shanghai shortly before the high seas shoot-out. The *Asahi* report speculated that China may have been involved in provisioning the North Korean ship. The Chinese Embassy in Japan responded immediately, with Counselor Huang Xingyuan declaring that the *Asahi* report was "completely without foundation and untrue."

On March 2, the Japanese Coast Guard released the findings of its underwater survey. The survey established that the ship remained largely intact and that, as a result, there were no physical obstacles to raising the ship. The underwater camera confirmed that the ship had in fact been scuttled by what appeared to be the detonation of an explosive charge in the area of the bridge. When the weather improved at the end of April, the coast guard wanted to use divers to explore the site with a view toward the eventual raising of the ship.

On March 6, China's foreign minister made what the Japanese press interpreted as a strong warning against raising the ship. Addressing a press conference in Beijing, Tang cautioned Japan against taking steps that would escalate and complicate the state of affairs. Tang also revealed that Beijing had communicated to Tokyo its strong dissatisfaction with Japan's use of force against the mystery ship and reiterated Beijing's determination to protect China's sovereignty and administrative rights within its EEZ.

In Tokyo, Chief Cabinet Secretary Fukuda responded that that the government would do "what is necessary" for Japan. He also asserted that Tang had not said that Japan should not raise the ship and interpreted Tang's remarks as a call to keep China closely informed of Japan's activities. This, Fukuda noted, is exactly what Tokyo had been doing. At the same time, Prime Minister Koizumi was expressing his intention to cooperate with China in the matter.

The following day, Vice Foreign Minister Takeuchi Yukio called in the Chinese ambassador to protest Tang's remarks that the Japanese Coast Guard had "recklessly" resorted to the use of force. Takeuchi told the ambassador that Japan's actions were a natural response to the situation. Video of the incident made clear that the coast guard had only fired after having been fired on. The coast guard's response could in no way be considered a reckless use of force. Finally, the vice minister, in a preview of Japanese talking points in the coming Japan-China security dialogue (See: Security, below) told the ambassador that China needed to improve the transparency of its defense budgeting process. Japan was paying careful attention to the high rate of increase in China's defense spending in recent years.

On March 8, the *Yomiuri Shimbun* reported that high-ranking United States government officials had repeatedly encouraged the Japanese government to raise the mystery ship. Security concerns – the possibility that the ship was carrying biochemical weapons and the attendant risks of environment pollution – were of primary concern. The *Yomiuri* also reported the United States argued that raising the ship would neither compromise China's economic rights within its EEZ nor affect its sovereignty. Tokyo was being urged to take a strong position in terms of securing China's understanding.

On March 13, Coast Guard Director General Nawano Katushiko told the Upper House Budget Committee of the agency's thinking with regard to raising the sunken ship. Nawano reviewed the results of the camera survey and told the committee that the agency planned to send divers to the site to determine if it was possible to raise the ship. In raising the ship, the coast guard wanted to discover what it was doing and whether it was engaged in criminal activities.

Security

On March 6, during the National People's Congress, Beijing released its 2002 military budget. For the 14th consecutive year, the budget revealed a double-digit increase in defense spending, amounting to a 17.6 percent increase over 2001. China's defense budget and the on-going controversy over the mystery ship served as scene-setters for the resumption of the Japan-China security dialogue, March 18, in Tokyo.

The dialogue was suspended in 2001 because of the downturn in relations caused by the textbook controversy and Prime Minister Koizumi's visit to the Yasukuni Shrine. The 2002 meeting was the first held at the sub-Cabinet level with Japan being represented by Deputy Foreign Minister Takano Toshiyuki and Counselor Masuda Kohei of the Defense Agency and China being represented by Vice Foreign Minister Wang Yi.

The Chinese delegation opened on now familiar ground, asking Japan to proceed with caution in raising the mystery ship and asking to be kept informed on the matter. The Japanese, in reply, argued that the coast guard, in dealing with the incident, had responded properly and in accordance with international law. The Japanese focus was on the double-digit increases in China's defense spending and the lack of transparency in China's defense budget. The Chinese replied that China's defense spending,

approximately \$20 billion in 2002, was far below that of the United States' \$379 billion and Japan's \$40 billion. At the same time, China recognized the need to take steps to improve transparency. That said, China was concerned about what "appeared" to be an expansion of Japan's military role since the end of the Cold War. The Japanese assured the Chinese delegation that Japan would not become a military superpower and the Chinese, in turn, assured the Japanese that China would not pursue a policy of military supremacy.

The dialogue also served as the occasion to announce plans for reciprocal ship visits, with Chinese ships visiting Japan in May of this year and a return visit to China by Japanese ships in 2003.

ODA

Reflecting pressures within the LDP to review the government's official development assistance (ODA) program for China, Japan's low-interest yen loans were reduced in FY 2001, ending March 31, to a total of ¥160 billion. This translated into a 25 percent reduction in yen loans – the largest single reduction in the yen loan program since its inception in 1979. At the same time, Tokyo increased non-reimbursable financial aid, focused on China's inland development, education, and environmental protection programs 25 percent to ¥6 billion, while technology assistance remained at about ¥8 billion. Overall ODA disbursements for China in 2001 totaled roughly ¥175 billion, a 17 percent decrease over 2000.

Prospects for FY 2002 were for further reductions. In June of last year, the Finance Ministry announced its intention to seek an overall 10 percent reduction in Japan's ODA budget for the coming FY 2002, and the prime minister personally broke the news to Jiang during the APEC Leaders' Meeting in Shanghai in October.

Chronology of Japan-China Relations January-March 2002

Jan. 7, 2002: Acting on tip from Chinese police authorities, Japanese Coast Guard perform search and seizure of unidentified ship in Japan's EEZ; the search yields 150 kg of amphetamines.

Jan. 7, 2002: *Asahi Shimbun* devotes editorial to Japan-China relationship.

Jan. 8, 2002: Conductor Ozawa Seiji calls on Prime Minister Koizumi Junichiro to discuss plans for staging of Madame Butterfly in Beijing as part of 30th anniversary celebrations.

Jan. 14, 2002: Japanese and Chinese police officials meet in Beijing to strengthen law-enforcement cooperation.

Jan. 28, 2002: Representatives of Japan-China Friendship Organizations meet in Beijing with President Jiang Zemin to plan development of NGO relations.

Jan. 29, 2002: *Xinhua News Agency* expresses concern over the implications of FM Tanaka's resignation.

Feb. 4, 2002: Ruling coalition establishes parliamentary association to promote 30th anniversary events; former Prime Minister Hashimoto Ryutaro serves as chairman.

Feb. 4, 2002: Prime Minister Koizumi in speech to the Diet refers to plans for strengthening Japan's relations with China during the 30th anniversary year.

Feb. 7, 2002: Dai Bingguo, head of Chinese Communist Party's External Liaison Department, meets with a visiting delegation from Japan's Conservative Party and asks Japan to respect China's interests and concerns with regard to the unidentified ship.

Feb. 8, 2002: PRC Vice Premier Qian Qichen expresses "understanding" with respect to Tokyo's interest in raising the ship.

Feb. 9, 2002: A delegation from Japan's Conservative Party meets with President Jiang in Beijing; Jiang stresses importance of the relationship to both countries.

Feb. 14, 2002: PM Koizumi announces his intention to determine facts of the mystery ship incident.

Feb. 22, 2002: Minister of Land, Infrastructure, and Transportation Ogi Chikage announces government decision to launch five-day underwater survey of the sunken ship.

Feb. 26, 2002: Survey of mystery ship incident site begins.

March 1, 2002: PRC DM Chi Haotian meets with JDA mid-ranking officials in Beijing.

March 1, 2002: *Asahi Shimbun* reports that the U.S. provided the satellite image of the ship identical to the sunken ship.

March 2, 2002: Japanese Coast Guard releases the findings of its underwater survey.

March 6, 2002: China's Foreign Minister Tang Jiaxuan cautions Japan not to take steps that would exacerbate and complicate matters with regard to the ship, expresses strong dissatisfaction with Japan's reckless use of force, and reiterates Beijing's decision to protect sovereignty and administrative rights within China's EEZ.

March 6, 2002: PRC National People's Congress releases its 2002 military budget.

March 7, 2002: Vice Minister of Foreign Affairs Takeuchi calls in the Chinese ambassador to protest Foreign Minister Tang's remarks regarding "reckless" use of force.

March 7, 2002: Chief Cabinet Secretary Fukuda states that Japan will do what is necessary for Japan, asserts Foreign Minister Tang did not say that Japan should not raise unidentified ship.

March 8, 2002: *Yomiuri Shimbun* reports that high-ranking U.S. officials encouraged the Japanese government's effort to raise the ship.

March 13, 2002: Coast Guard Director General Nawano addresses possibility of raising mystery ship in testimony before Upper House Budget Committee.

March 18, 2002: Japan-China Security Dialogue, involving senior Foreign Ministry and Defense officials resumes in Tokyo.

March 21, 2002: Former Foreign Minister Tanaka visits China and is received with Cabinet-like status.

Japan-Korea Relations:

The Emperor Has No (Soccer) Shoes

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Japanese Emperor Akihito will not be attending the opening ceremony of the World Cup soccer games in Seoul on May 31, but this hardly dampened a very strong quarter in Japan-South Korea relations. A glimmer of light shone on long-frozen normalization dialogue between Japan and North Korea, but Pyongyang's tactical motives do not raise confidence that a thaw is evident. Prospects were least bright this quarter in trilateral policy coordination involving the United States, Japan, and South Korea.

Seoul-Tokyo: Achieving Normalcy

Cooperation between Japan and South Korea was evident on a number of fronts, giving the relationship a sense of normalcy that had been absent since the history based disputes over the past summer (see "Questions, Questions, and More Questions..." *Comparative Connections*, Vol. 3 No. 2). The new year got off to a good start as the two leaders, South Korean President Kim Dae-jung and Japanese Prime Minister Koizumi Junichiro, exchanged messages pledging to strengthen bilateral cooperation for the co-hosting of the upcoming World Cup and proclaiming 2002 the "Year of People Exchanges" between the two countries. Contrary to conventional wisdom, a significant barometer of the relationship's health has been cooperation on political-military issues, not economics or history. The latter two variables are important (as discussed below) and remain somewhat constant, a low-level irritant in relations (i.e., it is evident in the relationship both in good and bad times), but the former is often driven by market forces. On military issues, the two governments resumed annual security talks (Feb. 4) on North Korea as well as agreed to reschedule a series of military exchanges and joint exercises that had been suspended last year as a result of the row over history textbooks. Among the planned activities are joint maritime search-and-rescue exercises in the seas off Cheju Island and the exchange of visits of high-level defense officials and port calls in 2002.

A watershed is anticipated later this year with regard to UN peacekeeping operations (PKO) in East Timor. Japan's *Asahi Shimbun* reported in early February that a contingent of Self-Defense Forces (SDF) scheduled for dispatch to East Timor will

undertake repair and maintenance of road infrastructure and disaster relief at a number of sites. Of significance, as reported in the *Asahi*, was the size of the SDF dispatch (the largest ever), but of potentially greater significance is that one of the planned sites already hosts a South Korean PKO unit, which would mean that Japanese and South Korean troops could engage in PKO cooperation for the first time in history.

On the economic front, Seoul and Tokyo signed a bilateral investment agreement and began discussions about a free trade area. The investment agreement, the highlight of the Kim-Koizumi summit meeting in Seoul (March 21-23), gives “most favored nation” treatment to investors in both countries and allows the transfer of funds to the home country without discrimination. It is the first such agreement South Korea has entered into with a foreign country and should constitute a major spur to economic cooperation. A Japan-South Korean Free Trade Agreement (FTA) came a step closer to reality when Kim and Koizumi at the March summit agreed to establish a joint research committee of government, business, and academic experts by June 2002 to explore the potential of such an accord. Although there are numerous details to be worked out and obstacles to be overcome (e.g., agriculture), the elevation of this issue from a largely track-two dialogue to track “1.5” is a significant and requisite step.

On historical issues, the two governments agreed to start a joint study (in March) to promote mutual understanding. The two-year project will be undertaken by a panel of 10 historians to contend with, and seek some common view on, the differing interpretations of the pre-1945 period. Although this is a commendable and needed act in the wake of the problems of last year, whether this joint panel will actually resolve any issues is highly questionable. History disputes between Koreans and Japanese, although driven by national identity, politics, and emotion, are at their base historiographical debates rarely settled by a panel of experts. In the end the key, as has been the case between the two countries, is political will. President Kim Dae-jung exercised some of this in his March 1 Independence Movement (*samilchol*) speech. Commemorating the peaceful uprising by Koreans against Japanese colonial rule in 1919, the speech offered a golden opportunity to stoke the fires of anti-Japan sentiment. Kim referred to Koreans rising up against Japan and the hardship of colonial rule, but did not attach any inflammatory rhetoric, deliberately refraining from taking the nationalism bait. This restraint was as important as anything positive the two leaders could have done to rid the history demons.

Perhaps the biggest blessing in disguise for Seoul-Tokyo relations was the replacement of the Japanese foreign minister this past quarter. This is not because Tanaka Makiko inherited the same ambivalence toward South Korea as her father, but because of the former foreign minister’s general absence of interest in foreign policy matters overall. What this created, some bureaucrats argue, was an uncomfortable but necessary side-channel from subordinate levels in the Foreign Ministry to the chief Cabinet secretary on issues that required action. Because directors could not circumvent the foreign minister on every issue, this channel was reserved for high priority, tier-one concerns. What this gerrymandering meant was that low priority, tier-three issues continued to be resolved within the Foreign Ministry bureaucracy, but middle-level, tier-two issues (like Korea)

suffered from lack of attention at the top levels and lack of authority within the bureaucracy. This will hopefully change under the new foreign minister.

Japan-North Korea: A Glimmer...

The end of the quarter saw some modest movement in the long-stalled dialogue between Japan and North Korea (see “Quicksand” and “On Track and Off Course Again” *Comparative Connections*, Vol. 3 No. 3 and Vol. 3 No. 4). The pretext for a potential meeting between the Japanese Health Minister Sakaguchi Chikara and a North Korean counterpart in Singapore was Tokyo’s decision in March to allow atomic bomb survivors living abroad to receive treatment and health care allowances in Japan (including subsidized travel by the Health, Labor, and Welfare Ministry). Preceding this, the North Korean Red Cross Society reversed an earlier decision and announced its willingness to resume the search for missing Japanese citizens allegedly abducted to the North, which has been the primary political obstacle to the restarting of normalization talks suspended since the winter of 2000. As an act of good faith, the North also repatriated Sugishima Takashi, a former Japanese journalist who had been detained for over two years.

Some explain this new glimmer of hope as a sign of Japanese desperation to get something going with the North Koreans. Nothing could be more wrong. Whenever there are stalls or lurches forward in North Korea’s relations with other countries, the primary variable lies north of the DMZ. In other words, in the Sunshine Policy era of interaction with North Korea, potential partners, including Seoul, Tokyo, and European Unions capitals, have generally been consistent in terms of their interest in, and incentives proffered for, improving relations.

So what has prompted Pyongyang to look in Tokyo’s direction this quarter? One immediate reason has to do with the North’s food shortage. David Morton of the World Food Program noted in March that food stocks are likely to run out in April or May, and absent further donations, a crisis might ensue by July. Part of the shortfall in donations stems from increased international attention to Afghanistan. But another key factor is the significant reduction in Japanese donations thus far this year, which constituted the largest contribution in 2001 (500 million tons).

A second reason relates to a conscious strategy of late by Pyongyang to “omnibalance” against the harder line emanating from the Bush administration in the aftermath of the now famous “axis of evil” statements in the president’s State of the Union address in January. From early February, the North sought to consolidate relations with all parties in the region. This started with North Korean leader Kim Jong-il’s meeting with Chinese Ambassador Wu Donghe, followed by meetings with Russian officials in Pyongyang. It ended this quarter with South Korean special envoy Lim Dong-won’s three-day mission to the North and meetings with Kim Jong-il. In between these events, the North made its modest overtures to Tokyo in the apparent hope that it could create some consensus in the region to check the Americans.

Although any improvement in relations is useful, there is little reason to be confident about how much further forward this fragile dialogue between Tokyo and Pyongyang will go. This is largely because the one clear message that emerges from apparent DPRK rationales for re-engaging Japan is that they represent tactical short-term incentives (i.e., food and omnibalancing) rather than any deeper long-term commitment to reconciliation and normalization. As long as this remains the case, Japan continues to respond to the North, as Koizumi stated, with great caution. The Koizumi government made clear that it is not so starved for movement with the North that it is willing to compromise on the issues important to it. For example, government or police officials stated on *eight* separate occasions this quarter the importance of resolving the abductions issue. Koizumi and Foreign Ministry officials communicated this not only to the Japanese public, but also to President Bush (during the February summit) and the United Nations (Feb. 27). The Liberal Democratic Party (LDP) even released a brochure in English to increase international awareness. Drawing more attention were the revelations this quarter surrounding Yao Megumi, a former wife of a Japanese Red Army member, who admitted to kidnapping Japanese students to North Korea in the early 1980s.

To drive home the point, Tokyo officials intimated a *quid pro quo* on the release of the remainder of its food contributions and North Korean movement on the abduction issue. Nongovernmental organization types subsequently criticized Tokyo's actions as the first attempt by an Organization for Economic Cooperation and Development (OECD) country to explicitly link humanitarian aid with politics, but frankly speaking who is the real human-rights violator here – an avowed international aid contributor that has justifiably grown disillusioned at the behavior of the recipient, or a recipient that leverages the well-being of its own citizens for regime survival?

Trilateral Coordination: An Eye for an Eye

The least encouraging developments were found on the trilateral front this past quarter. The problem was not the meeting of the U.S.-Japan-ROK Trilateral Coordination and Oversight Group (TCOG) in late-January. Attended by Assistant Secretary of State for East Asian and Pacific Affairs James Kelly, Deputy Foreign Minister Yim Sung-joon, and Japanese Foreign Ministry Director General Tanaka Hitoshi, the TCOG meetings focused on Bush's upcoming swing through Asia and on ways to reinvigorate dialogue with the DPRK. At these meetings, the United States reiterated its desire to enter into dialogue with North Korea without preconditions. These meetings were fine.

The problem came later. In March, the White House announced that the United States would not certify to the Congress that Pyongyang was adhering to the 1994 Agreed Framework. Bush used a national security "waiver" that enabled the U.S. to provide for the annual delivery of 500 metric tons of heavy fuel oil in spite of asserting DPRK noncompliance. Some may argue that in the end, this amounted only to a message-sending exercise by Bush to Pyongyang while remaining within the bounds of the Framework's terms. The meaning for trilateral policy coordination, however, was more grave. The Bush administration's actions on noncompliance, at least as covered in U.S. newspapers, appeared to have been contemplated and implemented with little, if any,

consultation with Seoul or Tokyo. Indeed, the allies were at best “consulted” (i.e., informed) of the decision *ex post facto*.

The quarter closed with the announcement by Seoul that special envoy Lim Dong-won would be dispatched to Pyongyang in an effort to restart inter-Korean dialogue. What was most significant about this surprise announcement in the context of trilateral policy coordination was that again appeared to be little prior consultation and only notification of the allies before hand. An eye for an eye appears to have been the name of this game.

Outlook

Important TCOG meetings will take place at the beginning of April in which the U.S. “Blueprint” for DPRK dialogue and Lim’s trip to Pyongyang will be the main topics of discussion. On the Seoul-Tokyo front, the big story will of course be the World Cup, which will provide more opportunities for face-to-face meetings between Kim and Koizumi to cement relations.

Chronology of Japan-Korea Relations January-March 2002²

Jan. 1, 2002: Japanese Prime Minister Koizumi Junichiro and ROK President Kim Dae-jung exchange new year’s messages, expressing hope for greater cooperation.

Jan. 5, 2002: PM Koizumi vows to guard Japan against foreign threats after the sinking of a suspected North Korean spy ship in the East China Sea in December 2001.

Jan. 7, 2002: Japanese authorities board a North Korean cargo ship docked near Tokyo after a tip that several suspicious people had slipped ashore.

Jan. 10, 2002: Japanese Transport Minister Ogi Chikage states that debris recovered from an unidentified ship that sank in the East China Sea in December 2001 links the ship to North Korea.

Jan. 15, 2002: Japanese Chief Cabinet Secretary Fukuda Yasuo signals the possibility of seeking U.S. support in lifting the unidentified ship that sank in the East China Sea in December.

Jan. 18, 2002: ROK officials state that South Korea and Japan will resume military exchanges and joint exercises that were suspended last year.

Jan 20, 2002: ROK Foreign Minister Han Seung-soo begins a four-day trip to Japan to hold talks with Japanese Foreign Minister Tanaka Makiko and participate in an international conference on rebuilding Afghanistan.

². Compiled with research assistance from Ichino Mayumi.

Jan. 21, 2002: Japan and the ROK officially launch the “year of people’s exchange,” aimed at promoting friendship between the two countries and successfully hosting the World Cup.

Jan. 24, 2002: The *Tokyo Shimbun* reports that diplomats from Japan and North Korea met secretly in China on Jan. 12-14 after the sinking of an unidentified ship in the East China Sea in December 2001.

Jan. 24, 2002: South Korea and Japan sign a tentative agreement on criminal extradition following nearly two years of negotiations.

Jan. 25, 2002: Trilateral Coordination and Oversight Group (TCOG) meets in Seoul.

Jan. 30, 2002: Civic groups in South Korea and Japan announce the launch of a joint organization, the “History Education Asia Network,” to correct and prevent historical distortions in Japanese textbooks.

Feb. 4, 2002: Japan and South Korea resume annual security talks in Tokyo and discuss North Korea policy and peacekeeping in East Timor.

Feb. 8, 2002: Defectors from North Korea state that food aid to the country was being stored for military use rather than distributed to the people.

Feb. 9, 2002: Japanese FM Kawaguchi Yoriko holds phone talks with her South Korean counterpart, Choi Sung-hong.

Feb. 12, 2002: Pyongyang abruptly releases Japanese journalist Sugishima Takashi, who had been accused of spying and held for over two years.

Feb. 27, 2002: Japan and South Korea agree to relax immigration procedures for each other’s nationals during the World Cup soccer tournament.

March 1, 2002: President Kim refrains from criticizing Japan in his March 1 Independent Movement speech.

March 5, 2002: Japan and South Korea announce the establishment of a “Korea-Japan Joint History Research Group,” a joint history forum composed of 10 civilian experts from the two nations.

March 8, 2002: FM Choi and FM Kawaguchi hold talks in Tokyo; they agree a more aggressive effort is needed to restart dialogue with North Korea.

March 10, 2002: ROK Grand National Party (GNP) leader Lee Hoi-chang makes a four-day trip to Japan.

March 12, 2002: The Japanese government notifies South Korea that it would not provide humanitarian aid, including food, to the DPRK until relations with the North improve.

March 12, 2002: PM Koizumi promises a thorough investigation into the disappearance of Arimoto Keiko, a Japanese female university student suspected of being kidnapped by North Korean agents.

March 13, 2002: Yao Megumi, the former wife of a Red Army member who hijacked a Japan Airlines flight in 1970, testifies in a Tokyo court that she helped to lure a young Japanese woman, Arimoto Keiko, from Europe to North Korea in 1983. Yao states that a North Korean diplomat was involved in the abduction.

March 16-17, 2002: Newspapers report that North Korean and Japanese officials meet in Beijing over the issue of Japanese nationals allegedly abducted by North Korea.

March 19, 2002: President Kim calls for a “future-oriented” relationship between South Korea and Japan, rather than one that is “chained to the past history.”

March 22-25, 2002: President Kim and PM Koizumi meet in Seoul. They vow to begin a new era of friendship as the co-hosts of the World Cup and agree to launch a joint study on the establishment of a free trade area between the two nations.

March 22, 2002: A spokesman for the Central Committee of the Red Cross Society of the DPRK indicates willingness to hold talks with the Japan Red Cross Society over the issue of “missing persons” allegedly abducted by North Korea.

March 28, 2002: Japanese officials state that Japan, South Korea, and the European Union will jointly urge the U.S. to drop its tariffs on steel imports at a WTO dispute-settlement meeting set for April 11 in Geneva.

China-Russia Relations:
**Tales of Two U.S. Partners:
Coping with Post-Taliban Uncertainty**

by Yu Bin
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For Moscow and Beijing, the Taliban's demise was by no means a harmless "regime change" but the beginning of another round of geostrategic posturing with the U.S. in their highly volatile backyard. Within a month, the Anti-Ballistic Missile Treaty (ABM) was dead (Dec. 13, 2001), and a new, proactive nuclear strategy (Nuclear Posture Review or NPR, Jan. 8, 2002) was in place. As critical as they were of the "axis of evil" Bush doctrine (revealed in his Jan. 29 State of the Union speech), Russia and China were to be further bewildered and angered in early March when they learned the NPR treated them as part of a "gang of seven" for possible U.S. nuclear strikes.

Bilateral relations between Russia and China were subject to the ever growing and ubiquitous U.S. shadow. For these two partners in the U.S. war against terrorism, it seemed that to be the U.S.' newfound friend (Russia) was as tricky and unpredictable as being its potential foe (China). This was true despite President George Bush's two trips to China (October 2001 and February 2002) and his scheduled May visit to Russia. Meanwhile, Moscow and Beijing worked hard to salvage the leftovers from the massive and strategic return of the United States to Central Asia.

Post-Taliban Era: SOS for SCO?

The Shanghai Cooperation Organization (SCO) was the first "casualty" of the U.S.-led anti-Taliban war in Afghanistan. Although both Moscow and Beijing denied that the SCO had "lost any substance," most of the SCO's Central Asian states had become hosts to the U.S. military since Sept. 11. This was in sharp contrast to pre-9-11, when the SCO was the only regional security mechanism without direct U.S. participation.

Although the large-scale military operation in Afghanistan was declared over in late January (according to Deputy Secretary of State Richard Armitage on Jan. 29), there was no sign that the U.S. would withdraw its military from Central Asia. To counter the growing U.S. influence and to restore a certain degree of normalcy in the post-Taliban era, SCO foreign ministers met in Beijing in early January to assess "the new situation in the region." The SCO officials agreed to set up a regional counterterrorism agency and an emergency response mechanism. The two mechanisms could be formally operationalized in the SCO's June summit in St. Petersburg, Russia.

In addition to expressing support for Afghanistan's interim government and emphasizing the non-military aspect of the post-Taliban reconstruction, SCO members clearly articulated their concerns about a growing foreign presence in the region. "Any attempts to impose this or that form of rule and drag that country into anyone's sphere of influence could lead to a new crisis" in and around the country, stated a joint declaration released by the SCO foreign ministers. The declaration also said all international community members "must respect Afghanistan's sovereignty and territorial integrity and prevent interference in its internal affairs." In a clear reference to the high-handed and unilateralist U.S approach to the fight against cross-border terrorism, SCO's officials insisted that antiterrorist efforts "must be devoid of bias and double standards" and "must meet the goals and principles of the UN Charter and other universally accepted international law standards."

Despite these declared intentions, the gathering of SCO foreign ministers in Beijing appeared to be more for consensus building than for specific actions. In a more practical sense, the special meeting provided an opportunity for top Russian and Chinese officials to assess the impact of the post-Taliban and the post-ABM world. In a separate meeting between Russian and Chinese foreign ministers during the SCO conference, the issue of "strategic stability" – another phrase for the issues of the ABM Treaty and arms control – dominated the agenda. The meeting between PRC Foreign Minister Tang Jiaxuan and Russian Foreign Minister Igor Ivanov also touched on issues of implementing the friendship treaty signed in July 2001, India-Pakistan tension, and coordinating high-level contacts for 2002. To add more weight to the foreign minister meeting, Chinese President Jiang Zemin met with Ivanov, urging the Russians on to "closer strategic coordination on the international arena" for joint safeguarding "world peace and global strategic stability."

The January SCO foreign ministers' meeting clearly injected momentum into the somewhat eclipsed regional security network. Its future effectiveness, particularly in the new strategic environment, has yet to be demonstrated. Specifically, the SCO needs to address the question of how to move the proposed antiterrorist center in Bishkek, Kyrgyzstan beyond the current talking stage, if it is to function at all. More specific rules are needed to define the SCO's structure, mode of operation, rules for accession, participation of observers, and membership criteria (will Pakistan, India, and Afghanistan be allowed to join?). How will the SCO relate to the U.S. as its influence on SCO members continues to grow? Maybe one of the most pressing issues for the SCO member states in the near future is to work out a delicate balance between safeguarding the SCO's own interests while avoiding direct and open opposition to the U.S. presence and interests.

Beyond the ABM Treaty: Russian Pragmatism and China's Strategic Vulnerability

For several years, Moscow and Beijing coordinated their diplomatic efforts on the issue of “strategic stability,” particularly the integrity of the ABM Treaty. When the U.S. finally pulled out of the landmark arms control treaty at the end of 2001, Beijing seemed more surprised by Russian President Vladimir Putin's mild reaction than by the much anticipated U.S. move.

A sense of disappointment permeated the writings of Chinese commentators after the Russian president described the U.S. move as a mere “mistake.” Putin went as far as to cast the U.S. move as a “difference between friends” that should not crush “the spirit of partnership and even alliance” between the two nations. Meanwhile, Chinese media noted that Russian military leaders indicated that Russia did not plan any immediate moves to respond to the U.S. decision to withdraw from the ABM Treaty. Russia's measured response was a remarkable turnaround from its earlier resistance to a U.S. move that had inflamed and infuriated many pro-West Russians.

To be sure, the U.S. decision to withdraw from the ABM Treaty has yet to have any adverse effect on the Chinese minimal nuclear deterrent posture. The immediate impact of the U.S. move, however, was psychological, particularly for Russian-Chinese relations. Moscow and Beijing were well aware of this. For Putin, Sept. 11 provided a historic opportunity to move Russia into the U.S.-led Western camp. The warming between Russia and the U.S. was simply too good to be spoiled by insistence on the integrity of the ABM Treaty. Chinese analysts, too, understood the much-weakened bargaining power of Russia as a result of its shrinking economic power and its aging nuclear arsenal. The latter required drastic reduction, with or without the treaty. If confronting the U.S. was not an option, it would be more pragmatic for Russia to soft peddle the ABM issue.

Still, the area of strategic stability should not be neglected. In addition to the foreign minister talks in early January, three vice foreign ministerial-level talks were held (Feb. 28, March 5-7, and March 21) to exchange views and coordinate policies on the issue of strategic stability.

“Goldilocks Trap” for Beijing

Despite these efforts to adapt to the post-ABM world, China's strategic environment was clearly deteriorating, ironically in a classic “Goldilocks” fashion: if Russia's huge, though rusted, nuclear arsenal was still too big to be seriously compromised by any U.S. missile defense (MD) system and the “rogue” missiles were too primitive and/or too few for targeting on continental United States, the U.S. MD system seems “just right” – no matter how “unintended” – to neutralize China's minimal strategic deterrent posture based on two dozen old-fashioned, liquid-fueled intercontinental ballistic missiles (ICBM) sitting in their vulnerable silos.

The PRC's strategic vulnerability in the post-ABM world can be further demonstrated at the regional level. In contrast to the grumpy Europeans, Washington's MD system was much better received in Asia, where there is an immediate beneficiary (Taiwan), a muted but real supporter (Japan), and a recent but enthusiastic convert (India). Most important, Asia would provide both the current – though somewhat symbolic – concern (North Korea) as well as a potential and real one (China) for U.S. MD.

From a historical perspective, the U.S. tended to unilaterally engage Asia while being rather reluctant to get involved in Europe. Indeed, it was the attack on Pearl Harbor that dragged the U.S. into the European theater in World War II. The Cold War was “cold” only in Europe, whereas in Asia, Washington battled Asian communism in two “limited” hot wars (Korea and Vietnam). Up to the Sept. 11 attack, the U.S. seemed to be preoccupied with Asia as the Bush team was tempted to withdraw the U.S. military from Europe and to shift the U.S. strategic focus to the Asia Pacific. Sept. 11 did not change this basic policy orientation.

Russia strongly believed that China would have to strengthen its strategic forces. A 17.6 percent hike in China's defense spending for the next fiscal year was a strong indication. “Whether this will benefit or harm the U.S. is anyone's guess,” said Russian Deputy Foreign Minister Aleksandr Losyukov in early February. He went on to say that “the end of the 1972 ABM Treaty will be very destructive for Asia.” The PRC's effort to modernize its strategic nuclear forces would inevitably lead to a regional arms race that would affect everybody including Russia. By mid-February, Moscow started to argue that all members of the nuclear club including China should be reducing strategic offensive armaments.

The NPR and “Gang of Seven”

Forty days before *The Los Angeles Times* disclosed the Pentagon's Nuclear Posture Review China's *Jiefangjun Bao* (*People's Liberation Army Daily*) concluded that the U.S. goal to develop fourth generation nuclear weapons – small and micro nuclear weapons – was to fill a gap between conventional weapons and nuclear weapons. As a result, this would increase the possibility of the use of nuclear weapons and enable the United States to use nuclear weapons in a flexible and selective manner in a real war, thereby lowering the nuclear threshold. The PLA analysis asserted that the U.S. began “taking practical measures to implement its nuclear strategy that places equal stress on defense and offense.”

What the PLA analysts did not realize, until *The Los Angeles Times* March 9 disclosure, was that China was part of the “gang of seven” on the U.S. nuclear hit list. And worse, the NPR allegedly clearly specifies the use of U.S. nuclear weapons in case of a China-Taiwan conflict.

Russia, too, is part of the contingency list and Foreign Minister Igor Ivanov requested an explanation from the U.S. side. Putin, however, stepped in to minimize the impact of the NPR on U.S.-Russian relations. Meanwhile, the Bush foreign/defense policy team

quickly explained it away in mid-March to the visiting Russian Defense Minister Sergei Ivanov. After meetings with Defense Secretary Donald Rumsfeld, State Secretary Colin Powell, and National Security Adviser Condoleezza Rice, who all assured that Russia was not being targeted, the defense minister accepted the U.S. clarification. A “satisfied” Ivanov was quoted as saying that “being a defense minister, I understand well that the Defense Ministry of any country must plan for any kind of development.”

There was, however, no diplomatic effort, at least publicly, to comfort Beijing. China waited for several days before lashing out at the NPR. Deputy Foreign Minister Li Zhaoxing summoned U.S. Ambassador Clark Randt and told him that China would never yield to foreign threats, including nuclear blackmail. After a historic visit to the U.S. by Taiwan Defense Minister Tang Yiau-ming – where he met U.S. Deputy Secretary of Defense Paul Wolfowitz and Assistant Secretary of State James Kelly in early March – Beijing officials warned the U.S. not to cross the “red lines” with regard to Taiwan. A *People’s Daily* analysis went as far as to say that nuclear war was not far away. Another lengthy article described how Jiang Zemin nurtured the development of China’s strategic missile forces.

From Beijing’s perspective, the close timing – in less than a month – of the ABM Treaty withdrawal (Dec. 13, 2001) and the U.S. intention to move toward a lower nuclear threshold (the NPR was submitted Jan. 8, 2002) suggested that international politics were clearly in uncharted waters.

Trade Away Strategic “Blues”

If there was little China and Russia could do in the international strategic and diplomatic arena in the post-Taliban and post-ABM world, trade seemed to be one of the few bright spots in their bilateral interaction. According to official estimates by both sides, Sino-Russian trade in 2001 exceeded \$20 billion, although half of that amount was counted as unofficial trade (border, barter, etc.). The 33.3 percent hike over the previous year’s record was the highest in history. After years of subperformance due to Russia’s economic depression and bilateral incompatibility, there are growing hopes for Russian-Chinese economic relations.

Some Russian commentators even suggested that the recovery of the world economy now depended on the Russian-Chinese-Indian trio, whose growth rate happened to be the fastest in a world plagued by recession. It is doubtful that the combined economic activities of these three relatively poor countries would significantly accelerate the world economy. However, for China’s foreign trade experts and officials, the stronger demand for machinery and consumer goods in Russia was an attractive market for China’s under-loaded manufacture sector. The huge growth in bilateral trade with Russia in 2001 was three times higher than the next highest growth among China’s top 10 trade partners in 2001 (11 percent growth for Sino-EU trade). Among European countries, Russia was able in 2001 to edge ahead of Britain as China’s second largest trade partner.

To speed up bilateral economic interaction, in early January Chinese officials suggested Russia send a delegation of 100 Russian businessmen from some of the largest Russian firms to China for fact-finding and business opportunities. In 2002, Russia would begin the delivery of five Tu-204-120 airliners with an option on another 10 Tu-204-120 airliners equipped with British-made Rolls Royce engines. Shanghai, the largest industrial/business center in China, was taking the lead to build the Shanghai Trade Center in St. Petersburg. Meanwhile, a direct flight was opened in January between Shanghai and Vladivostok.

These positive developments in bilateral trade even attracted considerable attention from top leaders. Chinese Premier Zhu Rongji was so upbeat about bilateral trade that he predicted at the annual session of the National People's Congress in mid-March that trade volume with Russia would double in two or three years. President Putin, too, was encouraged and called President Jiang to discuss trade and economic relations, something that rarely happened during the two years Putin has been in the Kremlin.

The Year of the Horse (2002) ushered in a series of mini-anniversaries: six months for the 9-11 attacks, one year for the Bush inauguration, two years for Putin (March 27), and the last year for Jiang Zemin. Longer memories recall this Horse Year as the 10th anniversary of the formation of the Russian Federation, which replaced the 74-year Soviet empire, and the 30th anniversary of Nixon's historical trip to China. Whatever connections between the two extended anniversaries, some in China may now regret their country's crucial role in the U.S. world-wide crusade against Soviet power.

An old Chinese saying prophesies that everything goes in the opposite direction every 30 years (*sanshi nian he dong, sanshi nian he xi*). Thirty years after Nixon's 1972 journey to China, the chemistry between the three Cold War strategic players is shifting again. Although Russia and China have long passed the phase of seeing everything through a zero-sum Cold War lens, relations with the world's sole superpower remain the most important, most difficult, and perhaps most unpredictable task for the ruling elite in Beijing and Moscow.

Chronology of China-Russia Relations January-March 2002

Jan. 3, 2002: Russia's state weaponry trading company Rosoboronexport signs a \$1.4 billion contract with China to build two destroyers of the 956EM type to be delivered before the end of 2005.

Jan. 7, 2002: Foreign ministers of the Shanghai Cooperation Organization (SCO: China, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, and Uzbekistan) meet in Beijing for a "non-regular" meeting, the first of this kind, to coordinate their efforts against terrorism, fundamentalism, and separatism. A joint statement also expressed "grave concern over the growth of tension between India and Pakistan."

Jan. 7, 2002: Russian President Vladimir Putin conveys his “warmest New Year’s wishes” to President Jiang Zemin through visiting Russian Foreign Minister Igor Ivanov who is in Beijing.

Jan. 16, 2002: Russia’s Federation Council (upper house of Parliament) ratifies the Sino-Russian Treaty of Friendship and Cooperation.

Jan. 28, 2002: Russian President Vladimir Putin signs a federal law “On the Ratification of the Treaty on Good-Neighbor Relations, Friendship, and Cooperation between the Russian Federation and the People’s Republic of China.”

Feb. 3, 2002: It is reported that trade volume between Russia and China exceeded \$20 billion for 2001, a 33.3 percent hike over 2000 and the highest in history.

Feb. 6, 2002: In a meeting with Chinese Ambassador Zhang Deguang in Moscow, Russian Foreign Minister Igor Ivanov “highly assessed” the development of the bilateral strategic partnership in 2001 and advocated further expansion of bilateral relations in 2002. Ivanov briefed Zhang on key areas in Russia’s foreign policy.

Feb. 9, 2002: Russia and China sign a protocol of intent to purchase five Tu-204-120 airliners from Russia’s Aviastar-SP in 2002-2003, with an option of buying another 10.

Feb. 22, 2002: President Jiang briefs President Putin via telephone on U.S. President George W. Bush’s recent visit to China.

Feb. 22-23, 2002: Senior generals of the Chinese and Russian armed forces stationed on the Sino-Russian border meet in Heihe City of Heilongjiang Province in China and in the Russian city of Blagoveshensk; this is the first meeting of this kind.

Feb. 26, 2002: Chinese Vice Premier Wen Jiabao meets in Beijing with Viktor Vladimirovich Gerashchenko, president of the Central Bank of the Russian Federation.

Feb. 28, 2002: Russia’s Deputy Foreign Minister Anatoliy Losyukov and Assistant to the Chinese Foreign Minister Liu Guchang exchange ratified copies of the Sino-Russian friendship treaty in Beijing to mark the official debut of the 30-year treaty.

March 5-7, 2002: Russian Deputy Foreign Minister Georgii Mamedov and his Chinese counterpart Wang Guangya hold talks in Beijing on strategic stability.

March 7, 2002: The National Coordination Council SCO meets in Moscow and decide to start drafting the SCO’s charter that will be signed at a regular SCO summit meeting in St. Petersburg early in June.

March 12-13, 2002: Valeriy Nikolayenko, secretary general of the CIS Collective Security Council, visits Beijing for the first-ever consultations with the Chinese Foreign Ministry.

March 14-15, 2002: A delegation led by Sergey Shoygu, Minister Sergei Kuzhugetovich Shoigu of Civil Defense and Emergency Situations, holds talks with their Chinese counterparts in Beijing.

March 15, 2002: Russia begins a temporary ban on imports of pork, beef, and poultry from China. Sergey Tsyplov, Russia's trade representative in Beijing, states that this was a "technical matter that will be settled through consultations in the spirit of partnership and cooperation."

March 20, 2002: Russian President Vladimir Putin speaks via telephone with Chinese President Jiang Zemin to discuss trade and economic relations.

March 21, 2002: Deputy FM Mamedov and the Chinese permanent representative at the Conference on Disarmament Hu Xiaodi meets in Geneva, expressing dissatisfaction with the state of affairs in multilateral arms control, disarmament, and nonproliferation.

March 25, 2002: Sergei Stepashin, chairman of the Russian Audit Chamber, begins a week-long visit to study the experience of his Chinese counterpart. Stepashin meets with Chinese Premier Zhu Rongji and China's General Auditor Li Jinhua.

Japan-Southeast Asia Relations:
**Trading Places?:
The Leading Goose & Ascending Dragon**

by Lam Peng-Er
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Tokyo's Foreign Policy Activism in Southeast Asia

Contrary to the stereotypical view that Japanese foreign policy is generally passive, reactive, and driven primarily by economics (and Washington), the reality is that Tokyo has sought to exercise diplomatic initiatives in Southeast Asia especially over the past 25 years. Ironically, Japan plays a larger political role in Southeast Asia than in its more immediate Northeast Asian neighborhood for at least three reasons.

First, unlike its relations with Beijing, Seoul, and Pyongyang, Tokyo's ties with Southeast Asian states are very much less bedeviled by unresolved issues of history – including an appropriate apology to the victims of Japanese militarism, the “correct” perspectives that should be adopted in textbooks, and a lack of remorse over the past shown by conservative Japanese politicians. Moreover, the Japanese occupation of Southeast Asia was mercifully short (around three years) compared to Tokyo's lengthy colonization of Korea, Taiwan, and Manchuria. While imperial Japan's original intention was to incorporate Southeast Asia into a Greater East Asia Co-Prosperity Sphere, it incidentally aided the independence movements in Indonesia and Burma toward the end of World War II; Tokyo's initial victories against the white colonial regimes in Southeast Asia also shattered the myth of white invincibility and eventually facilitated decolonization in that region.

Second, unlike Russia, China, and the two Koreas, the Southeast Asian states do not have any territorial disputes with Japan. Shackled by neither the burden of history nor territorial disputes with Tokyo, Southeast Asian countries welcome Japanese investments and ODA (official development assistance) and are thus more open to Japanese diplomatic initiatives, especially if these are also to their advantage.

Third, Southeast Asia as a region does not have intractable security problems of the same magnitude as Northeast Asia: the heavily militarized and divided Korean Peninsula and the potential flashpoint in the Taiwan Strait. Besides the perennial suspicions of the Chinese and Koreans toward any hint of a larger Japanese political and military role, the problems in the Korean Peninsula and the Taiwan Strait are simply too big for Japan to chew. In this regard, Southeast Asia is a more conducive environment for Japan to

pursue its diplomatic initiatives, especially when the ASEAN states are less hostile toward Tokyo and inter-state relations within the region are less confrontational and warlike.

Tokyo's Roles in Southeast Asia

Traditionally, Japan's key role in Southeast Asia was in the economic realm of investments, trade, loans, and aid. Over the past 25 years, Japanese foreign policy in the region has expanded into diplomatic activism beyond economics. Japan still does not play a direct military role in Southeast Asia given its residual pacifist political culture, constitutional restrictions, and the ambivalence of its neighbors, especially China. (Nevertheless, Tokyo plays an indirect yet important strategic role in Southeast Asia by providing military bases and logistical support to its U.S. ally maintaining a strategic presence in that region.)

Tokyo is motivated to adopt an active stance in Southeast Asia to safeguard its own interests. Besides being an important market, the region also straddles critical sea lines of communications for 70 percent of Japanese shipping. Tokyo also wants say in and the ability to shape emerging regional multilateral fora that deal with trade and regional security. Making diplomatic initiatives in Southeast Asia also satisfies Japan's desire to play a political role commensurate with its economic status. Winning friends in Southeast Asia is also gratifying when relations with its Northeast Asian neighbors are often more problematic; support and votes from 10 ASEAN states are also useful in Tokyo's quest for a permanent seat in the United Nations Security Council.

A catalyst to Japan playing a larger political role was the 1991-92 Gulf War debacle. Despite contributing \$13 billion, Japan was deeply humiliated by a barrage of criticism that it engaged only in "checkbook diplomacy." Tokyo does not want a repeat of the Gulf War fiasco and is psychologically better prepared to play an active role in international affairs.

While Japan hopes to raise its political profile in Southeast Asia, there are two trends, one domestic and the other regional, which might well limit its ability to do so. First, Japan has suffered from more than a decade of economic stagnation. Given its economic difficulties, Tokyo is less able and willing to be generous in its ODA to ASEAN states and has also become less attractive as a model of state-led economic development. Indeed, Japan's prolonged economic stagnation and domestic political drift have seriously dented the country's prestige and appeal in the eyes of many Southeast Asian elite in politics, business, and the media. Second, it is conceivable that the rise of China, if sustained for the next 20 to 30 years, will underpin greater Chinese economic and political influence in the region, while the relative decline of Japan will concomitantly diminish its image and presence in Southeast Asia.

China's FTA Initiative to Southeast Asia

Beijing stole a march on Tokyo when Premier Zhu Rongji mooted a free trade area (FTA) with the ASEAN states when he attended an ASEAN Plus Three meeting in Singapore in November 2000. Barely a year later, the 10-nation grouping at the ASEAN summit in Brunei accepted China's proposal to create the world's largest FTA within 10 years: a market of 1.7 billion consumers and a GDP of \$2 trillion with trade worth \$1.23 trillion. As a sweetener, Beijing offered to unilaterally open its own market to the ASEAN countries five years before these economies were ready to reciprocate.

China's FTA proposal has geopolitical and economic significance. By offering the Southeast Asian countries a stake in its booming economy, Beijing will not only enjoy reciprocal access to the markets of its southern neighbors but also allay their fears of a China "threat." Conceivably, if Beijing were to succeed in convincing the ASEAN states that it is a friend indeed (coupled with the intertwining of their economies), it would mean that these states are unlikely to participate in any future U.S.-led containment of a rising China. Moreover, Beijing excluded Tokyo (Washington's most important ally in Asia) from its FTA proposal, which covers a region often considered to be Japan's economic backyard.

The Ascending Dragon Challenges the Lead Goose

Hitherto, Japan was the lead goose in the region's "flying geese" pattern of development by providing capital, technology, and managerial know-how to Southeast Asia. Driven by rising domestic labor costs, many Japanese companies moved labor-intensive production to Southeast Asia (where labor costs were significantly less expensive) and moved up the value-added chain. In turn, the next echelon of newly developing Southeast Asian countries, faced with rising labor costs, would shed their labor-intensive industries to the next tier of less developed neighbors with even lower costs of production. Besides being the vaunted leading goose, Japan also provided a model of state-led economic development to some Southeast Asian countries and was also their largest source of ODA.

However, Japan's pre-eminence and prestige in Southeast Asia have been eroded by a fundamental shift in the regional political economy: the relative decline of Japan coupled with the economic rise of China. Even though Japanese companies retain substantial investments in and trade with the ASEAN countries, they too are increasingly turning their attention to the China market at the expense of Southeast Asia. In the long run, if Japanese investments and loans (both private and official) continue to dip in Southeast Asia, Tokyo is likely to exercise less diplomatic and economic clout in the region.

Japan's Ministry of Economy, Trade, and Industry (METI), in its 2001 White Paper on International Trade noted: "Asia is said to have echoed Japan's development path in a flying geese pattern. ... However, this flying geese pattern of development in East Asia has also begun to change with the emergence of China. China is not only pushing up its production and export volume, but has also increased its international competitiveness

from the comparative labor-intensive textile industry through to the comparatively technological-intensive machinery industry.”

Against the backdrop of “China rising, Japan stagnating,” Prime Minister Koizumi Junichiro made a one-week trip to the original ASEAN-5 countries (the Philippines, Thailand, Malaysia, Indonesia, and Singapore) to bolster Japan’s political and economic role in the region in January 2002. In this endeavor, the charismatic Japanese leader was hamstrung by two painful realities: Tokyo had just cut its ODA budget by 10 percent, and Japan’s powerful agriculture lobby is vehemently opposed to any FTA that threatens to pry open the country’s protected agricultural sector. Although Koizumi has made a clarion call for “structural reforms without sanctuaries,” agriculture reform remains a sacred cow.

Ironically, Japan’s liberal democratic political system (which is deeply penetrated by parochial but powerful interest groups like agriculture) appears to hinder a bold leader like Koizumi who sought to pursue Japan’s national interest in Southeast Asia. In contrast, China’s post-Maoist authoritarian political system permits its leaders a free hand to pursue entry into the WTO (even though millions of Chinese workers and farmers are likely to be badly affected by foreign competition) and to forge an FTA with the ASEAN states.

From Fukuda to Koizumi: Tokyo’s Diplomacy in Southeast Asia

Koizumi’s state visit to the ASEAN-5 marked the 25th anniversary of his mentor’s (former Prime Minister Fukuda Takeo) trip to Southeast Asia. In that historical trip, Fukuda articulated the first codification of Tokyo’s postwar foreign policy principles toward Southeast Asia: a heart-to-heart relationship with the region, that Japan will never be a military power again, and the desire to play a political role in Southeast Asia. The Fukuda Doctrine was underpinned by Tokyo’s desire to play a political role commensurate with its economic superpower status, to mitigate anti-Japanese sentiments that Tokyo is an exploitative economic animal, and to contribute to regional stability, in which Japan has an important stake. Tokyo also hoped that it could play a “bridging” role between the non-communist ASEAN group and the communist Indochina bloc.

Japan was taken aback by the violent demonstrations against it when then-Prime Minister Tanaka Kakuei visited Bangkok and Jakarta in 1974. (Underpinning the anti-Japanese riots were perceptions that Tokyo was a selfish, arrogant, and distant neighbor that was interested only in exploiting the natural resources and cheap labor of Southeast Asia. The notoriety of Japanese predators who traveled in groups for cheap sex in the region did not enhance the country’s image.)

Fukuda in 1977 had certain advantages that his protégé did not enjoy in 2002. First, he bore gifts of \$1 billion and promises to substantially increase ODA to Southeast Asia; Koizumi came empty-handed. Second, Fukuda was the prime minister of a rising economic superpower; Koizumi is the prime minister of a country in relative decline.

Between Fukuda and Koizumi's trip to Southeast Asia, Japan has indeed played a more active political role in Southeast Asia. Initiatives include: offering its good offices to the Cambodian warring factions and aid for the reconstruction of Cambodia, participating in PKOs (peacekeeping operations) in that country and lately in East Timor, exerting subtle influence on Myanmar's military junta to ease its restrictions on Nobel Peace Prize Laureate Aung San Suu Kyi and that country's democratic movement, seeking to mediate in the Spratly Islands dispute in the South China Sea, and advocating the establishment of the ASEAN Regional Forum (ARF) to promote a multilateral approach to confidence building in the region.

Space does not permit me to elaborate on all these initiatives. One hallmark of Tokyo's diplomacy in Southeast Asia that ought to be highlighted is its willingness to adopt a foreign policy that is autonomous and distinct from its U.S. ally in a number of cases. This can be interpreted as a more confident Japan in the making; it can also be pointed out that in these instances the core interests of the U.S. were not jeopardized. Unlike Washington's uncompromising hard-line position toward the Myanmar military junta's abuse of human rights and lack of progress toward democratization, Tokyo adopts a finely calibrated approach that offers aid to Myanmar as a reward for progress in human rights and political liberalization.

Tokyo was also more enthusiastic than Washington to promote a multilateral security forum in the region to promote confidence building, greater military transparency, and preventive diplomacy in the future. (During the Cold War, the U.S. was not in favor of any overarching Asia-Pacific security forum because it probably feared that a multilateral forum would challenge and undermine its bilateral security arrangements designed to contain the Soviet Union.) In July 1991, then-Foreign Minister Nakayama Taro, at the ASEAN-Post-Ministerial Conference (PMC) in Kuala Lumpur proposed that the region should use the ASEAN-PMC as a forum for political dialogue and mutual reassurances. The so-called Nakayama Initiative has been regarded as an antecedent to the formation of the ASEAN Regional Forum (ARF). When the ARF was formed in 1994, Tokyo was naturally one of its enthusiastic backers.

Tokyo was also very supportive of multilateral approaches to promote regional trade. Initially, many Japanese expressed interest in Malaysian Prime Minister Mahathir Mohamad's proposal for an East Asian Economic Caucus (EAEC) that would exclude the U.S. After vociferous objections from the U.S., Japan did not further pursue the EAEC concept; Tokyo supported Asia Pacific Economic Cooperation as the preferred regional organization to promote free trade.

Another diplomatic success of Japan was its ability to broker a peace agreement in Cambodia to end the armed conflict that erupted between Co-Prime Ministers Hun Sen and Prince Ranariddh in July 1997. Tokyo forged a political compromise in which Prince Ranariddh would stand trial for weapons smuggling and collusion with the Khmer Rouge and, upon conviction by Hun Sen's kangaroo court, would receive a royal pardon from his father, King Sihanouk. Ranariddh also agreed to give up further dealings with the Khmer Rouge and his remaining troops were to merge with the national army. In

turn, the prince would be permitted to compete freely in the proposed national elections. Tokyo was able to influence Cambodian leaders because it is the key donor of much needed foreign aid to that impoverished country.

Also noteworthy was then-Prime Minister Hashimoto Ryutaro's visit to Southeast Asia in January 1997. Hashimoto went further than Fukuda by articulating Japan's willingness to hold regular political summits with ASEAN and also bilateral talks on security issues. In this regard, the Japanese and Southeast Asian allergy to Tokyo playing a role on regional security matters has lessened substantially.

In the same year, the Asian financial crisis hit. Initially, Tokyo exercised leadership by proposing to establish an Asian Monetary Fund (AMF) to assist regional countries in distress. However, Tokyo caved in to the objections of the U.S. and scuttled its proposal. (Washington was concerned that the AMF would undermine the IMF [International Monetary Fund] and the role of the U.S. dollar as the global currency if a yen bloc were to emerge. This is a core issue for the U.S. – unlike human rights and democratization of Myanmar, where Japan has more latitude to maneuver.) Nevertheless, in May 1998, when then-Foreign Minister Obuchi Keizo was in Singapore, he promised an unprecedented financial aid package of \$43 billion for East Asia. In October the same year, then-Finance Minister Miyazawa Kiichi unveiled another aid package of \$30 billion.

Koizumi's January 2002 Trip to the ASEAN-5

The region has been hit again by an economic slowdown, this time due to the bursting of the U.S. technological bubble and the aftermath of the Sept. 11 terrorist acts. The Philippines appealed to Japan not to cut its ODA, Thailand sought an FTA with Japan, and Malaysia urged Koizumi not to devalue the yen (which might lead to competitive pressure on Southeast Asian currencies to devalue). In addition, Malaysian Prime Minister Mahathir advocated an ASEAN Plus Three group (including China, Japan, and South Korea) as a pan-Asian regional grouping Tokyo ought to support; Koizumi preferred an open and broader pan-Pacific community that encompasses Australia and New Zealand, while not excluding the U.S.

In Singapore, Koizumi and Prime Minister Goh Chok Tong signed an Economic Agreement for a New Age Partnership, an FTA that was supposed to act as a model for economic relations between Japan and ASEAN. The FTA will remove tariffs on 94 percent of Singapore's exports to Japan, up from the current level of 84 percent and covering over 3,800 items. However, tariffs on key agricultural and fishery products and some petrochemical and petroleum products were excluded from the FTA. Going beyond the traditional agreement that focuses only on trade, both countries plan to promote ties in science and technology, human-resource development, and tourism.

Japan could forge an FTA with Singapore because the city-state lacks an agricultural sector. Therefore, it is questionable whether the Japan-Singapore agreement can really serve as a model for FTA between Japan and other Southeast Asian countries with

important agrarian sectors. While keeping the possibility of future FTAs with these states open, Koizumi provided neither details nor a timetable for such agreements. In this regard, it is doubtful whether Koizumi's trip succeeded in counter-balancing China's overtures to Southeast Asia.

At his Jan. 14 keynote speech entitled "Japan and ASEAN in East Asia" in Singapore, Koizumi called for closer economic and security ties between Japan and Southeast Asian countries that would lead to a larger community that would include China, South Korea, Australia, and New Zealand. He also proposed an "Initiative for Japan-ASEAN Comprehensive Economic Partnership," which would expand ties from the traditional areas of trade and investment to areas such as science and technology, human-resource development, and tourism. Koizumi also advocated that Japan and ASEAN tackle "a variety of transnational issues such as terrorism, piracy, energy security, infectious diseases, the environment, narcotics, and trafficking in people."

Of interest is Koizumi's call for strengthened cooperation between the Japanese Coast Guard and its ASEAN counterparts to curb piracy in the region. The prospect of Japanese ships patrolling the South China Sea and the Straits of Malacca is certainly not welcomed by Beijing, given its fear that Japan might become a military power again.

Koizumi also called for greater intellectual exchanges and cooperation between the universities of Japan and ASEAN. The reality, however, is that the best and brightest Southeast Asian students aspire to Ivy League schools in the U.S. rather than the universities of Tokyo, Waseda, and Keio. Moreover, Japanese universities rarely hire Southeast Asian academics. In this regard, compared to the U.S., Japan has limited cultural and intellectual appeal to scholars and students from the ASEAN countries.

Assessing Japan's Role in Southeast Asia

Southeast Asian states no longer have an allergic reaction to Tokyo playing a larger political and security role in the region – insofar as it remains allied to the U.S. and Japanese troops are engaged in PKOs under the auspices of the United Nations. Indeed, there were virtually no criticisms or suspicions from Southeast Asia when Japan pledged to dispatch 700 troops for UN peacekeeping in East Timor this year. The main challenge to a higher Japanese political and security profile is not negative reactions from Southeast Asia but the need to put its own house in order.

In the next decade or two, the economic rise of China is unlikely to displace Japan in the region. First, Japan's GDP is still more than four times larger than China's. Even if Beijing narrows the gap, Tokyo will remain an important economic player in the region. Second, the Southeast Asian states would welcome Japan as a counterweight to China, especially when the latter is making rapid economic progress and emerging as a great power.

Even if China were to raise its economic and political profile in Southeast Asia in the next two decades, it is unlikely to be the only great power in the region; the U.S. and Japan are likely to remain as important players in Southeast Asia. The best scenario for Southeast Asia is not “China rising, Japan declining.” Ideally, it is “China rising, Japan recovering.” If Southeast Asia has two Asian engines of growth instead of one, the region is more likely to become prosperous and politically stable. In this regard, the region has a stake in the success of Koizumi’s “structural reforms without sanctuaries.”

Japan’s failure to pursue structural reforms (that must eventually include the agriculture sector) is a handicap to Japanese foreign policy. Unless and until Japan seriously embarks on structural reforms, the nation will lack the resources and prestige to underpin a more ambitious foreign policy toward Southeast Asia. Moreover, the U.S.-Japan alliance, which lent predictability to regional security, may suffer from an erosion of its credibility if the Japanese economy continues to hemorrhage and its domestic politics remain adrift for another decade. A revitalized Japan acting as a leading goose (though not necessary the only one) still is the best outcome for Southeast Asia.

Chronology of Japan-Southeast Asia Relations January 1974-March 2002

Jan. 7-17, 1974: Prime Minister Tanaka Kakuei visits Indonesia, Malaysia, the Philippines, Singapore, and Thailand; anti-Japan demonstrations break out in Indonesia and Thailand.

Aug. 7, 1977: First Japan-ASEAN summit in Kuala Lumpur. Then-Prime Minister Fukuda Takeo pays official visits to five ASEAN countries and Burma; Fukuda announces the “Fukuda Doctrine,” calling for cooperation between Japan and ASEAN countries, in Manila.

Dec. 15, 1987: Second Japan-ASEAN summit in Manila.

May 23-28, 1993: Japan participates in the United Nations Transitional Authority in Cambodia election monitoring team.

Jan. 7-14, 1997: Prime Minister Hashimoto Ryutaro visits Brunei, Malaysia, Indonesia, Vietnam, and Singapore, proposes that Japan and ASEAN states hold regular summits and bilateral security talks.

March 14-15, 1998: PM Hashimoto visits Indonesia to urge newly re-elected President Suharto to accept IMF package and conditions.

March 1998: Japan resumes financial aid to Myanmar in the form of \$20 million for Yangon International Airport repairs.

May 1-5, 1998: Foreign Minister Obuchi Keizo visits Thailand, Malaysia, and Singapore; Obuchi gives a keynote speech in Singapore entitled “Japan and East Asia: Outlook for the New Millennium” and announces a \$43 billion aid package to the region.

May 18-27, 1998: Tokyo dispatches six C-130H military transport aircraft to evacuate Japanese citizens in Indonesia to Singapore.

July 1998: Japan’s Cambodian election monitoring team is in Cambodia.

Dec. 15-16, 1998: PM Obuchi Keizo visits Vietnam for ASEAN and ASEAN Plus Three Summits; Obuchi announces “Obuchi Initiative.”

Nov. 27-28, 1999: ASEAN Plus Three Summit in Manila. Japanese PM Obuchi Keizo and Myanmar PM Than Shwe meet for the first time since 1988.

Dec. 16-17, 1999: East Timor donor’s meeting is held in Tokyo; Japan pledges \$100 million aid to East Timor.

Jan. 10-15, 2000: PM Obuchi visits Cambodia, Thailand, and Laos, seeking “bridging” role between Southeast Asian nations and G-8.

April 27-28, 2000: Regional Conference on Combating Piracy and Armed Robbery against Ships is held in Tokyo; delegations from 16 Asian nations participate.

April 28-May 2, 2000: FM Kono Yohei visits Singapore, Indonesia, and East Timor.

Sept. 28, 2001: President Megawati and Prime Minister Koizumi Junichiro meet in Tokyo.

Oct. 4-5, 2001: Asia Cooperation Conference on Combating Piracy and Armed Robbery against Ships is held in Tokyo.

Oct. 22, 2001: Tokyo announces planned dispatch of 700 troops in March for UN peacekeeping operation in East Timor.

Nov. 5-6, 2001: ASEAN Plus Three Summit in Brunei.

Nov. 21-23, 2001: Thailand-Laos-Vietnam-Japan Quadripartite Ministerial Meeting on the Development of Areas along the Eastern Part of the East-West Economic Corridor is held in Thailand.

Nov. 18-21, 2001: Thai PM Thaksin Shinawatra meets Emperor Akihito and PM Koizumi in Japan.

Jan. 9-16, 2002: Japanese PM Koizumi visits Indonesia, Malaysia, Singapore, Thailand, and the Philippines; Koizumi proposes “Comprehensive Economic Partnership” in his speech to Southeast Asian nations in Singapore.

Feb. 22-24, 2002: Japanese Vice Foreign Minister Sugiura Seiken visits Brunei.

Feb. 26-28, 2002: Vice FM Sugiura visits Indonesia to attend Regional Ministerial Conference on People Smuggling, Trafficking in Persons, and Related Transnational Crimes.

March 11-14, 2002: The first meeting on Economic Policy Support for Indonesia is held in Jakarta.

March 22, 2002: Over 300 Japanese Ground Self-Defense Force members leave for East Timor on UN peacekeeping operations.

March 25-30, 2002: Brunei Crown Prince Billah visits Japan.

About The Contributors

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