

Comparative Connections

A Quarterly E-Journal on East Asian Bilateral Relations

Edited by
Brad Glosserman and Vivian Brailey Fritschi

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

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

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

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Prime Minister Koizumi met with China’s President Hu Jintao in St. Petersburg, Russia, during ceremonies marking the city’s 300th anniversary. At ASEAN Regional Forum meetings in Phnom Penh, Foreign Minister Kawaguchi invited China’s new Foreign Minister Li Zhaoxing to visit Japan in August to commemorate the 25th anniversary of the Japan-China Friendship Treaty. Japan also successfully lobbied China to support Japan’s admission to the U.S.-China-North Korea talks that opened in April in Beijing. The SARS epidemic in China, however, dominated the relationship. It significantly affected Japanese business operations in China as well as in Japan. By the end of the quarter as the epidemic appeared to come under control, economic forecasts brightened.

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The quarter saw Japan implement its own version of the Bush administration’s “containment lite” policy toward North Korea, inspecting and detaining DPRK vessels. Pyongyang accused Tokyo of taking the first step to sanctions (which North Korea equates with war). Japan responded to the North’s bluster not by cowering but by making serious steps toward a robust missile defense system as well as toward emergency security legislation that would give the government the power to respond to military crises. Meanwhile, South Korean President Roh Moo-hyun did his own rendition of a Madison Avenue-type media blitz of Japan, leaving summit observers with some choice memories of his off-the-cuff style.

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As the war in Iraq was winding down, diplomacy quickened its pace. The pursuit of national interests yielded statecraft such as Russian President Vladimir Putin embracing the era of preemption with his Bismarckian shrewdness and Peter the Great style. With “three steps” – the Putin-Hu summit, the Shanghai Cooperative Organization (SCO) summit, and the St. Petersburg extravaganza – Chinese leader Hu Jintao left SARS at home and vaulted onto the world stage at the G-8 summit in the French spa town of Evian.

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Some believe Sept. 11 marked a turning point in the U.S.-Australia relationship, with a much strengthened trend to a deeper and closer alliance. This view is often used to support a wider hypothesis: that Australia is undertaking a fundamental realignment away from Asia and toward the U.S. The Howard government has put less rhetorical weight on Australia’s relationships in Asia than did its predecessor. Even so, relationships as old and deep and complex as that between the U.S. and Australia have a tempo and a trajectory that are not easily transformed by individual events – even events as resonant as the terrorist attacks of Sept 11. It may be that the current phase of evolution of the U.S.-Australia alliance reflects the influence of longer-term, slower-acting, but in the end, more powerful forces.

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Regional Overview:

Everything is Going to Move Everywhere . . . but not Just Yet!

By Ralph A. Cossa,
President, Pacific Forum CSIS

Washington's post-Sept. 11, post-post-Cold War military strategy and force posture realignment plans for East Asia began to take shape this quarter, albeit in bits and pieces. While "everything is going to move everywhere," first up seems to be the Korean Peninsula, at least in terms of planning. The long-term objective appears to be reducing footprints (and ultimately numbers?) and increasing flexibility without reducing commitment or defense/deterrent capabilities or creating too much regional anxiety (or false expectations). Meanwhile, bad behavior by the region's twin despots – North Korea's Kim Jong-il and Burma's Than Shwe – resulted in increased promotion of multilateral solutions and a willingness, however tentative, by the nations of Southeast Asia and other members of the ASEAN Regional Forum (ARF) to interfere, ever so slightly and gently, in one another's internal affairs. Ad hoc multilateralism was also the order of the day down under, as Australia worked to put together a coalition of the willing to intervene, by invitation, in the Solomon Islands.

Some unilateralist U.S. tendencies remain, however, especially when it comes to announced missile defense plans (which were hardly noticed) and nuclear force modernization and research efforts (which were). Meanwhile, in Iraq, winning the war has given way to the more daunting task of winning the peace while, elsewhere, the world holds its collective breath in hopes that the worst of SARS is now behind us.

Everything is Going to Move Everywhere

One of the first firm indicators that major force restructuring plans are being considered for East Asia occurred this quarter when U.S. Under Secretary of Defense for Policy Douglas J. Feith stated in a May 29 on-the-record interview in the *Los Angeles Times* that "Everything is going to move everywhere . . . There is not going to be a place in the world where it's going to be the same as it used to be We're going to rationalize our posture everywhere — in Korea, in Japan, everywhere."

While Feith elected not to give details, noting that planning was in the preliminary stages, the *LA Times* article also cited other (unnamed) senior Pentagon officials as stating that plans were "on the table" to move the bulk of Marine forces currently based in Okinawa to Australia, and that Washington was "seeking agreements to base Navy ships in Vietnamese waters and ground troops in the Philippines." Malaysia was also mentioned as one of the places where Washington wanted to establish a "network of small bases,"

which would reportedly serve as “launching pads for moving U.S. forces quickly and clandestinely to future areas of conflict.” A reduction in Korea-based forces was “probably in the cards” as well, although plans had not yet been made “for fear of sending a signal of lack of resolve to North Korea.” With the exception of South Korea (where restructuring plans were soon to be announced – see below), defense establishments in most of the countries named were quick to point out that they had agreed to no such thing, underscoring Feith’s original (and largely overlooked) point about the preliminary nature of current planning.

Speaking at the International Institute for Strategic Studies (IISS) Shangri-La Dialogue in Singapore a few days later, Deputy Secretary of Defense Paul Wolfowitz tried to provide the larger context, noting that “Many studies have been done and many ideas have been presented, but no decisions have yet been made” and none would be made without close consultation with Congress and with “affected friends and allies in the region.” Wolfowitz further noted that Washington’s “fundamental look at our military posture worldwide” was aimed at addressing the issue of “how best to sustain the American commitment to this region in the face of the global demands on our defense resources.” Yes, changes in force structure (read: reductions as well as realignments) were inevitable, he seemed to be saying, but they would not be made at the expense of the region’s security. Washington would maintain “the same basic commitment to stability and deterrence in this region that we have had all along.”

What was new and potentially significant but largely overlooked in the *LA Times* story was the reported change in attitude toward China. In the past, most statements coming from the Pentagon seemed to focus on the need to counter a potential peer competitor. If it is true that, “in the post-Sept. 11 world, the threat from China is believed by Bush administration policymakers to pale beside that posed by unstable countries in Asia, Africa, and the Middle East that are viewed as breeding grounds for terrorists,” this would bring the Pentagon more in line with the point of view that has prevailed in the State Department and was embedded in last fall’s *National Security Strategy*, which stresses cooperation rather than competition with China and the other great powers. This would allow the Pentagon to focus on flexibility, mobility, and rapid response from its East Asia “launching pads.”

Korea: Restructuring to “Promote Regional Stability”

It soon became clear that planning for the future had already begun and indeed was quite advanced when it came to the status of U.S. forces on the Korean Peninsula. On June 5, the joint statement from the second “Future of the ROK-US Alliance Policy Initiative” talks revealed that the two allies had already reached general agreement on a future force restructuring plan “to enhance deterrence and security on the Korean Peninsula and improve the combined defense.”

Glaring headlines about “U.S. Pulling Troops from the DMZ” aside, a careful reading of the joint statement reveals that little, other than joint planning, will take place immediately, and that any consolidation of U.S. forces will “tak[e] careful account of the

political, economic, and security situation on the Peninsula and in Northeast Asia,” a caveat lifted directly from the joint statement signed a month earlier by Presidents George Bush and Roh Moo-hyun during their first summit meeting in Washington DC.

The first step is to develop a series of Implementation Plans – for Capability Enhancement, Yongsan Relocation, the Transfer of Military Missions, and for the Realignment of U.S. Forces in the ROK, respectively – with the goal of completing the *plans* (not the moves) in time for *discussion* (not implementation) at the ROK-U.S. Security Consultative Meeting (SCM) in late September. When actual relocation of forces will occur is not clear. The ROK government, according to the announcement, will “start procuring appropriate land in 2004.” How long this will take is anyone’s guess – the U.S. has been waiting since 1996 for Okinawan officials to provide an alternative location for Futenma Air Base; hopefully ROK authorities will be a bit quicker. On the other hand, U.S. Forces Korea (USFK) agreed more than a decade ago to move its military headquarters from Yongsan (in the middle of downtown Seoul) once an alternative location was secured; the search for “appropriate land” for key hubs is, in this respect, *deja vu*’ all over again.

As explained in more detail in the U.S.-ROK chapter in this issue [Donald Gross, “The Nuclear Issue Sputters Along”], the consolidation itself will occur in two phases. Under the first phase, forces north of the Han River (which runs through Seoul) will consolidate in the Camp Casey and Camp Red Cloud areas (which are also north of Seoul). Presumably this could be done without procuring too much additional land, so it could begin sometime after the plans are discussed in September and agreed upon. But even if some forces are moved off the DMZ during phase one, they will still remain within artillery range of North Korea. Even after the full relocation to the new “key hubs,” the two sides “agreed to sustain a U.S. military rotational training presence north of the Han,” no doubt to address lingering “tripwire” concerns.

Meanwhile, Deputy Secretary Wolfowitz, during an early June visit to Seoul, urged Koreans to “move beyond outmoded concepts or catch phrases,” noting that “the real tripwire is the letter and spirit of our mutual defense treaty, backed up by the substance of our alliance and our strong military forces.” To this, one should add the billions of dollars of U.S. investment in South Korea and tens of thousands of business people and tourists there on any given day. Nonetheless, keeping some forces forward will help disabuse North Korea of the notion that the U.S. is too casualty-averse to respond to future provocations; a mistake that Saddam Hussein made not once, but twice. Meanwhile, relocating and consolidating the bulk of U.S. forces further south will put them in a better position to more effectively respond, in the unlikely (but not impossible) event that the North were to launch a military attack.

Of equal significance is the agreement by both sides “on the importance of structuring U.S. forces in a manner that *further promotes regional stability*.” In the past, U.S. Korea-based forces have been discussed solely in terms of Peninsula defense. While this remains their primary mission today (given the North Korean threat), this acknowledgment provides the U.S. with greater planning flexibility (in keeping with the

Pentagon's desire to transform military thinking and basing worldwide) while also laying the groundwork for a continued force presence, in the event North Korea either reforms itself or goes away.

“Rationalizing” U.S. Force Presence Everywhere

As regards the rest of the Asia restructuring plan, few details have been provided beyond assurances about what is not being planned. “Most of the details that I have read are either inaccurate or extremely premature,” Secretary Wolfowitz explained when questioned about the *LA Times* article, with reports about Marines going from Okinawa to Australia or new bases being established in the Philippines specifically pointed out as being flat out wrong.

Wolfowitz acknowledged during his IISS speech that an assessment of force requirements and restructuring opportunities was also underway with Japan, even though “many of the basing and mobility issues that confront us in other nations do not exist in our current relationship with Japan”; a signal that no dramatic changes are anticipated in the near term. I would argue that Okinawa will remain a key “hub” in any future U.S. restructuring plan, given its vital location as a key air and naval logistical hub. While alternative basing scenarios can be envisioned for the Marines (Guam, Korea, the U.S., perhaps even Australia at some point), Kadena Airbase and Naha (or a suitable replacement) port seem as vital to any future “launching pad” strategy as they are to supporting Korean (and other) contingencies today. Misawa Airbase in northern Japan may serve as another hub, with some (myself included) suggesting that the U.S. Navy carrier air wing currently situated in the crowded Kanto Plains area could be relocated there.

Identifying potential hubs in other Asia-Pacific locations also continues. While completely discounting reports of U.S. troops returning to permanent bases in the Philippines, Wolfowitz noted that the U.S. had “redoubled our commitment” to assist Manila, further pointing out that the Philippines had been accorded major non-NATO ally status, “in recognition of the close ties which bind our two nations.” A “main driver” behind Washington's regional (and worldwide) military posture review was “to adapt to a world in which potential threats have become more unpredictable.” As a result, Wolfowitz continued, “we place a great premium on mobility and on the ability to move from existing hubs at great speed and to use temporary basing solution as needed.” This “new” approach seems to be a logical extension of the earlier U.S. Pacific Command “places not bases” strategy, which also stressed flexibility, mobility, and rapid response capability centered around “temporary basing solutions.” Stay tuned for more changes and even more speculation and rumors.

What's clearly needed now is an updated East Asia Strategy Report, similar to those produced during the Clinton and previous Bush administrations, laying out Washington's overall vision and security strategy for the Asia-Pacific region.

Meanwhile, Back at the Crisis

Talk of relocating U.S. forces away from the DMZ also created anxieties in North and South Korea since it generated fears – in my view misguided and illogical – that this move presaged a U.S. preemptive attack against the North, once American troops were out of harm’s way. Given that the actual relocation of forces south of Seoul (and thus out of range of North Korea’s heavy artillery) is several years away, the worries are at best premature. Washington’s rush to announce these future plans seems driven more by the Pentagon’s impatience to get on with its global restructuring effort than to send messages (real or imagined) to either Seoul or Pyongyang. Nonetheless, it has increased the diplomatic challenge when it comes to dealing with both.

Meanwhile, Washington’s broader diplomatic strategy of applying international pressure to roll back Pyongyang’s nuclear ambitions appears to have picked up steam this quarter, thanks in large part to North Korea simply being its typical belligerent self. Every time North Korea inches closer to admitting that it has nuclear weapons – its June 18 threat to “put further spurs to increasing its nuclear deterrent force” is the least ambiguous public admission of a nuclear weapons program (although not necessarily the possession of an operational weapon) to date – it makes it harder for any responsible member of the international community to argue its case. North Korea’s continued belligerence has also helped to close the policy gap between Washington and Seoul, as has Pyongyang’s continued refusal to allow its southern brothers, whose security is most threatened, to sit at the table. Adding further insult was the declaration by Pyongyang that the 1992 South-North Denuclearization Agreement was now “a worthless piece of paper.”

Summit meetings this quarter between President George W. Bush and ROK President Roh Moo-hyun (in Washington) and Japanese Prime Minister Koizumi Junichiro (in Crawford, Texas), and between Koizumi and Roh (in Tokyo) have allowed the three allies to read from the same sheet of paper, even if they continue, on occasion, to sing slightly different tunes. During these summits, all three reiterated that they “would not tolerate” nuclear weapons in North Korea, while demanding a “complete, verifiable, and irreversible” elimination of North Korea’s nuclear weapons program, a demand echoed later in the quarter by the G-8 leaders in their “Non Proliferation of Weapons of Mass Destruction” Declaration in Evian, France.

In Crawford on May 23, Bush and Koizumi warned Pyongyang that further escalation will “require tougher measures” against the North. The May 14 U.S.-ROK Joint Statement was a bit more circumspect. While expressing confidence that a peaceful solution could be achieved, Bush and Roh merely noted that “increased threats to peace and stability on the peninsula would require consideration of further steps.” While some might consider this caveat vague, it does represent a ROK acknowledgment that other options might have to be considered, based on continued North Korean escalatory actions. This represents a significant narrowing of one of the major gaps in the U.S. and ROK positions on dealing with Pyongyang. Roh continued his softer hard line when he met with Koizumi in early June, with both leaders acknowledging that “diplomacy and pressure” were both needed, even though Roh stressed his preference for the former.

No “red lines” were proclaimed at any of the meetings, but the ROK-U.S. statement did note “with serious concern” the North’s statements about reprocessing and its “threat to demonstrate or transfer these weapons.” Bush and Koizumi, in their joint press conference, also both stressed that they would not tolerate the transfer of nuclear weapons. Daring Pyongyang to cross lines in the sand may be counter productive; identifying “serious concerns” sends a useful signal.

The international community was quick to put some muscle behind the proliferation-related concerns. On June 12, 11 Asia-Pacific and European nations voiced support for a U.S. “Proliferation Security Initiative” aimed at intercepting illegal weapons of mass destruction (WMD) shipments on the high seas during a “coalition of the willing” gathering in Madrid. Under Secretary of State John Bolton had earlier stated that “legal, diplomatic, economic, military, and other tools” would be used to implement the interdiction initiative. The goal, according to Bolton, “is to work with other concerned states to develop new means to disrupt the proliferation trade at sea, in the air, and on land. Over time, we will extend this partnership as broadly as possible to keep the world’s most destructive weapons away from our shores and out of the hands of our enemies.”

The coalition plans to meet again in Brisbane, Australia in early July to further discuss ways to enhance their mutual law enforcement efforts – none dare call this sanctions . . . at least not yet – to stem the flow of illegal WMD shipments (not to mention the smuggling of drugs and other favorite North Korean pastimes).

Strong statements against WMD proliferation were also issued at the ASEAN Regional Forum annual gathering in Cambodia. The assembled ARF foreign ministers (including Secretary of State Colin Powell, but not his North Korea counterpart, who was conspicuous by his absence) urged North Korea to resume its cooperation with the IAEA and rejoin the NPT, while expressing unanimous support for the denuclearization of the Korean Peninsula.

ASEAN Looks inward as Multilateralism Strives Forward

The assembled ARF ministers also expressed their concern over the decision by Burma’s ruling junta to place opposition leader and Nobel Prize laureate Aung San Suu Kyi under “protective custody” after what has been broadly recognized to have been a government authorized (if not instigated) clash between her National League for Democracy (NLD) followers and organized hostile elements in late May. Surprisingly, the ASEAN ministers, during their own internal Southeast Asian meeting, also elected to interfere in Burma’s internal affairs, urging Rangoon “to resume its efforts of national reconciliation and dialogue among all the parties concerned leading to a peaceful transition to democracy.” They “looked forward to the early lifting of restrictions placed on Daw Aung San Suu Kyi and the NLD members.” Burma’s foreign minister did not block the statement “in the interest of ASEAN unity.” The ASEAN ministers comments

were repeated verbatim in the ARF Chairman's Statement. ASEAN also plans to send a troika delegation to Rangoon to further discuss the situation.

The ARF ministers also "recognized the growing danger" of WMD proliferation and "reaffirmed their commitment to make further joint efforts to tackle the problem" but did not specifically endorse or otherwise refer to the U.S. Proliferation Security Initiative. They stressed the importance of a continued link between track one and track two (official versus non-official dialogue efforts) and looked to further efforts to enhance the role of the ARF Chair, to include a not otherwise described further role in helping to ease tensions on the Korean Peninsula.

In addition to the internal ASEAN and broader ARF meetings, an ASEAN Plus Three (China, Japan, and Republic of Korea) ministerial was also held in Phnom Penh on June 17. Its East Asia Study Group tabled 17 short-term and nine medium-to-long-term recommendations, laying out measures to foster East Asian solidarity and promote greater regional cooperation. The network of bilateral currency swap arrangements (BSA) envisioned as part of the ASEAN Plus Three Changmai Initiative has now reached 12 BSAs, with two more under negotiation. Beijing also continued to move toward establishment of an ASEAN-China free trade area (by 2010 for older members and by 2015 for newer ASEAN members) during its separate dialogue with the ASEAN states.

The ASEAN Plus Three also met along the sidelines of the broader meetings, with the three foreign ministers pledging that their leaders would adopt a joint declaration on mutual economic and political cooperation when they hold a three-way summit in Bali in October. The foreign ministers also discussed a free trade agreement (not likely anytime soon), along with cooperation in the quarantine field and in human resource development. China's foreign minister noted that Beijing "adopts a fully open attitude" toward multilateral dialogue with North Korea involving both South Korea and Japan, as long as Pyongyang and Washington "have no problems and agree with that." This was hailed in the ROK as Chinese support for their future involvement in talks, although there was a big caveat (North Korean agreement) attached.

There's Always Shangri-La!

If the assembled foreign ministers had looked over their shoulders, they would have spotted many of their defense counterparts from within and beyond the region gathering for the second annual Asia Security Conference in Singapore on May 30 - June 1. Sponsored by the London-based International Institute for Strategic Studies (IISS) and broadcast as a track-two (nongovernmental) gathering of defense specialists and senior officials, the so-called Shangri-La Dialogue once again brought ministerial-level defense officials together for informal dialogue and separate government-only side meetings. Defense ministers/deputy ministers from 14 countries attended the meeting, along with senior officials from 4 more states. It was unclear if the low level of Chinese participation was due to the lingering effects of SARS (not to mention Singapore's vigorous screening

and quarantine programs) or the presence of Taiwan officials (who took part in track-two events in their private capacities but did not attend the “officials-only” side discussions).

While few are prepared to call the IISS annual event a threat to the more institutionalized ARF process, it has provided a useful alternative venue for defense officials to meet and discuss security concerns without the requirement for consensus statements or formal declarations. A third annual meeting has already been announced and promises to draw another high-level crowd of participants. As noted earlier, Secretary Wolfowitz used the occasion of this year’s meeting to provide a broad overview of Washington’s global defense restructuring plan.

Ad Hoc Multilateralism Down Under

At the IISS meeting, Australia’s Minister for Defence Sen. Robert Hill noted the importance of coalitions, calling them “vital” when it comes to the application of military force. He also noted that “we must be prepared to deal with problems at their source – despite the significant cost and difficulties this can entail. This requires a broader view of security, the courage to re-examine our assumptions, the trust to work together, and a preparedness to act before it’s too late.”

While Hill did not mention the Solomon Islands in his presentation, it was no doubt in the back of his mind. A few weeks later, the Solomons did receive some notice at the ARF ministerial, as the Chairman’s Statement “noted the deteriorating security and economic conditions in the Solomon Islands and the efforts of partner-countries to provide assistance” to its government. Nonetheless, several attempts by the Solomons to obtain UN Security Council (UNSC) assistance had fallen on deaf ears – the Solomon Islands is one of a handful of countries that recognizes Taiwan and China had previously demonstrated, in the case of Macedonia, that it would not support peacekeeping operations in such countries. Enter Canberra!

On June 25, Australian Prime Minister John Howard announced that Australia was forming a new “coalition of the willing” to provide immediate assistance, in the form of police as well as military forces, to prevent deteriorating conditions from turning the Solomons into a haven for terrorists and drug smugglers and to protect key institutions from intimidation by criminal elements. New Zealand quickly joined the coalition and Fiji and Papua New Guinea were also prepared to lend assistance after the intervention, at the specific request of the Solomon Islands government, was endorsed at a crisis meeting of the Pacific Forum in Sydney on June 30. “We will not sit back and watch while a country slips inexorably into decay and disorder,” Foreign Minister Alexander Downer explained in justifying what Prime Minister Howard was later to acknowledge as a “very significant change in Australia’s regional relationships.”

Missile Defense Plans Outlined: “a Different Approach to Deterrence”

One thing that did not change this quarter was Washington’s commitment to pursuing missile defense. The announcement on May 20 of a new National Security Presidential Directive on Ballistic Missile Defense (BMD) was identified as part of Washington’s broader commitment to “restructuring our defense and deterrence capabilities to correspond to emerging threats” in a post-Sept. 11 world. While the Directive was classified, the White House published a “National Policy on Ballistic Missile Defense Fact Sheet” to point out that “the contemporary and emerging missile threat from hostile states is fundamentally different from that of the Cold War and requires a different approach to deterrence and new tools for defense.”

The goal of BMD is to “devalue missiles as tools of extortion and aggression, undermining the confidence of our adversaries that threatening a missile attack would succeed in blackmailing us.” While no specific adversaries were mentioned by name, the “blackmail” reference reinforced the view that North Korea’s missile program remains foremost in the minds of BMD advocates.

While the National Missile Defense Act of 1999 had called for deployment “as soon as technologically possible” of an effective system capable of defending “against limited ballistic missile attack (whether accidental, unauthorized, or deliberate),” the Fact Sheet made it clear that the defenses to be set in place in 2004 would merely be “a starting point for fielding improved and expanded missile defense capabilities later.” The U.S. “[w]ill not have a final, fixed missile defense architecture” but rather “will deploy an initial set of capabilities that will evolve to meet the changing threat The composition of missile defenses, to include the number and location of systems deployed, will change over time.” While one would have thought that such an announcement would have set off alarm bells (in Beijing if not elsewhere), the announcement went largely unnoticed. BMD seems to have become yesterday’s issue.

Congress Approves Research on New Nuclear Weapons

What did not go unnoticed was a decision by the White House to request (and subsequently receive) Congressional approval to conduct research on the potential development of smaller nuclear weapons, reversing a 10-year ban on R&D on weapons with an under five kiloton yield. Approval to produce such weapons was neither sought nor granted, only the right to study the issue. This action seemed aimed as much at preserving a nuclear weapons design capability at U.S. national laboratories as it was at examining, in Defense Secretary Donald Rumsfeld’s words, “a variety of different ways – conceivably – to develop the ability to reach a deeply buried target.” Apparently, bunker busters armed with conventional warheads do not dig deep enough or do enough damage to satisfy Pentagon planners.

Critics at home and abroad were quick to point out that such actions seemed counter-productive to the Bush administration’s professed counterproliferation goals since they emphasized rather than downplayed the potential future importance of nuclear weapons

and thus could encourage others to also seek this edge. Many chose to blur the distinction between research and production or use, while tying this move to Washington's announced policy of preemption. As a result, when one travels through the region, questions are frequently raised about Washington's "new preemptive nuclear attack policy." It's no wonder, critics argue, that North Korea feels compelled to pursue its own nuclear deterrent in the face of this increased U.S. nuclear threat.

While experts can easily dismiss such misconceptions, they have a cumulative impact on the minds of friends and potential foes alike about Washington's commitment to the Nuclear Non-Proliferation Treaty (under which the nuclear weapons states also have responsibilities) and to the probability or desirability of the future use of nuclear weapons. This hardly serves U.S. nonproliferation interests. Perhaps it's time for the Bush administration to consider a "no first use of weapons of mass destruction" policy, in order to return to the moral high road and put the WMD debate into proper perspective.

Iraq: Winning the Peace

Last quarter, I argued that the long term impact of the war on Iraq regionally and globally would be driven by a number of as yet to be determined factors. One was the war's duration and the number of U.S. casualties. While "major combat" has ended, casualties continue to mount as opposition elements see guerrilla tactics as their best hope for convincing Washington to think twice about its plan for a prolonged occupation. While this is unlikely to succeed, it has demonstrated that winning the peace will likely be tougher than winning the war. Another factor was the nature of post-Saddam Iraq (including what role, if any, the United Nations would play in administering Iraq once the fighting ends). Yet another was the international and domestic political ramifications if no weapons of mass destruction were found, a storm that President Bush has thus far weathered much better than his comrade-in-arms, British Prime Minister Tony Blair.

The jury remains out on all these issues. Nonetheless, doubts about the credibility of U.S. intelligence – or its political use – could cause others to doubt some of the latest allegations about North Korean nuclear capabilities, making it even harder to bring skeptical allies along. For example, press reports indicate that neither Tokyo nor Seoul seem willing to accept at face value Washington's latest assessments that North Korea has been able to minaturize its alleged nuclear warhead to fit them on ballistic missiles.

Another key factor was successful pursuit of the Middle East road map (in cooperation with "quartet" members Russia, the European Union, and the UN). Despite considerable odds against it, some limited, tentative, but nonetheless significant progress has been made in this effort, but there are miles to go before anyone sleeps easy.

Finally was the issue of what Washington does next. While the Bush administration has hardened its position toward Syria and especially Iran (given the latter's apparent pursuit of a nuclear weapons program), few see this as Washington rushing toward war with

either country, especially with its hands full dealing with the aftermath of its Iraq and Afghanistan campaigns and the continuing drama involving North Korea, where a diplomatic solution also remains the preferred option.

SARS: Is the Worst Over?

The worst appeared to be over after a quarter in which many of the region's economies and especially tourist-related industries felt the impact of the Severe Acute Respiratory Syndrome (SARS) outbreak. At quarter's end, no new cases had been detected in the region for several weeks, all World Health Organization (WHO) travel advisories had been rescinded, and air travel was slowly returning to normal. Toronto and Taiwan were approaching the WHO's 20-day benchmark (July 2 and 5 respectively) – when 20 days, or twice the incubation period, have passed without detection of a new case, the chain of human-to-human transmission is considered broken. But with some 200 people still being treated, the WHO cautioned that the disease could still pose a threat. Another concern is the virus could prove to be seasonal, and might return next winter.

The disease took its toll throughout and beyond the region. According to WHO statistics, China, where it originated, reported 5,327 cases with 348 deaths out of a worldwide total of 8,439 cases and 812 deaths. Hong Kong was second-hardest hit with 1,755 cases and 298 deaths, followed by Taiwan with 674 cases and 84 deaths. With more than 250 cases and 38 deaths, Toronto suffered the worst occurrence of SARS outside Asia. Singapore was the only other country in double digits, with 206 cases and 32 deaths.

The economic impact of the disease is still being assessed, but appears considerable, at least in the near term. At one point during the quarter, hotel occupancy rates in Hong Kong had fallen to single digits. International visitors to Taiwan fell from 45,000 a day to about 7,000; Taiwan visits to the mainland fell from quarter a million per month to a trickle, severely impacting Hong Kong's Dragonair, whose passenger load to the mainland dropped from 10,000 to 700 daily in late April/early May. Economic forecasts were predicting that China's GDP growth for 2003 could be reduced by 0.5 to 2 percent. Similar forecasts were being made for many Southeast Asian economies, and especially Singapore. The World Trade Organization forecasted a 2 percent drop in global trade and the World Bank East Asia put the estimated cost of SARS in the range \$20-25 billion.

All of the earliest and most severe SARS outbreaks have been traced to contact with an infected medical doctor from Guangdong Province, China, who spent a single night (Feb. 21) on the 9th floor of the Metropole Hotel in Hong Kong. At least 16 guests and visitors to the same floor became infected. One has been identified as the source case, at the Princes of Wales Hospital, for the Hong Kong outbreak. Others, who carried the virus with them when they returned home, seeded outbreaks in Toronto, Vietnam, and Singapore. The mechanisms by which the virus spread from one infected person to so many guests and visitors are still not fully understood. China's failure to identify, isolate, and most importantly rapidly report on the new disease is seen as the primary cause of its rapid spread.

China's new leadership was quick to acknowledge that mistakes had been made, demanding more transparency and firing the health minister and other officials suspected of covering up the extent of the disease. Beijing also conducted a lot of damage control, especially in Southeast Asia (as outlined by Lyall Breckon in the China-ASEAN chapter). However, its continued blockage of Taiwan's efforts to participate in WHO activities, both SARS-related and more generally, helped to fuel greater animosity from across the Taiwan Strait, especially since Taiwan's efforts to participate in the WHO's World Health Assembly as a "health entity" met all of China's stated "one China" concerns. China's efforts to win the hearts and minds of the Taiwan people suffered another major setback through its handling of SARS in general and the WHO issue in particular.

Regional Chronology **April-June 2003**

April 1, 2003: National Assembly approves dispatch of Korean troops to Iraq as part of U.S. coalition.

April 2, 2003: ROK National Security Advisor Ra Jong-yil meets with Chinese counterpart in Beijing for talks on North Korea.

April 5, 2003: Russian President Vladimir Putin urges the Russian Parliament to ratify the Strategic Offensive Reductions Treaty with the U.S.

April 6, 2003: Chinese PM Wen Jiabao reports China is capable of curbing the spread of SARS.

April 7, 2003: DPRK cancels 10th South-North Inter-Ministerial talks scheduled for the same day.

April 7, 2003: U.S. National Security Adviser Condoleezza Rice holds talks with President Putin in Moscow.

April 8, 2003: Japanese FM Kawaguchi visits Beijing, invites PM Wen to visit Japan.

April 9, 2003: Malaysia bans all tourists from China to stop the spread of the SARS.

April 10-12, 2003: ROK and PRC FMs Yoon and Li meet in Beijing; agree to multilateral dialogue to resolve DPRK nuclear issue.

April 16, 2003: Australian Navy seizes DPRK vessel, the *Pong Su* for smuggling illegal drugs.

April 16, 2003: The WHO warns that China has failed to report all SARS cases.

April 18, 2003: U.S., Japanese, and South Korean officials meet in Washington to discuss impending North Korea talks

April 18, 2003: Chinese Politburo announces all officials must be truthful on all aspects of SARS reporting, without delay or deceit.

April 20, 2003: Chinese health minister and Beijing's mayor removed from office over SARS handling.

April 20-23, 2003: Indonesian President Megawati Sukarnoputri visits Moscow.

April 22, 2003: PRC President Hu Jintao meets with DPRK Gen. Cho Myong-rok.

April 23-25, 2003: Asst. Secretary of State James Kelly in Beijing for 3-day trilateral talks with North Korea and China.

April 23, 2003: Officials announce that public schools in Beijing will close for two weeks.

April 23, 2003: Burma's opposition leader Aung San Suu Kyi criticizes the military junta for refusing to start serious political talks.

April 23, 2003: Indonesian police arrest Jemaah Islamiyah (JI) leader Abu Rusdan.

April 23, 2003: Peace talks announced in Geneva between Indonesian government and Free Aceh Movement.

April 24, 2003: Aceh talks cancelled.

April 25 - May 9, 2003: *Balikatan-03*, joint U.S.-Philippine training exercise in Luzon.

April 25-26, 2003: Asst. Secretary Kelly in Seoul and Tokyo for debriefing on trilateral talks in Beijing.

April 26, 2003: ASEAN Plus Three SARS meeting in Kuala Lumpur.

April 27, 2003: China closes theaters, Internet cafes, discos, and other public venues to stop the spread of SARS.

April 27, 2003: Taiwan announces first SARS death and imposes 10-day mandatory quarantine on all arrivals from China, Hong Kong, Singapore, Vietnam, and Toronto.

April 27, 2003: A bomb explodes in Jakarta airport, injuring six.

April 28, 2003: WHO announces Vietnam is the first nation to contain the SARS epidemic.

April 29, 2003: SCO foreign ministers meeting in Kazakhstan.

April 29, 2003: ASEAN-China emergency summit on SARS in Bangkok.

May 1, 2003: President Bush announces that major combat phase in Iraq has ended.

May 1, 2003: China reduces Golden Week holiday to a long weekend, discourages travel to rural areas.

May 2, 2003: Seventy Chinese sailors aboard a diesel-powered submarine die in Yellow Sea training accident.

May 2-4, 2003: PM John Howard visits President Bush in Crawford, Texas.

May 5, 2003: U.S. Under Secretary of State John Bolton travels to Moscow in a bid to increase pressure on Iran and DPRK.

May 8, 2003: WHO extends its SARS travel advisory to Taipei.

May 9, 2003: Four Free Aceh Movement members arrested for April 27 Jakarta bombing.

May 12, 2003: DPRK nullifies 1992 Inter-Korean Denuclearization Declaration.

May 12, 2003: Trial of Bali bombing suspect Amrozi begins.

May 12-16, 2003: President Roh visits U.S., meets President Bush; joint statement warns North Korea that escalation may result in “further steps.”

May 14, 2003: Secretary of State Colin Powell visits Moscow, meets President Putin.

May 15, 2003: China threatens to execute or jail for life anyone who breaks SARS quarantine orders and spreads the deadly virus intentionally.

May 15-29, 2003: China joins 10 other countries as observers of annual *Cobra Gold* exercises in Thailand. The focus this year is peacekeeping and antiterrorism training.

May 16, 2003: Taiwan’s minister of health resigns following SARS outbreaks at three major hospitals

May 19, 2003: Indonesia declares martial law in Aceh and begins military offensive.

May 19, 2003: Taiwan announces 35 SARS-related deaths, third-highest behind China and Hong Kong.

May 19, 2003: Philippines President Macapagal-Arroyo visits Washington, meets President Bush.

May 20, 2003: White House releases unclassified version of National Security Policy Directive 23, outlining global missile defense system.

May 20, 2003: East Timor celebrates first year of independence.

May 21, 2003: WHO issues SARS travel warning for the whole of Taiwan.

May 22-23, 2003: Secretary Powell attends G-8 foreign ministers meeting in Paris.

May 22-23, 2003: PM Koizumi visits Crawford, Texas, discusses cooperation on North Korea and rebuilding Iraq with President Bush.

May 23, 2003: U.S. imposes trade sanctions on China for technology transfers that advanced the Iranian ballistic missile program.

May 26, 2003: A Burmese pro-junta group threatens supporters of opposition leader Aung San Suu Kyi.

May 26-29, 2003: President Hu visits President Putin in Moscow.

May 27, 2003: Burma's military junta accuses Aung San Suu Kyi's supporters of physically assaulting "peaceful" opponents during her trip to the north.

May 29, 2003: DPRK accuses ROK of sending warships across the disputed Yellow Sea border, warns of "irrevocable serious consequences."

May 29, 2003: Pentagon official says, "everything is going to move everywhere," as DoD rethinks its overseas military presence.

May 29, 2003: SCO summit in Moscow. Russia and China issue statement calling for reform of the UN to uphold its pivotal role in world affairs.

May 29-31, 2003: Three U.S. members of Congress, led by Rep. Curt Weldon, visit Pyongyang.

May 30, 2003: Singapore removed from list of countries affected by SARS virus.

May 30, 2003: Aung San Suu Kyi and 19 National League for Democracy (NLD) top party members placed into "protective custody" after violent clashes between her supporters and opponents. Junta announces closure of NLD offices in Rangoon.

May 30-June 3, 2003: Deputy Defense Secretary Wolfowitz visits Singapore, Seoul, and Tokyo.

May 31, 2003: ROK Navy fires warning shots at North Korean fishing boats.

May 31, 2003: St. Petersburg Tricentennial. Numerous summit meetings occur on the sidelines including first meeting between PM Koizumi and President Hu. President Putin meets with President Bush, President Hu, PM Koizumi, among others.

June 1-3, 2003: G-8 summit in Evian, France. President Hu is first Chinese leader to participate as observer.

June 1, 2003: South Korean Navy fires warning shots after North Korean fishing boats cross disputed maritime border.

June 1, 2003: China blocks Yangtze River and starts to fill Three Gorges Dam reservoir.

June 2, 2003: President Bush and other international leaders call on Burma to immediately release Suu Kyi.

June 2, 2003: China and 10 other Asia-Pacific countries, including five ASEAN members, agree to establish an Asian Bond Fund worth more than \$1 billion.

June 2, 2003: President Hu and PM Mahathir meet on margins of G-8 summit.

June 3, 2003: DPRK warns naval clashes could trigger war. South Korean Navy fires warning shots at a North Korean fishing boat hours later.

June 4, 2003: South Korean police seize 50 kilos of meth-amphetamine from Chinese ship that had transited DPRK.

June 4, 2003: Over 12,000 people gather in Hong Kong for a candlelight ceremony commemorating Tiananmen 14th anniversary.

June 5, 2003: U.S. and ROK officials agree on two-phase, multi-year consolidation of U.S. troops around “key hubs” south of Seoul.

June 6, 2003: Japanese Diet enacts special legislation to respond to security emergencies.

June 6-10, 2003: President Roh visits Tokyo, meets Emperor Akihito; holds summit with PM Koizumi.

June 8, 2003: DPRK suspends ferry service to Japan following Japan’s announcement of stricter safety and security searches.

June 9, 2003: DPRK claims nuclear weapons needed to reduce costs associated with its conventional forces.

June 9-10, 2003: Deputy Secretary of State Armitage visits Tokyo.

June 9-10, 2003: ASEAN Plus Three meeting on SARS in Siem Reap, Cambodia.

June 10, 2003: UN envoy Razali Ismail meets with Aung San Suu Kyi, presses junta for her release.

June 10, 2003: Thai police arrest four suspected JI members who were reportedly planning to bomb embassies and beach resorts in Thailand.

June 10, 2003: PM Thaksin meets President Bush in Washington.

June 10, 2003: Japan detains two DPRK cargo ships.

June 11, 2003: U.S. Senate votes to ban all imports from Burma.

June 11, 2003: Singapore PM Goh meets President Bush in Washington.

June 12, 2003: Eleven nation “coalition of the willing” supports U.S. Proliferation Security Initiative in Madrid.

June 12-13, 2003: Asst. Secretary Kelly hosts TCOG meeting in Honolulu; all agree that ROK and Japan participation in DPRK nuclear weapons talks is “indispensable.”

June 13, 2002: Australian PM John Howard meets President Bush at the White House.

June 13, 2003: Thai police arrest man selling radioactive material for use in making “dirty bombs.”

June 13, 2003: A candlelight vigil in Seoul marking the anniversary of the deaths of two school girls killed by a U.S. military vehicle draws nearly 20,000.

June 13, 2003: WHO announces travel warning restrictions lifted for Hebei, Inner Mongolia, the Shanxi and Tianjin regions in China.

June 14, 2003: PM Thaksin announces Thai Muslim militants were planning terrorist attacks in Bangkok during the APEC meeting in October.

June 14, 2003: ROK and DPRK symbolic ceremony in the DMZ to commemorate joint railway (which is not yet operational).

June 15, 2003: Bali bombing trial for the alleged operations chief of JI, Mukhlas, begins.

June 16, 2003: DPRK criticizes U.S. crackdown on illegal trafficking; says U.S. should “mind its own business.”

June 16, 2003: Japanese police demand U.S. military transfer marine suspected of May 25 sexual assault of Okinawan woman to local authorities.

June 16-17, 2003: ASEAN ministers meeting in Phnom Penh; ministers call for “peaceful transition to democracy” in Myanmar and early lifting of restrictions on Aung San Suu Kyi.

June 17, 2003: ASEAN Plus Three and separate Plus Three (ROK, PRC, Japan) meetings in Phnom Penh.

June 17, 2003: WHO lifts SARS travel warning to Taiwan.

June 17-18, 2003: Malaysia hosts WHO meeting on SARS.

June 18, 2003: ASEAN Regional Forum meets in Phnom Penh; calls on North Korea to rejoin the NPT and urges early release of Aung San Suu Kyi. Sec. Powell holds side meetings with counterparts.

June 18, 2003: U.S. agrees to transfer Marine suspected in rape case to Okinawan authorities.

June 18, 2003: Red Cross request for access to Aung San Suu Kyi denied.

June 18, 2003: DPRK announces it will “put further spurs to increasing its nuclear deterrent force.”

June 18-19, 2003: U.S. presents draft UNSC resolution condemning North Korea’s nuclear weapons program; Chinese diplomats say its premature.

June 20, 2003: DPRK vows retaliation and “strong emergency measures” if U.S. formally presents resolution to the UNSC.

June 21, 2003: Indonesian police announce arrest of 10 JI members.

June 22-27, 2003: Indian PM Atal Behari Vajpayee visits China, meets Premier Wen Jiabao and other officials. Vajpayee announces Indian recognition of Tibet as a part of china; the two states issue joint declaration appointing special envoys to make progress on long-standing border disputes.

June 24, 2003: WHO announces removal of SARS travel warning from Beijing.

June 25, 2003: Japan announces suspension of economic aid to Burma pending release of Aung San Suu Kyi.

June 25, 2003: ROK special prosecutor concludes 70-day investigation into secret payments made to North Korea, reprimands former administration, and charges three in connection with the scandal.

June 25, 2003: 53rd anniversary of the Korean War. ROK urges North Korea to dismantle its nuclear program for international aid; 1 million Pyongyang residents participate in anti-U.S. rallies.

June 25, 2003: PM Howard announces Australian soldiers and police will be sent to Solomon Islands (following request by its PM) to prevent drug dealers and terrorists from exploiting current instability.

June 27-29, 2003: North-South Korea divided family reunion held at Mt. Kumgang.

June 30, 2003: ROK and DPRK officials participate in ground-breaking ceremony for the Kaesong joint industrial park, north of the DMZ.

U.S.-Japan Relations: Still on a Roll

Brad Glosserman
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I was wrong: U.S.-Japan relations could get better – and this quarter they did. Tokyo continued to provide rock solid support for the U.S. in Iraq and North Korea, even though the Japanese public had doubts about the U.S. war on Baghdad. Prime Minister Koizumi Junichiro was rewarded for that backing with a summit at President Bush’s Crawford, Texas ranch, a privilege reserved for only a very few world leaders. The passage of “emergency legislation” and renewed enthusiasm for missile defense were more proof that Tokyo’s efforts to modernize its national security policies have not slowed. The prospect of U.S. force redeployments worldwide only confirmed the significance of the alliance and its increasingly sturdy foundations: while much of the region worried about a reduced U.S. presence, alliance officials discussed adding to U.S. forces in Japan. Even the fallout from crimes by U.S. servicemen on Okinawa was contained.

Some dark spots became apparent at the end of the quarter, but it would be churlish to focus on them. Economic issues are still a problem, and dollar devaluation adds a new wrinkle. But those misgivings aren’t new and I’m tired of sounding like Cassandra. So this quarter we celebrate without reservation the U.S.-Japan relationship.

Applause All Around

U.S. Ambassador to Japan Howard Baker summed up the administration’s view of the relationship in a June 30 speech to the International Friendship Exchange Council in Tokyo. He applauded Tokyo’s recent moves, noting that Japan “is a great power with worldwide interests.” With its “very substantial assets and opportunities,” Japan has risen to the occasion, playing since Sept. 11, “a crucial role in the multi-faceted campaign against international terrorism, clamping down ... on terrorist financing; sharing information; providing important support for Operation Enduring Freedom in Afghanistan; and helping to plan the reconstruction, now, of Iraq.” Speaking for many in Washington, Baker concluded that Japan deserves “a seat at the table for the conversation and negotiation of international affairs and relationships.”

Ambassador Baker’s remarks reflected the good feelings on display at the Bush-Koizumi summit in Crawford, Texas that was held May 22-23. An invitation to the Bush ranch is the ultimate reward for world leaders, the standard by which relationships are judged.

Koizumi not only joined this elite group, but was even invited to the president's daily intelligence briefing, a privilege previously only afforded to British Prime Minister Tony Blair.

The summit itself confirmed that the two governments were marching in virtual lockstep. Proceeding through the list of international issues, there was no daylight in the two countries' positions. Bush noted that, "On the threat from North Korea's nuclear program, the prime minister and I see the problem exactly the same way. We will not tolerate nuclear weapons in North Korea. We will not give in to blackmail. We will not settle for anything less than the complete, verifiable, and irreversible elimination of North Korea's nuclear weapons program." Both stressed their desire to resolve the issue peacefully, as well as agreeing to broaden the trilateral talks (U.S.-DPRK-PRC) to include Japan and South Korea. Significantly for Koizumi, Bush "assured the prime minister that the United States will stand squarely with Japan until all Japanese citizens kidnapped by North Korea are fully accounted for."

Koizumi echoed those sentiments and vowed to crack down more rigorously on North Korea's illegal activities. He warned Pyongyang that, "threats and intimations will have no meaning whatsoever." On a key issue, he agreed with the U.S. that "further measures" would be required if the North continued to escalate the crisis. Finally, he declared that without a resolution of all issues, normalization of relations between Japan and North Korea would not occur.

The prime minister's statements were especially important as they aligned Japan more closely with the U.S. on this critical issue, shifting the dynamics in the trilateral relationship with South Korea. Now, both Washington and Tokyo would be trying to bring Seoul onboard, rather than having the U.S. convince two seemingly reluctant partners. From the U.S. perspective, Tokyo was no longer part of the problem but was becoming part of the solution.

The two men applauded each other's position on the war on Iraq. Bush thanked Koizumi for Japan's support during the conflict and expressed his hope for "visible Japanese cooperation" during the reconstruction of Iraq. The prime minister minced no words. "On Iraq, the president made a difficult and brave decision for a just cause. I supported this. Our decision was right. With Memorial Day coming up, I would like to express my heartfelt condolences to the brave U.S. men and women in uniform who sacrificed their lives for the cause as well as their family members." Rarely has a Japanese leader spoken so plainly about such a difficult issue.

The Road through Baghdad

Koizumi's Crawford rhetoric was consistent with his previous support for the Iraq war. The prime minister stood firmly beside the U.S. and Britain throughout the lead up to conflict, even though the Japanese public entertained considerable doubts about the war. Once the fighting stopped, Tokyo was back in the game. In early April, Tokyo announced a \$25 million humanitarian aid package to Iraq and expressed its support for the

provisional government in Baghdad set up on the heels of the U.S. invasion. Six weeks later, Japan unveiled a \$46 million aid package. At a June 13 Cabinet meeting, the government agreed to submit a new bill to the Diet that would provide funds for humanitarian assistance, reconstruction of Iraq, and ensure security in Iraq through the deployment of the Self-Defense Forces and others. As the quarter closed, Koizumi had won an extension of the Diet session to secure passage of that bill.

As ever, the SDF deployment has been problematic. The Japanese media highlighted repeated U.S. requests for Japan to put “boots on the ground.” The government has been eager to comply, but the rules of engagement substantially reduced the effectiveness of an SDF deployment since they would have to go to areas that are “noncombat zones.” But as the *Asahi Shimbun* pointed out in a June 26 editorial, it is unclear if such places exist in Iraq. The *Asahi* concluded that the legislation was “sloppily conceived” and “raises more questions than it answers.” Still, the troops are likely to go, even if only to unload aircraft and help rebuild infrastructure. One other notable element of this bill: deployment would mark the first time Japanese troops had been sent to a country without the request of the host government.

Some argue that Koizumi’s hands were effectively tied when it came to Iraq. Cynics maintained that Japan had to back the U.S. if Tokyo was to maintain leverage and influence in dealing with the far more pressing (for Japan) issue of North Korea. At times, Koizumi appeared to concede as much. Nonetheless, if the road to Pyongyang ran through Baghdad, the detour was worth the trouble.

Closing Ranks Over North Korea

North Korea has single handedly transformed the security consciousness of ordinary Japanese. The 1998 Taepodong test that over flew Japan, the increasingly belligerent rhetoric, the steady climb up the escalation ladder, and Dear Leader Kim Jong-il’s stunning September 2002 confession that North Koreans did in fact kidnap Japanese citizens convinced even the most reluctant Japanese that the North was a menace and a threat. Today, two issues dominate Japanese thinking about North Korea: the prospect of nuclear proliferation and the fate of the Japanese who were kidnapped and their families and both figured prominently whenever North Korea came up in bilateral discussions. Both surfaced whenever North Korea was on the bilateral agenda.

The U.S. and Japan were in regular consultations throughout the quarter on how to deal with North Korea. Bush and Koizumi spoke on the phone several times and the subject was a priority item on their Crawford summit agenda. Assistant Secretary of State James Kelly kept his Foreign Ministry counterparts apprised of all developments in the lead up to and after the trilateral talks in Beijing in April.

Japan was torn between the desire to encourage dialogue between Washington and Pyongyang and the fear that, as in 1994, they would be left out of any security discussions. The U.S. did its best to allay those concerns, and made clear its preference for an expanded multilateral forum that included both Tokyo and Seoul. It promised to

push for five-party talks, and as the other contributors in this volume show, Tokyo worked to get other key players to push for its inclusion as well. Fortunately, Japan recognized the value of discussion, even if Tokyo was not at the table, and trusted the U.S. to make the case for its eventual participation. The Trilateral Coordination and Oversight Group (TCOG) statement released June 13 after its Honolulu meeting noted that “the three delegations agreed on the necessity of multilateral talks expanded to include other interested parties. In particular, they agreed that the ROK and Japan have vital interests at stake and that their participation in multilateral talks is indispensable.”

As noted, the Crawford summit showed the two countries were marching in lockstep. Koizumi did not even flinch from endorsing “other measures” – shorthand for the U.S. hard line – if Pyongyang did not step back from the nuclear precipice – and this came despite the reported efforts of senior Foreign Ministry officials to strike that language from the summit press statement. Koizumi is said to have tried to get similar language inserted into the joint statement after his meeting with South Korean President Roh Moo-hyun, but failed. Nonetheless, that effort still reflects the new dynamic in the trilateral – U.S.-ROK-Japan – relationship, with Tokyo more closely aligned with Washington than before, a shift that has not gone unnoticed in the U.S.

As the quarter closed, two possible rifts emerged on the North Korean front. The first concerned the response that the U.S. would offer to the alleged “bold proposal” that North Korea offered at the April talks. Reportedly, Seoul and Tokyo have been pushing for a similarly creative counter. The aggressive pursuit of every diplomatic option demands a response. There is only one slight problem: agreement among the three governments first requires agreement in Washington about U.S. aims and objectives. While there is little consensus regarding the U.S. North Korea policy, the one thing that virtually everyone does agree is that Washington does not yet have a strategy that goes beyond getting Pyongyang to cry “uncle” and go back to the negotiating table.

The second issue concerned the Korean Peninsula Energy Development Organization (KEDO). While the Bush administration has shown no great affection for KEDO, Japan and South Korea are not yet ready to let the project die. At a June 27 meeting with KEDO President Charles Kartman, Japanese Foreign Minister Kawaguchi Yoriko said that any final decision should await North Korea’s response to the proposal for a five-party dialogue.

While Iraq and North Korea were the biggest issues on the bilateral agenda, Tokyo continues to support coalition forces in Afghanistan. Another Aegis-equipped destroyer was dispatched to the Indian Ocean on April 10 and the antiterrorism law that provides the legal foundation for that deployment was extended for another six months on May 9. Since the original legislation had a two-year life, it will be interesting to see how Japan treats the legislation in the fall.

Realism at Home

North Korea also spurred decisions on domestic security matters. Take missile defense (MD). In early April, Koizumi called for renewed study of Japan's air defense system; 10 days later Japan Defense Agency (JDA) head Ishiba Shigeru said that Japan was interested in buying the newest version of Patriot missiles from the U.S. JDA then revealed that the FY2004 budget would request funds for two types of missiles, land- and sea-based.

If air defense, why not missile defense? Japan's reluctance to embrace MD has apparently evaporated. At Crawford, Koizumi noted that ballistic missile defense was an important agenda item in Japan's defense policy and that its consideration would be accelerated. In mid-June, Lt. Gen Ronald Kadish, chief of the Missile Defense Agency, visited Japan to discuss technical aspects of MD programs. Shortly after his visit, *The Japan Times* quoted unnamed JDA sources as saying that attacking missiles overflying Japan would not be an unconstitutional act of collective defense, a decision – if verified by named sources, and the government – that would lift one of the most important obstacles to Japan's participation in an MD program.

Even more important was the passage this quarter of “emergency legislation” – bills that would help Japan respond to an attack on the nation. The JDA began studying the need for such legislation in 1977, but the topic has been too sensitive to submit to the Diet – until recently. The bills define basic responses to an actual attack on Japan as well as an “anticipated” attack. The Self-Defense Forces Law has been amended to facilitate SDF deployment during such contingencies. In brief, the central government now has more authority to override local legislation in crises; it can seize property and can exempt the SDF from local laws. The classic example is that tanks will be able to run red lights with impunity in a war. The law governing the Security Council of Japan was also revised to create a crisis-response committee.

The bills were first submitted last year but the Diet session expired before a vote was taken. That the government could get secure their passage this year is an indication of how much the security environment has been transformed. The bills were endorsed by the ruling coalition and the two leading opposition parties, the Democratic Party of Japan and the Liberal Party. (It is a bit disturbing that passage was not the product of debate but a late night deal between Koizumi and DPJ leader Naoto Kan, the night before the vote.) The legislation also has a rider: it will not go into effect until human rights protections are passed.

Redeployment? No Problem

The best indication of the transformation in security thinking in Japan is the country's reaction to news of U.S. force redeployments in the region. (See Regional Overview: “Everything Is Going To Move Everywhere . . . But Not Just Yet!” in this edition of *Comparative Connections* for more details.) There were once fears that scaling back the U.S. military presence on the Korean Peninsula would inspire a call for similar cuts in

Japan; Tokyo's reaction to leaks of a draw down should end that nonsense. When the news stories reached Nagaticho, Japanese officials immediately denied that any cuts were in the works for Japan. Apart from a few faint cries from Okinawa, there was no public call for a cut in the U.S. force presence. In the ensuing discussions of redeployment – during which, U.S. defense officials conceded that there might be “minor adjustments” of the marines in Okinawa – most of the attention has focused on the rising significance of Japan in regional security. One leak suggested that the U.S. will move an intelligence facility from Hawaii to Japan.

Moves to increase the U.S. presence are ever more striking considering the crimes committed by U.S. service personnel this quarter. In one case, a soldier driving while drunk had a headon collision that killed a woman and injured her daughter. In another, a U.S. serviceman allegedly raped a teenage Okinawan woman. That incident occurred just before the Bush-Koizumi summit and was kept quiet until after their meeting. Ambassador Baker promptly apologized for the incident and pledged full cooperation. To head off the calls for revision of the Status of Forces Agreement that inevitably accompany any such crimes, the U.S. quickly handed over the suspect to the Japanese authorities. Even though the latter crime appeared to include every element of a major crisis for the alliance – Okinawa, rape, and a teenager – the fallout was minimized and the damage contained. The two governments have learned valuable lessons in alliance crisis management.

Equally telling is Tokyo's reaction to the Burmese junta's decision to attack and imprison democracy leader Aung San Suu Kyi and other members of her National League of Democracy. Japan has long been a quiet supporter of the regime, urging patience and subtle diplomacy to bring about reforms. This time, however, Tokyo appears to have had enough. Foreign Minister Kawaguchi Yoriko announced that Japan would suspend all development aid to Burma until Suu Kyi is released, a decision that also won plaudits in Washington. This rejection of “constructive engagement” is another sign of Tokyo's newfound realism.

Too Much of a Good Thing?

I promised no complaints this quarter, but a couple of issues are worrisome for the long-term health of the alliance. (Anyone who wants analysis unclouded by pessimism should skip this section.) Koizumi is to be applauded for seizing the momentum and modernizing Japan's security framework while he has the opportunity, but there are dangers. The repeated calls for “boots on the ground,” like the post-Sept. 11 admonition to “show the flag” can sound like bullying. So far, Koizumi has been given a lot of credit for what he has done – the Crawford summit, the kind words from Ambassador Baker – but that doesn't mean that Japan has benefited. The payoff for those moves has got to become visible. Instead, the quarter closed with reports that the State Dept. was complaining to Japan about its investments in Iran – which may be troublesome given speculation about that country's clandestine nuclear weapons program, but doesn't seem sensitive to Japan's need to diversify its energy supplies.

Public sentiment may also become a factor if the U.S. doesn't find those weapons of mass destruction in Iraq. An *Asahi Shimbun* poll at the end of the quarter showed that two-thirds of Japanese didn't support an attack on Iraq, and the country is pretty evenly divided (46 percent for, 43 percent against) over the need to deploy SDF forces to the country. Fifty percent said they don't approve of Koizumi's support for the U.S. and only 36 percent do. The number of negative responses has been increasing since the fighting ending. If the Bush administration is shown to have cooked the intelligence, Japanese – along with the British public – may well wonder what their special relationship really means. Does friendship mean you never have to say you're sorry? Prime Minister Koizumi may yet discover that a close relationship with the U.S. is a double-edged sword.

Finally, as always, there is the economy. This quarter, however, the big issue is the declining value of the dollar. The greenback's slide against the yen is a real headache for Japan's exporters, one of the few bright spots in the economy. Worse, it devalues overseas investments, another key pillar of support through the tough times. The Bank of Japan has spent trillions of yen, fruitlessly, in an effort to prop up the dollar. While the Bush administration continues its rhetorical support for a strong dollar, the currency's fall says actions are more important than words. Still, sentiment in Japan is picking up; check back next quarter to see if the surge in optimism survives the summer.

Chronology of U.S.-Japan Relations¹ **April-June 2003**

April 1, 2003: A portion of Camp Kuwae is returned to Japan based on the final reports of the Special Action Committee on Facilities and Areas in Okinawa (SACO) that stipulates the reversion of 11 U.S. facilities.

April 4, 2003: U.S. Navy announces that Japan has signed a \$164 million contract with Lockheed Martin for a *Kongo*-class destroyer, its fifth Aegis-equipped warship.

April 4, 2003: Japan Defense Agency signs contract to buy first air refueling tanker, scheduled to be delivered in FY 2007.

April 8, 2003: Matsui Hideki, "Godzilla," becomes the first Yankee to hit a grand slam in 2003, leading the team to a 7-3 victory over the Minnesota Twins in the home opener.

April 9, 2003: Tokyo announces humanitarian aid to Iraq, \$25 million worth assistance to the World Food Program, the International Committee of the Red Cross, and UNICEF in addition to previously unveiled \$5 million emergency aid package.

April 10, 2003: Aegis-equipped destroyer *Kongou* sails for Indian Ocean to replace the *Kirishima*.

¹ Chronology compiled by Vasey Fellow Hamada Kazuko.

April 12, 2003: U.S. Navy officer John Gibson, stationed at Sasebo Navy Base, smashes head-on into a car, killing a woman and injuring her daughter, and escapes from the accident, reportedly while drunk.

April 12, 2003: PM Koizumi and President Bush discuss on the phone upcoming U.S.-PRC-DPRK tripartite talks and agree that multilateral framework including Japan and South Korea should be the goal.

April 21, 2003: U.S. tanker and F-15s of ASDF begin first aerial refueling exercise over Kyushu and Shikoku.

April 26, 2003: Assistant Secretary of State Kelly visits Chief Cabinet Secretary Fukuda and Foreign Ministry Asia chief Yabunaka to report on trilateral talks in Beijing.

April 29, 2003: PM Koizumi and President Bush discuss North Korean issue on the phone and agree to continue close consultations among the U.S., Japan, and South Korea.

May 9, 2003: Cabinet approves six-month extension of logistic support for U.S.-led antiterrorism operations in Afghanistan until Nov. 1.

May 15, 2003: Three military emergency bills designed to prepare Japan for foreign military attacks pass Lower House with an overwhelming majority.

May 20, 2003: North Korean defector, identified as a former missile scientist, tells a U.S. Senate hearing that more than 90 percent of missile parts are smuggled in from Japan.

May 21, 2003: FM Kawaguchi announces that Japan will allocate \$46 million to restore Iraqi infrastructure and provide jobs and education.

May 22-23, 2003: Bush-Koizumi summit held at Bush's private ranch in Crawford, Tex.

May 28, 2003: Six Japanese F-15 fighters and an airborne warning and control system plane leave for Alaska to take part in aerial refueling exercise with USAF.

May 29, 2003: PM Koizumi states that while Tokyo wants to see a peaceful resolution of the North Korean nuclear issue, it recognizes the need to accelerate missile research.

May 29, 2003: *Los Angeles Times* reports that the Department of Defense is considering removing 15,000 Marines from Okinawa to Australia. Deputy Secretary of Defense Paul Wolfowitz denies report the following day.

May 30, 2003: FM Kawaguchi and Chief Cabinet Secretary Fukuda deny reported relocation plan of the Marines in Okinawa.

June 1, 2003: In a meeting with Wolfowitz, JDA chief Ishiba asks the U.S. to provide Japan with information regarding U.S. missile defense projects.

June 4, 2003: Cash from organized crime networks in Japan contribute to funding for North Korean WMD programs, says John Bolton, undersecretary of state for arms control and international security.

June 5, 2003: JDA plans to seek funds in the FY 2004 budget for two types of missiles: SM3 missiles to arm the MSDF Aegis destroyers and PAC3 Patriots to be based on shore.

June 6, 2003: Three military emergency bills pass House of Councilors with an overwhelming majority.

June 12-13, 2003: TCOG held in Honolulu.

June 13, 2003: Cabinet approves bill that allows SDF to help Iraqi reconstruction, for the first time without the consent of the host country.

June 13, 2003: In meeting with JDA head Ishiba, U.S. Air Force Lt. Gen. Ronald Kadish, chief of U.S. Missile Defense Agency, urges Japan to introduce a “layered defense” combining the ground-based PAC-3 system and a sea-based SM3 missile defense shield in a meeting with JDF chief Ishiba.

June 16, 2003: Obtaining an arrest warrant from the Naha District Court, Tokyo formally requests custody of a U.S. Marine accused of beating and raping a woman in May in the town of Kin.

June 17, 2003: Lower House votes 40-day extension of the current Diet until July 28 to ensure passage of a bill to dispatch SDF to Iraq.

June 18, 2003: A U.S. Marine suspected of raping a woman in Okinawa is arrested; U.S. military authorities agree to hand him over before his indictment.

June 20, 2003: *Mainichi* reports that the U.S. is considering transferring a command post of the Pacific Fleet reconnaissance aircraft divisions in Hawaii to Misawa base to integrate intelligence divisions in the region.

June 20, 2003: U.S. and Japan sign criminal investigation cooperation treaty under which judicial authorities can directly exchange information on criminal cases without foreign ministries’ involvement.

June 25, 2003: PM Koizumi states need for permanent law that stipulates the principles of SDF dispatch.

June 26, 2003: Assistant Secretary of Defense for International Security Affairs Peter W. Rodman affirms that the Pentagon is considering “minor adjustments” of the Marines in Okinawa.

June 28, 2003: *The Japan Times* reports that Richard Lawless, deputy secretary of defense for East Asia and Pacific, requested SDF dispatch to Iraq on June 11.

June 29, 2003: *Asahi* poll finds that 46 percent of Japanese voters support sending SDF to Iraq, 43 percent oppose it, while about 70 percent feel that Japan needs to contribute to Iraqi reconstruction. The poll finds public approval of Koizumi’s Cabinet at 47 percent, down slightly from May, while 52 percent support Koizumi’s reelection in the LDP’s leadership election in September.

June 29, 2003: *Nihon Keizai* reports that JDA will seek funds for a 13,500-ton helicopter carrier in the FY 2004 budget.

June 30, 2003: U.S. State Department spokesman expresses concerns over Japan’s oil projects in Iraq, saying it is “unfortunate time to go forward with major new oil and gas deals.”

U.S.-China Relations: SARS, Summitry, and Sanctions

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Although Beijing was distracted this quarter by the SARS epidemic, there was still progress in U.S.-Chinese relations. Dealing with North Korea's nuclear weapons programs continued to top the bilateral diplomatic agenda with China orchestrating and hosting trilateral talks in Beijing. Presidents Bush and Hu Jintao agreed to seek a peaceful solution to the nuclear weapons issue in a summit on the sidelines of the G-8 meeting in Evian and exchanged views on other international and bilateral issues. In an unprecedented joint effort between the U.S. Drug Enforcement Administration (DEA) and law enforcement authorities in China and Hong Kong, the U.S. and China succeeded in dismantling a massive heroin smuggling organization that targeted the U.S. and Canada. On the negative side of the ledger, the U.S. expressed displeasure at Beijing's lax enforcement of its export control laws, promulgated almost one year ago, by slapping sanctions on Norinco, one of China's biggest and most prestigious state-owned conglomerates.

Coordinating to Cope with North Korea's Nuclear Weapons

China earned kudos from the U.S., as well as from Japan and South Korea, for organizing and hosting trilateral talks in late April among Beijing, Washington, and Pyongyang to discuss North Korea's nuclear weapons programs. U.S. officials credited China with working hard behind the scenes, including via a secret visit to Pyongyang by former Vice Premier Qian Qichen, to persuade the North Koreans to attend the talks. Beijing's three-day suspension of oil supplies to North Korea under the pretense of technical difficulties was also welcomed by the Bush administration as a signal to Kim Jong-il that he could not take Chinese aid for granted. On the eve of the trilateral talks in Beijing, President Bush publicly attached importance to China's active involvement and its assumption of greater responsibility. "Now that they're engaged in the process, it makes it more likely" that their policy objective of a nuclear-free Korean Peninsula can be achieved, Bush stated.

U.S. officials spoke highly of China's conduct at the talks, which were convened in Beijing April 23. The Chinese representative, Director-General of the MFA's Asia Department Fu Ying, presented China's unambiguous opposition to North Korea's provocative actions and its nuclear weapons programs. China's talking points included the important statement that the pursuit of nuclear weapons will only bring turmoil to North Korea. One U.S. official who participated in the talks noted that Beijing was

clearly “in our corner.” Another official characterized China’s stance as providing “tough love,” with an emphasis on “tough.” Washington was also pleased that China’s presentation included reference to the 1992 North-South nuclear agreement and did not mention the 1994 Agreed Framework. Bush administration officials interpreted this as signaling two key shifts in Chinese policy: 1) recognition by China that a return to the Agreed Framework is not favored by the United States and is thus impracticable; and 2) endorsement of the U.S., Japanese, and South Korean position that the North Korean nuclear problem must be dealt with multilaterally rather than as a bilateral U.S.-North Korean problem.

Following the talks, President Bush expressed his appreciation for China’s positive efforts by phone to China’s President Hu. According to China’s *Xinhua News Agency*, the fundamental issue on which the two leaders agreed was the need to peacefully resolve the North Korean nuclear weapons problem. Bush stressed that he would continue “this process to solve the issue through diplomatic means” and Hu agreed that the talks were “a good beginning for a peaceful resolution to the issue.” Apart from this common point, however, there were obvious differences in U.S. and Chinese assessments of the talks and their approaches on how to proceed that surfaced over the next few days.

First, Hu reminded Bush that the security concerns of the North Koreans should also be addressed. The Bush administration insists that the U.S. won’t discuss provision of security assurances until North Korea unilaterally and unconditionally dismantles its nuclear weapons programs. Beijing contends that North Korea’s desire for security assurances is reasonable and believes that Pyongyang is unlikely to agree to verifiably dismantle its nuclear programs without a U.S. pledge to not use force against it.

Second, the U.S. views North Korea’s frank admission that it already possesses nuclear weapons and is reprocessing spent atomic fuel into weapons material as the most prominent feature of the trilateral talks and accused the North of once again resorting to blackmail. The Chinese, in an unusual briefing for Western diplomats, revealed that North Korea had presented a proposal to the U.S. that included the dismantling of its plutonium-based nuclear program. Privately, the Chinese urged Washington to consider and respond to the proposal, but the U.S. side judges it to be a nonstarter.

Third, the Bush administration is trying to win international support for interdicting North Korean vessels suspected of carrying illegal drugs, counterfeit money, weapons shipments, or nuclear materials to increase pressure on the North to negotiate an end to its nuclear weapons program. Beijing remains wary of the value of sanctions in persuading Pyongyang to reverse course and is concerned about any measures that could destabilize the country and lead to a large flow of refugees across the border in northeast China. The Chinese also believe that until the U.S. unveils its promised “grand bargain,” North Korea will not put its nuclear programs on the negotiating table.

The Chinese did not object to the proposal to expand the talks to include Japan and South Korea and agreed to convey the suggestion to Pyongyang, but they are not certain that they can convince the North Koreans to include other parties. They hope, therefore, that

the U.S. will agree to hold another round of trilateral talks if Pyongyang nixes the five-party talks proposal. Beijing's foremost objective is to keep the diplomatic process alive and the Chinese worry that the U.S. approach will result in the breakdown of the talks, or even worse, a new conflict on the Korean Peninsula.

Bush and Hu Confer on the Sidelines of the Evian G-8 Summit

The threat posed by North Korea's nuclear weapons programs was at the top of the agenda when Presidents Bush and Hu met in Evian, France on the sidelines of the Group of Eight (G-8) summit on June 1. Bush again expressed his appreciation to China's president for hosting the April trilateral talks and underscored the importance of Beijing's cooperation in the peaceful resolution of the North Korean nuclear weapons issue. He also reiterated to Hu the U.S. view that China has significant influence over North Korea. The two leaders agreed on the need to work together to achieve a diplomatic solution. Both sides also shared the view that the Japanese and South Koreans have a role to play, but Hu emphasized the urgency to get North Korea back to the table.

Hu conveyed and asked the U.S. to consider a demand from Pyongyang for some sort of bilateral contact within a multilateral format. Bush did not rule out a bilateral exchange as long as other countries were at the table. According to the U.S. senior administration official who briefed the press following the meeting, the Chinese seemed satisfied with the assurance that the U.S. would be willing to listen to North Korea concerns while sitting at the table with other parties present.

The two leaders also discussed the war on terrorism and President Bush welcomed China's decision to sign onto the Container Security Initiative, which has not yet been finalized, but is expected to take place in the coming weeks. The subject of Iran came up briefly, with Bush stressing his concerns about the grave threat posed by Iran's pursuit of nuclear weapons and the need for the U.S. and China to work together to address the threat. The urgency to combat proliferation in general was also discussed. President Bush highlighted the need for Beijing and Washington to fight proliferation together. According to the U.S. briefer, Bush acknowledged that even U.S. companies engage in some degree of proliferation around the world and both countries have to be more effective in implementing their respective controls on proliferation. Hu insisted that China has put in place a "comprehensive system" to prevent proliferation. The U.S. side hopes that Beijing will enforce it more effectively.

On Taiwan, Hu voiced Chinese concerns about forces on the island moving toward independence and, in the words of the U.S. briefer, Bush repeated the position that the U.S. does not support independence. Chinese media accounts of the exchange claimed that Bush has expressed his opposition to Taiwan independence as he had during his summit meeting with Jiang Zemin in Crawford last October. In what may have been a gesture of American support for Hu Jintao's leadership or a warning to Taiwan President Chen Shui-bian to avoid taking any provocative steps in the runup to the Taiwan presidential elections next March – or both – Bush elevated the stance of not supporting Taiwan independence to the same level as the three communiqués and the Taiwan

Relations Act, terming all three components of the U.S. “one-China” policy. Moreover, in contrast to the tough language that President Bush employed in April 2001 when he vowed that he would do “whatever it takes” to help Taiwan defend itself, Bush was quoted by the senior U.S. official as pledging within the context of our “one-China” policy, “if necessary,” to “help Taiwan to the extent possible defend itself” through the provision of defense weapons as required in the Taiwan Relations Act.

President Bush restated his vision of a candid, constructive, and cooperative relationship between the two countries. He also issued an invitation to President Hu to visit Washington at his convenience, perhaps later this year or in early 2004. Hu accepted the invitation and both leaders committed themselves to continuing and accelerating high-level visits between the U.S. and China.

The atmospherics of the Bush-Hu summit were “pretty good,” from the perspective of the senior briefer, who noted that there was a bit more give-and-take than usually occurs in such meetings. The Chinese were undoubtedly pleased with President Bush’s constant refrain that the two countries need to work together more closely to achieve common objectives. This meeting was especially important for Beijing because it was the first summit with the U.S. since Hu assumed the presidency. In addition, it was the only high-level bilateral meeting in the first half of this year since Vice President Dick Cheney’s planned trip to Asia in April was postponed due to the Iraq War.

U.S. Slaps Sanctions on Norinco for Proliferating Missile Technology

In a sign of growing U.S. impatience with the gap between Chinese rhetoric and action in its nonproliferation policy, the Bush administration imposed tough sanctions on one of China’s biggest and most prestigious state-owned conglomerates in May. The U.S. alleged that the North China Industries Corporation (Norinco) supplied missile technology to Iran in violation of a 1998 Executive Order and China’s own export controls issued last August. The sanctions barred for two years all exports by Norinco and its subsidiaries to the United States, which were estimated at over \$100 million last year, and prohibit any contracts between U.S. government agencies and the Chinese company during that period.

U.S. officials claimed that Washington had evidence that Norinco sold missile technology to the Shahid Hemmat Industrial Group, the Iranian government agency in charge of developing and manufacturing ballistic missiles. A State Department spokeswoman said that the penalties were imposed because of U.S. government determination that the Chinese transfer had made a material contribution to Iran’s efforts to use, acquire, design, develop, produce, or stockpile missiles capable of delivering weapons of mass destruction (WMD). The sanctions took effect on May 9 and were disclosed in documents filed with the Federal Register. They are thought to be the severest yet imposed against a Chinese company.

Although the Bush administration lauded China's promulgation of new export control laws last summer aimed at stemming the flow of technology used to manufacture WMD and missiles, U.S. officials say that Beijing continues to lack a rigorous enforcement mechanism. The sanctions were a wakeup call to the Chinese leadership that despite expanding U.S.-Chinese cooperation on important issues like the war on terrorism and resolving the North Korean nuclear threat, the U.S. remains committed to combating proliferation and will not overlook ongoing and egregious violations.

The Chinese government denied the U.S. charges, insisting that Beijing opposes the spread of WMD and their carrier rockets. A Foreign Ministry statement faxed to reporters contained ambiguous language, however, noting that Norinco had not provided assistance to the "relevant projects of Iran," thus leaving open the possibility that the Chinese corporation had offered aid to other illicit Iranian ventures. Norinco subsequently issued an unequivocal statement that termed the sanctions "utterly groundless" and insisted that the company had "never assisted any country in developing such missiles" and does "not have technological capabilities in this area." "The economic and trade cooperation between our corporation and Iran is entirely carried out within the permissible limits under the above policy and related export control laws and regulations," the statement read. Citing economic losses as well as damage to the corporation's international image, Norinco reserved the right to take legal action against the U.S. government.

U.S. Opts not to Censure China on Human Rights

In a departure from past practice, the United States decided not to sponsor a resolution on China's human rights practices at the United Nations Commission on Human Rights in Geneva in April. The move came just two weeks after the State Department's annual human rights report condemned China, saying that its human rights record throughout 2002 "remained poor, and the government continued to commit numerous and serious abuses." The report cited continuing human rights violations, including the arrests of democracy activists, trials of labor leaders, and the imposition of death sentences against two Tibetan dissidents.

The decision was undoubtedly made to avoid irritating Beijing at a time when Washington is seeking Chinese cooperation to resolve the nuclear weapons crisis in North Korea and combat terrorism. In addition, the U.S. may have wanted to reward Beijing for not vigorously opposing the war in Iraq. If the Bush administration had submitted a censure resolution, it would have had symbolic meaning, but would not have been supported by more than a few of the 53 nations on the UN Human Rights Commission, which is currently chaired by Libya. Last year, the U.S. was denied a seat on the commission and was unable to table a resolution.

A State Department spokesman explained the decision as based on what the administration believes will best advance the cause of human rights in China. He maintained that the Bush administration's approach to promoting the human rights of Chinese citizens had achieved "limited but significant progress," highlighting Beijing's commitment to unconditionally cooperate with UN mechanisms, including the Special

Rapporteur on Torture and the Working Group on Arbitrary Detention; China's decision to invite the U.S. Commission on International Religious Freedom; China's welcoming of the Dalai Lama's special representatives to visit Lhasa; and the release of a significant number of political prisoners. The spokesman acknowledged that there had been some recent backsliding in China's human rights record, but emphasized that the U.S. sees an opportunity to make progress with the new Chinese government. Advancing human rights in China remains "a key element of our overall China policy," he asserted, pledging that the Bush administration would continue to press Beijing to improve its human rights practices.

Cooperation to Break International Drug Syndicate Yields Results

In an unprecedented joint effort between the U.S. Drug Enforcement Administration (DEA) and law enforcement authorities in China and Hong Kong, the U.S. and China succeeded in dismantling a massive heroin smuggling organization that targeted the U.S. and Canada. The collaborative endeavor, Operation City Lights, led to the arrest of dozens of criminals on the mainland, in the U.S., India, and Hong Kong. They were associated with a Fujian-based organization that was responsible for smuggling more than \$100 million worth of Southeast Asian heroin into the U.S. over a three-year period.

Law enforcement officials from China and the U.S. jointly headed a command office that was set up in the Fujian Public Security Bureau. In the past, the two sides had engaged in discussions before or after arrests, but this marked the first time that they conducted a joint operation. DEA Acting Administrator William B. Simpkins applauded China's cooperative efforts. In a DEA news release, Simpkins said that the success of the joint investigation was made possible by real-time sharing of information by the U.S., China, and Hong Kong. "We have begun an excellent working relationship which we are confident will continue to grow," he concluded.

SARS Causes Crisis of Confidence at Home and Abroad

The epidemic of severe acute respiratory syndrome (SARS) and its mishandling by the Chinese leadership sullied China's international reputation and created a crisis of confidence at home this quarter. On April 20, just 10 days after China's Health Minister Zhang Wenkang had described SARS as "under effective control" and claimed that Beijing had only 22 cases, the government admitted that the epidemic was far more serious and declared the existence of hundreds more confirmed and suspected cases. The health minister was sacked, along with Beijing's mayor, who had declared the city safe. Chinese officials attributed the fiasco to incompetence, claiming that accurate figures had not been reported to higher authorities in a timely manner, but it was apparent that a coverup had taken place. The leadership's perennial obsession with the preservation of social stability had taken precedence over the protection of the social welfare of its citizens.

Anger overseas mounted about the months of Chinese prevarication about the extent of SARS and the reluctance of the government to cooperate with the international community. Only after a two-week wait were inspectors from the World Health Organization (WHO) permitted to travel to the SARS outbreak's epicenter in Guangdong. Even after the epidemic was declared under control, international health experts warned that China's failure to closely track the spread of the virus raised questions about the reliability of Chinese statistics. Doubts were especially voiced about the advisability of traveling to interior cities and provinces, where medical monitoring and public health care are sorely inadequate.

The SARS epidemic forced the postponement of prestigious conferences in the capital and elsewhere in China, including the Boao Forum for Asia, slated for mid-May in Boao, on the southern island province of Hainan. Tourism, airline travel, trade, and investment slowed as foreigners shunned Beijing and Guangdong province. The economic impact of the epidemic remains uncertain, but rough estimates made by international economists suggest that China's GDP growth for 2003 could be reduced by between 0.5 to 2 percent. More enduring, however, is the blow to the confidence of foreign investors and the global community who have been reminded of the uncertainties in dealing with China. Beijing was the last city in the world to remain under a WHO advisory urging travelers to avoid nonessential travel. The travel warning was lifted June 24, after no confirmed new cases had appeared for 20 days. On that date, a cumulative total of 5,327 SARS cases had been confirmed on the Chinese mainland during the epidemic, with 4,934 fully recovered and 348 deaths.

Even before Beijing divulged the extent of the spread of SARS in China, Washington took steps to encourage Chinese transparency and collaborative efforts with American and international health organizations. In early April, two weeks prior to the firing of China's Health Minister Zhang Wenkang, Health and Human Services Secretary (HHS) Tommy Thompson phoned Zhang to discuss the SARS epidemic and the two officials agreed to work together with public health experts to resolve the global outbreak. Thompson told Zhang that the U.S. and HHS are "truly committed to this being a collaborative effort with China." In a statement that later proved false and contributed to his demise, China's health minister told Thompson that the epidemic had peaked in China in late February.

Thompson again exchanged views by phone a month later with Chinese Vice Premier and Zhang's successor as health minister, Wu Yi. Thompson praised the Chinese government's measures to contain the disease and offered to provide support and assistance to China to fight the disease. The two health officials agreed to strengthen their nations' cooperation in the prevention and treatment of SARS. Thompson specifically proposed a multiyear, multimillion dollar effort to expand collaborative work in epidemiological training and the development of greater laboratory capacity in China. These efforts will increase the number of HHS personnel working in China beyond the two Center for Disease Control employees currently stationed in Beijing. In addition, the United States Agency for International Development provided \$500,000 in emergency funds to help China bolster its strained public health system. The money was earmarked

for the Red Cross Society of China to purchase protective gear and other medical consumables including thermometers, protective goggles, gowns, and masks to protect against SARS.

Finally, President Bush supplied much needed political support to President Hu in a phone call in late April in which he lauded the Chinese government's extraordinary work in fighting SARS. Hu, in turn, told Bush that SARS is the common enemy of all human beings, and assured the U.S. president that he and his country stand ready to enhance cooperation with the international community to vanquish the disease. When the two leaders met in Evian, Bush praised Hu's willingness to be transparent on the SARS issue and spoke highly of Hu's leadership in combating the epidemic.

Summing Up and Looking Ahead

The relatively quick and decisive victory by the U.S. and allied forces over Iraq has further convinced China of the potency of U.S. power and the resolve of the Bush administration to eradicate threats to American interests around the globe. Beijing is relieved that it is not a prime target of U.S. concern and has attached priority to preserving an amicable and cooperative relationship with the United States. The Bush administration continues to emphasize the positive contribution that China is making both in the war against terrorism and in seeking a peaceful solution to the brewing crisis on the Korean Peninsula. On nettlesome issues such as Taiwan and human rights, Washington has toned down its rhetoric and adopted a less confrontational approach to managing these problems. China's proliferation infractions continue to be dealt with harshly, however, due to the perceived dangerous nexus between terrorism and weapons of mass destruction.

The U.S. and China continue to have critical differences in their approaches to resolving the North Korean nuclear issue, but their cooperation has nevertheless deepened. This has been made possible by the Bush administration's adherence to a peaceful solution through dialogue as well as by China's growing appreciation of the dangers of nuclear weapons on the Korean Peninsula and its recognition that a multilateral effort is essential to secure an enduring peace. As Washington moves to complement dialogue with increased pressure on North Korea in the coming months, U.S.-Chinese cooperation will be tested.

Both countries continue to attach great importance to high-level exchanges and dialogue as a means to advance their respective and shared interests. Look for Vice President Cheney's visit to be rescheduled in the latter half of the year and a possible visit by Premier Wen Jiabao to the United States. Another meeting between the two presidents will unquestionably take place at the APEC Senior Leaders Meeting in October in Thailand and perhaps another summit will be held in the United States late this year or in early 2004. China's new Defense Minister Cao Gangchuan will also likely be hosted by Secretary of Defense Donald Rumsfeld this fall, which will provide a boost to the still lagging military relationship.

Chronology of U.S.-China Relations

April-June 2003

April 4, 2003: HHS Secretary Tommy Thompson and Zhang Wenkang, Chinese Minister of Health, hold 45-minute telephone conversation and agree to increase cooperation to combat SARS.

April 8, 2003: Department of State solicits U.S.-based groups' proposals to promote human rights in China, as part of an \$8.5 million project.

April 8, 2003: Public Security Minister Zhou Yongkang and U.S. Ambassador to China Clark T. Randt meet to discuss China-U.S. cooperation in the area of law enforcement.

April 11, 2003: U.S. announces that it will not sponsor a resolution condemning China for human rights abuses at the UN Human Rights Commission in Geneva.

April 11, 2003: Chinese Foreign Minister Li talks by telephone with U.S. Secretary of State Powell; they discuss bilateral ties, the Iraq situation and postwar reconstruction, and exchange views on a peaceful solution to the nuclear issue in North Korea.

April 20, 2003: Chinese government acknowledges that the number of SARS cases in Beijing far exceeded numbers previously reported and sacks the health minister and the mayor of the city.

April 22, 2003: Chinese President Hu Jintao meets with a U.S. Senate delegation headed by Senate majority leader William H. Frist.

April 23, 2003: U.S. envoy Assistant Secretary of State for East Asian Affairs James Kelly arrives in Beijing for three days of meetings with North Korean and Chinese officials.

April 26, 2003: Presidents George W. Bush and Hu Jintao discuss by phone the Chinese government's fight against SARS and further cooperation to resolve the issue of North Korea's nuclear weapons.

April 30, 2003: The Department of State releases its 2002 annual report on terrorism, entitled "Patterns of Global Terrorism," which documents China's cooperation to date in the war on terrorism.

May 5, 2003: Vice Minister of Foreign Affairs Zhou Wenzhong arrives in Washington D.C. to prepare for the Bush-Hu summit planned for June 1.

May 5, 2003: U.S. Bureau of Customs and Border Protection of the Department of Homeland Security announces that the Container Security Initiative will be in operation at the port of Hong Kong for cargo containers destined for U.S. ports. Hong Kong joins the already operational CSI ports of Rotterdam, LeHavre, Bremerhaven, Hamburg, Antwerp, Singapore, Yokohama, Vancouver, Montreal, and Halifax.

May 6, 2003: Chinese Vice Premier and Health Minister Wu Yi exchanges views by phone with U.S. HHS Secretary Tommy G. Thompson on strengthening the two nations' cooperation in prevention and treatment of SARS.

May 6, 2003: Secretary Powell sends a cable to China's foreign minister to extend condolences over the Chinese submarine mishap in which 70 crew members died.

May 8, 2003: Department of State announces a grant of \$500,000 in emergency funds to help China fight SARS. HHS Secretary Thompson proposes a multiyear, multimillion dollar effort to expand collaborative work in epidemiological training and development of greater laboratory capacity in China.

May 8, 2003: President Bush submits a report to Congress on Tibet in accordance with the Foreign Relations Authorization Act, 2003 that encourages substantive dialogue between the Chinese government and the Dalai Lama to reach a negotiated settlement and urges the Chinese government to respect the unique religious, linguistic, and cultural heritage of its Tibetan people and to respect their human rights and civil liberties.

May 9, 2003: FM Li and Secretary Powell hold a telephone conversation to discuss U.S. proposals to lift sanctions on Iraq, nuclear issues in the DPRK, and China's fight against SARS.

May 14, 2003: The House and Senate pass legislation authorizing the secretary of state to initiate a plan to endorse and obtain observer status for Taiwan at the World Health Assembly.

May 15, 2003: U.S. Trade Representative Robert Zoellick and Chinese Minister of Commerce Lu Fuyuan exchange opinions in a phone conversation on WTO multilateral trade negotiations.

May 16, 2003: A 20-month joint operation by law enforcement agencies of the U.S. and China succeeds in arresting Kin-cheung Wong, a major heroin trafficker.

May 21, 2003: FM Li and Secretary Powell again talk on the phone about the postwar reconstruction of Iraq.

May 23, 2003: A Federal Register notice is filed announcing the imposition of a two-year ban on U.S. imports from North China Industries Corporation (Norinco) due to its alleged transfer of missile technology to Iran. The sanctions went into effect May 9, 2003.

May 27, 2003: State Department leads talks between Chinese officials and Lodi Gyari, the Dalai Lama's Special Envoy, on May 25 in Shanghai.

June 1, 2003: Presidents Bush and Hu meet in Evian, France on the sidelines of the G-8 summit.

June 5, 2003: Norinco rejects U.S. charges that it provided material assistance to Iran's program to develop missiles capable of carrying weapons of mass destruction.

June 11-23, 2003: U.S. Chief Agriculture Negotiator Allen Johnson visits Beijing for talks with Chinese Vice Ministers of Commerce Ma Xiuhong and Wei Jianguo to address American concerns over China's administration of the system of tariff rate quotas.

June 16, 2003: Treasury Secretary John Snow tells reporters that a shift by China toward allowing the yuan to freely trade against other currencies is "something we support."

June 18, 2003: FM Li meets with Secretary Powell on the sidelines of the 10th ASEAN Regional Forum and Post Ministerial Conferences in Phnom Penh.

June 19, 2003: White House states concern over proposed internal security legislation in Hong Kong that the administration fears "as now written, could harm local freedoms and autonomy over time."

June 24, 2003: World Health Organization lifts travel warning against Beijing, giving a clean bill of health to the capital of the nation where the SARS outbreak began.

June 25, 2003: The House of Representatives unanimously approves a resolution cautioning the Chinese government that it risks damaging U.S.-China relations by continuing to imprison Yang Jianli and other resident aliens and U.S. citizens, and by violating the human rights of those detained.

June 30, 2003: Vice Foreign Minister Wang Yi arrives in Washington D.C. for consultations with U.S. officials.

U.S.-Korea Relations: The Nuclear Issue Sputters Along

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The “nuclear issue” with North Korea continued to dominate U.S.-Korea relations this quarter, although it appeared no closer to resolution at the end than the beginning. When China, the U.S., and North Korea met together in April for their first “multilateral” dialogue, North Korea continued its strategy of making nuclear-related threats while offering to dismantle its nuclear facilities in exchange for U.S. concessions. Refusing to negotiate under Pyongyang’s gun, the U.S. pursued a policy of enlisting its allies to ratchet up diplomatic pressure on North Korea. The Bush-Roh summit in mid-May aimed to strengthen the U.S.-Korea alliance, and while affirming the need for a peaceful resolution of the nuclear issue, committed both countries to consider taking unspecified (and impliedly coercive) “further steps” against Pyongyang. At the end of the quarter, diplomats pushed for a new round of multilateral talks with North Korea, with the U.S. threatening to seek condemnation of Pyongyang at the UN Security Council if North Korea rejected U.S. negotiating demands.

In early June, Washington and Seoul agreed on major realignments and redeployments of U.S. forces in South Korea over the next several years. U.S. troops will be withdrawn from the Demilitarized Zone (DMZ) and from Seoul’s Yongsan garrison, to be redeployed south of Seoul. The redeployment followed mainly from the Pentagon’s view that it was no longer necessary to maintain a military “tripwire” on the DMZ in view of new U.S. warfighting capabilities. Finally, a trade conflict over Korean sales of memory chips in the U.S. simmered throughout the quarter, after the U.S. imposed heavy punitive tariffs on Hynix corporation. The Korean government vowed to contest these penalties at the World Trade Organization (WTO).

Multilateral Dialogue in Beijing

Early in the quarter, as the U.S. continued combat operations in Iraq, it was not clear whether North Korea would accept Washington’s proposal for a multilateral dialogue to address the nuclear issue. North Korea demanded bilateral negotiations with the U.S. and Washington adamantly refused until Pyongyang first agreed to dismantle its nuclear program. The U.S. instead sought multilateral talks with North Korea, in part to internationalize the issue of Pyongyang’s weapons of mass destruction (WMD) and, in part, to further isolate the country.

A breakthrough occurred April 12 when a North Korean Foreign Ministry spokesman said: “The type of dialogue will not matter if the U.S. is ready to change its policy regarding the settlement of the nuclear issue.” This new attitude led both Washington and Pyongyang to accept China’s offer of three-way talks scheduled to take place in Beijing later in April.

China played a key role in breaking this initial impasse over the question of a bilateral vs. multilateral forum for talks on nuclear matters. Prior to North Korea’s statement, Chinese Vice Foreign Minister Wang Yi pushed Pyongyang both to stop its military provocations and to be flexible on the format of dialogue. Former Foreign Minister Qian Qichen reportedly visited North Korea in March for the same purpose.

While China continued to support North Korea’s position against the imposition of UN economic sanctions, Beijing reportedly shut down its oil supplies to North Korea for three days in late March – right after Pyongyang test-fired a missile into the waters between South Korea and Japan. Although Beijing cited “technical” problems as the cause of the oil cut-off, U.S. officials saw it as a fruit of their urging Beijing to “get tough” with Pyongyang.

In any case, China’s successful effort to broker a three-way meeting on the nuclear issue was uncharacteristically forward-leaning. Overriding Beijing’s normal preference for a more passive diplomatic approach was the fear that North Korea’s provocations could lead to a U.S. strike on nuclear facilities in North Korea, which would then escalate into a general war. This would, in turn, cause large and unwanted refugee flows into northeastern China.

Announcement of the three-way dialogue led to severe domestic criticism of the South Korean government for permitting the exclusion of Seoul from the talks. The Foreign Ministry’s argument that it was more important to get North Korea to the table than fight for South Korea’s immediate participation fell on deaf ears. South Korean opinion-makers said it was a matter of “national pride” for Seoul to participate and urged the government to make good on its commitment to play a “leading role” in solving the nuclear problem.

Two days before the Beijing meeting, new evidence emerged of the conflict between “moderates” and “hardliners” (or “hardliners” and “superhardliners,” as one pundit put it) within the Bush administration on policy toward North Korea. Seemingly in order to sabotage the Beijing meeting, an administration official leaked to *The New York Times* the contents of a secret Defense Department memorandum calling for “regime change” in North Korea. The memo served to undercut previous assurances to Pyongyang that U.S. policy did not aim to remove North Korean leader Kim Jong-il.

At the Beijing talks, the U.S. and North Korea reportedly reiterated their basic negotiating positions without making any specific progress toward an agreement. The U.S. stressed that Pyongyang had to agree to permanently dismantle its nuclear program

as the first step toward achieving “greater stability on the Peninsula.” North Korea reportedly put forth a proposal to accept international inspections of its nuclear facilities if the U.S. resumed shipments of heavy fuel and provided security guarantees. North Korea further indicated it would begin dismantling its nuclear facilities based on U.S. normalization of diplomatic relations with Pyongyang.

Some reports of the Beijing meeting implied that North Korea “admitted” for the first time that it had produced several nuclear weapons from plutonium at its nuclear facilities in 1989-90. Some commentators noted that this admission would make North Korea a “declared” nuclear weapons state, although others suggested that Pyongyang was merely bluffing. North Korean diplomats also allegedly hinted at the Beijing meeting that Pyongyang might export nuclear material to third countries if the U.S. did not agree to a diplomatic settlement.

To some extent, the Beijing talks demonstrated the contrasting, culturally bound, attitudes that U.S. and North Korea negotiators brought to the discussions. North Korea argued that once the U.S. changed its hostile attitude, all the practical issues could be resolved. Approaching the negotiations with a 180-degree difference in perspective, U.S. negotiators insisted on concrete steps toward resolving the fundamental issues of disagreement before the U.S. could change its attitude toward Pyongyang and begin normalization of relations.

While there was no breakdown in relations at the Beijing talks, they clearly did little to improve either the substance or atmosphere of diplomacy between Washington and Pyongyang. Following the meeting, Secretary of State Colin Powell rejected North Korea’s proposal to dismantle its nuclear program in exchange for material assistance, security guarantees, and diplomatic normalization. Powell further suggested that the U.S. might take the issue of North Korea’s nuclear program to the UN Security Council. In response, Pyongyang issued several threatening statements, including one to “take self-defensive measures, regarding it as a green light to war” if the U.S. administration were to seek economic sanctions at the United Nations.

The Bush-Roh Summit Meeting

Leading up to the mid-May summit meeting between President Bush and President Roh Moo-hyun, both U.S. and South Korean officials labored to ensure the success of the summit. They purposely kept expectations low so that any apparent differences in outlook toward North Korea would not mar the summit’s reaffirmation of the importance of the U.S.-Korea security alliance. In fact, President Roh made a determined effort before the summit to praise the alliance and quell anti-American attitudes that have increasingly appeared in the South Korean public.

The pre-summit period was critical to both the U.S. and South Korean governments in either mitigating or resolving differences over a variety of issues. Especially on questions of negotiating with North Korea and instituting U.S. troop redeployments in South Korea, the two governments had clashed privately during previous months.

Because diplomats on both sides desired, first and foremost, to strengthen the alliance relationship, they were able to either put to rest, or put aside, most outstanding differences between them.

At the summit, the chemistry between the two leaders appeared good, and it was positively reported in both the U.S. and South Korean press. The joint statement stressed six major points: 1) the U.S. and South Korea will not tolerate nuclear weapons in North Korea; 2) the two nations will seek elimination of North Korea's nuclear weapons program through peaceful means; 3) the two allies will work closely to modernize the U.S.-Korea alliance; 4) they will pursue relocation of the U.S. bases north of the Han River, taking careful account of the political, economic, and security situation on the Peninsula and northeast Asia; 5) humanitarian assistance will be provided to North Korea without linkage to political developments; and 6) the two nations will work together to achieve a successful conclusion of the Doha Development Agenda. They will also strengthen cooperation in the Asia Pacific Economic Cooperation (APEC) forum.

Perhaps the most important specific language of the joint statement concerned the nuclear issue. It set forth U.S. and South Korean agreement that "increased [North Korean] threats to peace and stability on the Peninsula would require consideration of *further steps*" (emphasis added). Moreover, for the first time, South Korea expressed its intention to condition economic assistance to North Korea on its behavior concerning the nuclear issue: "Roh stressed that future inter-Korean exchanges and cooperation will be conducted in light of developments on the North Korean nuclear issue."

The inclusion of the language on "further steps" meant that Roh dropped his previous insistence that the U.S. rule out economic sanctions or military force as countermeasures against North Korea. But the term was sufficiently vague as to merely suggest that the U.S. and South Korea would keep all options open without laying out what those options might be.

President Roh's Economic Diplomacy

From the South Korean standpoint, a critical goal of Roh's summit visit was to "sell Korea" as a destination for profitable U.S. investments. Foreign investment from the United States has dropped considerably over the past year, while South Korea's economy suffered severely from falling production, slow growth, and lowered consumer confidence.

In New York, Washington, and San Francisco, Roh met with U.S. business leaders, emphasizing his agenda of opening the South Korean economy through further deregulation, privatization, and increased flexibility in the labor market. He sought to dispel doubts about his alleged "anti-business" reputation by bringing 30 top Korean business leaders with him on his summit visit.

Roh successfully persuaded the Bush administration to endorse, in the joint summit statement, South Korea's effort to make the country a "business hub" for U.S. and multinational corporations in Asia. Roh stressed that utilizing South Korea as a northeast Asian business hub would provide many opportunities for U.S. corporations in the region.

Continued Debate over the Multilateral Forum for Negotiations

North Korea and the U.S. jockeyed diplomatically on the question of multilateral negotiations for the rest of the quarter. In late May, Pyongyang said it would accept an expanded multilateral forum (to include both South Korea and Japan) *after* it conducted direct talks with the U.S. In so doing, North Korea slightly modified its earlier insistence on negotiating the nuclear issue bilaterally and exclusively with the U.S.

For its part, the U.S. continued to reject North Korea's demand. At the Trilateral Coordination and Oversight Group (TCOG) meeting on June 12, South Korea and Japan joined the U.S. in supporting the concept of multilateral talks. The U.S. also moved at an international meeting in Madrid, Spain, to galvanize support for stronger international measures to stop countries, including North Korea, from exporting missiles or WMD.

The U.S. diplomatic push was accompanied by a report in *The New York Times* that the U.S. was embarking on a campaign of "selective interdiction" to track and halt any suspicious shipments out of North Korea. The objects of U.S. and allied efforts were intended to be illegal drugs as well as weapons, in order to cut off sources of hard currency available to the Pyongyang regime.

In mid-June, North Korea reversed its position on multilateral talks, rejecting them as "camouflage" for an overall U.S. effort to isolate North Korea. A Foreign Ministry statement threatened "retaliation" for any "hostile acts" taken against Pyongyang. Seemingly in response, the U.S. increased pressure on North Korea at the ASEAN Regional Forum (ARF) ministerial meeting by reportedly obtaining agreement from China, South Korea, and Japan that the UN Security Council should take up the nuclear issue if North Korea did not accept multilateral talks. South Korea and the U.S. apparently disagreed on the timing of such UN action, with Washington seeking near-term consideration and Seoul and Beijing willing to put off Security Council debate on the issue.

Finally, at the end of the quarter, as an additional means of putting pressure on North Korea, the U.S. sought to halt construction of two light-water reactors that were the *quid pro quo* for Pyongyang's freeze on its nuclear activities in the 1994 Geneva Agreement. South Korea, which stood to lose approximately \$900 million in previous investment in the project, urged continuation of minimal construction, even though the U.S. indicated it would hold up delivery of key components (i.e., water supply tanks) for the reactors.

Redeployment of U.S. Troops in South Korea

In early June, the U.S. and South Korea agreed to withdraw all U.S. troops from the DMZ in a phased redeployment over several years. The action followed from Defense Secretary Donald Rumsfeld's decision to revamp U.S. military deployments throughout the world.

According to public reports, the overall change will take four to five years and be conducted in two stages. In the first stage, U.S. bases north of the Han River and close to the DMZ will be consolidated at Camp Casey in Tongduchon and Camp Red Cloud in Uijongbu, north of Seoul. During the second stage, U.S. forces at these bases would move to two hubs south of the Han River at Osan-Pyongtaek and in Taegu-Pusan.

In Seoul, approximately 6,000 of the 7,000 troops at the Yongsan Garrison, headquarters of the 8th U.S. Army in downtown Seoul, will be relocated to Pyongtaek beginning in 2003, although the headquarters itself will remain in Seoul as part of the Combined Forces Command. Gen. Leon LaPorte, commander of U.S. Forces Korea, has indicated that the Defense Department is willing to invest approximately \$220 million in the Pyongtaek area, if South Korea procures land for U.S. troops there.

In the period leading up to the announcement of the U.S. troop redeployment, South Korea initially sought a delay in order to retain the so-called "tripwire" north of the Han River. The presence of U.S. forces at the DMZ ensured immediate U.S. military involvement in the event North Korea attacked South Korea.

But U.S. strategic planners have come to see the "tripwire" as increasingly anachronistic at a time when U.S. military power revolves more significantly around air power, precision-guided weapons, and high-tech communications. Some U.S. officials also view the troops at the DMZ as "hostages" to North Korea in the event of conflict. Large numbers of U.S. forces based in Seoul, stationed on prime real estate, have become a focal point for anti-American demonstrations over the last year as well.

U.S. and South Korean defense planners agreed in early June on the goal of completing detailed plans on the realignment of U.S. forces and related issues by the time of their next Security Consultative Meeting in late September, just prior to the 50th anniversary of the U.S.-Korea Alliance in October.

U.S. Imposition of Trade Penalties Sparks Conflict

In early April, the U.S. Department of Commerce imposed punitive "countervailing duties" on South Korea's Hynix Corporation, a leading producer of dynamic random access memory (DRAM) chips, claiming they caused material injury to the U.S. semiconductor industry. The U.S. International Trade Commission is set to rule July 29 on the merits of this decision.

In imposing stiff tariffs of 57.37 percent (later reduced to 44.71 percent in June) of the DRAM export prices, the Department of Commerce acted at the behest of U.S.-based Micron Technology Corporation. The Commerce Department apparently agreed with Micron's arguments that loans to Hynix by state-run Korean banks amounted to illegal subsidies. Hynix countered that the loans were extended on a commercial basis as part of a financial reform program endorsed by the International Monetary Fund following Korea's 1997-98 financial crisis.

South Korea's Foreign Ministry expressed regret at the U.S. decision and said it would seek a ruling from the WTO that the Commerce Department action was unfair. Hynix's shipments of DRAM chips to the U.S. market in 2002 amounted to about \$460 million.

About the same time as the Commerce Department decision, the U.S. Trade Representative issued its annual "National Trade Estimate," which criticized South Korea's trade barriers in a number of sectors. Aside from semiconductors, the report highlighted problems in areas including automobiles, intellectual property rights, agriculture, and pharmaceuticals. In response to the report, South Korean officials expressed concern that the U.S. would step up trade pressure against South Korea during the second half of 2003.

One other sticking point on trade was South Korea's "screen quota," which requires theaters to show domestic films for a minimum of 146 days each year. The reluctance of South Korea to allow more access for Hollywood films has held up conclusion of a bilateral investment treaty (BIT) between the two countries, which has been under negotiation for the last five years. From South Korea's standpoint, concluding a BIT would encourage more direct U.S. investment by providing greater legal protections to foreign investors in a more transparent investing environment.

In May, the South Korean Ministry of Finance and Economy (MOFE) began lobbying the local film industry for its agreement to liberalize the existing screen quota system and thus facilitate a U.S.-Korea BIT. The MOFE effort stemmed from a research institute finding that a BIT would attract U.S. investment of over \$4 billion to South Korea. While the film industry is expected to fight to retain the screen quota, MOFE may succeed in phasing out the system over several years, as requested by the U.S.

Prospects

By the end of this quarter, the Bush administration appeared successful in persuading both Seoul and Tokyo to adopt a harder line policy against North Korea on the nuclear issue. While continuing to reject Pyongyang's demand for bilateral talks, the U.S. pushed for a new round of multilateral negotiations and initiated an allied effort to intercept North Korea's missile exports and illegal drug shipments. The Bush administration apparently adopted the view that only sustained international pressure would cause Pyongyang to accept U.S. demands, and offered no material incentives for fear of seeming to "appease" North Korea.

A stable negotiating track, much less a diplomatic solution, is not yet in sight between the U.S. and North Korea. Distrust and enmity on both sides remains at a high level. Bush administration officials seem to feel that time is on the U.S. side if it gradually ratchets up international pressure against Pyongyang, without putting any incentives on the table. For its part, North Korea appears content to continue threats of its own against the U.S., South Korea, and Japan without yet firmly committing to a long-term multilateral negotiation on security issues.

It may be that China, which successfully facilitated the first multilateral negotiation with North Korea in April, will have to exert a major effort to keep the diplomatic track intact. China has strong reasons to avoid a new military conflict on the Korean Peninsula and appears likely to strive, over the coming months, to actively broker a diplomatic solution to achieve its own regional policy objectives.

Chronology of U.S.-Korea Relations April-June 2003

April 1, 2003: National Assembly approves dispatch of Korean troops to Iraq as part of U.S. coalition. U.S. Commerce Department imposes high punitive duty of 57.37 percent on Hynix Corporation for alleged Korean government subsidies of memory-chip exports.

April 10, 2003: U.S. and South Korea agree to relocate U.S. military headquarters from Yongsan Army Base in Seoul to Osan, south of Seoul, by 2004.

April 12, 2003: North Korea says it will accept multilateral dialogue with the U.S. President Roh says South Korea will cooperate closely with U.S. to resolve nuclear crisis peacefully through dialogue with North Korea.

April 20, 2003: Leaked U.S. Defense Department memo calls for a U.S. policy of regime change in North Korea.

April 21, 2003: North Korea issues revised public statement to indicate it has not yet started to reprocess spent nuclear fuel rods.

April 23, 2003: North Korean, Chinese, and U.S. diplomats meet in Beijing to conduct multilateral dialogue on North Korean nuclear program.

April 29, 2003: North Korea says it will “take self-defensive measures” if U.S. seeks economic sanctions at the United Nations.

May 1, 2003: South Korea says it will ask the WTO to rule against U.S. imposition of punitive tariffs on Hynix memory chips.

May 3, 2003: North Korea accuses U.S. of building up military forces on Korean Peninsula and threatens a “merciless and exterminatory” counterstrike. WTO rules that U.S. tariffs on imported steel, including steel from South Korea, are a violation of global trade rules.

May 14, 2003: At Washington summit, President Bush and President Roh agree to pursue peaceful resolution of nuclear issue with North Korea while noting that “further steps” may be necessary in the face of an increased North Korean threat.

May 19, 2003: North Korea condemns South Korea’s joint statement with U.S. at summit, saying “the South will suffer from numerous casualties,” but calls for actively conducting “reconciliation and cooperation projects.”

May 22, 2003: North Korea retracts threat to South Korea at inter-Korean talks and the South agrees to provide 400,000 tons of rice in humanitarian assistance.

May 26, 2003: North Korea says it will accept U.S. proposal of multilateral talks on the nuclear issue, so long as the U.S. agrees to talk directly with the North as well.

May 28, 2003: Seoul explicitly states its support for multilateral talks with North Korea.

May 29, 2003: DPRK accuses ROK of sending warships across the disputed Yellow Sea border, warns of “irrevocable serious consequences.”

May 31, 2003: Three U.S. members of Congress, led by Rep. Curt Weldon, leave Pyongyang after a three-day visit; South Korean Navy fires warning shots at North Korean fishing boats.

June 1-2, 2003: Deputy Defense Secretary Wolfowitz urges South Korea to increase defense spending during visit to Seoul.

June 5, 2003: U.S. and ROK officials agree on two-phase, multi-year consolidation of U.S. troops around “key hubs” south of Seoul and plans to invest \$11 billion in new capabilities for ROK military.

June 10, 2003: U.S. Forces Korea issues statement apologizing for deaths of two school girls in spring, 2002; U.S. reportedly embarks on program of “selective interdiction” to stop suspicious shipments out of North Korea.

June 12-13, 2003: TCOG meeting in Honolulu. U.S., South Korea, and Japan agree to push for multilateral talks with North Korea on nuclear issue.

June 15, 2003: President Roh says South Korea will strive to increase cooperation and exchanges with North Korea.

June 17, 2003: North Korea rejects multilateral talks on its nuclear program, saying U.S. true intention is to isolate North Korean regime.

June 18, 2003: At an ASEAN meeting, members call for North Korea to admit IAEA inspectors and comply with the NPT. U.S., South Korea, China, and Japan reportedly agree to UN Security Council consideration of the nuclear issue with Pyongyang.

June 23, 2003: U.S. states it may seek a presidential statement from the UN Security Council, condemning Pyongyang's nuclear activities.

U.S.-Russia Relations: Partnership or Competition?

by Joseph Ferguson
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In the second quarter of 2003, the war in Iraq brought to light fundamental differences between the United States and Russia that some seasoned observers had been claiming existed between the two erstwhile allies, even as Moscow and Washington forged a partnership in the war against terrorism. It has become clear that Russian President Vladimir Putin, with an eye to upcoming Duma and presidential elections, has heeded advisors that have been warning him about being too accommodating with the United States. In addition, the Russian public has clearly voiced its opposition to the actions of the United States government across the globe. This was reflected in the coolness toward Washington prevailing in ruling circles in Moscow during the Iraq war, and the official refusal to back U.S. actions in the Middle East. Washington, however, has steadfastly maintained its strategy of accommodation with Moscow, and has been eager to enlist Russian support in the Middle East and maintain the partnership in the war on terrorism.

With the end of hostilities in Iraq, the Russian government has again changed tack somewhat and has publicly reaffirmed its desire to maintain a constructive relationship with the United States. The June summit meeting between Presidents Bush and Putin in St. Petersburg smoothed over the tense spots in the relationship somewhat. Energy issues continue to unite the two nations economically. Meanwhile, Moscow and Washington remain actively engaged on the Korean Peninsula, and have both called on Pyongyang to not develop nuclear weapons.

Middle East Issues

Vladimir Putin's public stance – in line with France and Germany – against the war in Iraq left many officials in Washington somewhat taken aback. It had been expected that there would be little opposition to the war from Moscow, and that Russia might even openly support U.S. actions. But a reading of the public pulse in Russia and an understanding of the domestic political agenda would have enlightened many of these officials of the need for Putin to draw a line in relations with Washington.

The shoring up of the relationship with Washington during his first three years in office was a great accomplishment of which Putin remains proud. Nevertheless, few in Russia see the relationship as a two-way street. Many feel that Russia has acquiesced to too

much (e.g., NATO expansion, war in Yugoslavia, the death of the ABM Treaty, a large U.S. military presence in Central Asia) in pursuit of better relations with the United States. They feel that Russia has received very little in return. Summing up the overwhelming public sentiment across Russia, one prominent Russian columnist asked, “Why fool ourselves ... about a partnership that exists in words only and bears no material benefits?” A *Wall Street Journal* article discussed why many Russians wanted the United States to lose in Iraq. In a Moscow poll taken at the end of March, 83 percent said they were angered and disgusted by U.S. policy. Six out of 10 said the United States was after Iraq’s oil. Five out of 10 said the United States simply wanted to show who was “master of the world.” Putin dismissed many of the public findings and said that “for political and economic reasons, [Russia] is not interested in the defeat of the United States.” Nonetheless, Putin made it known that he felt the war was a “mistake.”

In spite of Russia’s opposition to the war in Iraq, leaders in the U.S. did not seem too put off by Russia’s actions. There was an initial backlash among the American public amid revelations that Iraqi forces were using Russian military technology and that Russian officials in Baghdad were either officially or unofficially aiding the Iraqi leadership. But this died down as quickly as U.S. forces took the capital. There was much more official and public resentment in the United States toward America’s two NATO allies, France and Germany. The general feeling in Washington was to forgive Moscow for its actions, recognizing the strains Russia has been under.

Certain officials in Washington publicly chastised Russia and called for Washington to leave Russia out of any postwar role in Iraq. Foremost among these was Richard Perle, unofficial advisor to Defense Secretary Donald Rumsfeld and Vice President Dick Cheney, who claimed that Russia’s foreign policy is still dominated by the “ghost of Andrei Gromyko,” and then said that Russian bitterness over the Cold War still lingered in Moscow.

But this view was not widespread. U.S. National Security Advisor Condoleezza Rice visited Moscow in early April and was followed in May by Secretary of State Colin Powell. They both paid visits to explain the U.S. position, and they both reaffirmed the Bush administration’s desire to continue to work closely with the Kremlin in the war on terrorism. Rice made a much-publicized appeal to “forgive” Moscow’s transgressions, while “punishing” France. The Russian government even said that it might be prepared to forgive part of the Iraqi debt owed to Russia (roughly \$8-\$10 billion), after an initial hesitation to agree with such a proposal that had been introduced by the U.S. government. Contradicting statements by some of his top aides, Putin was quoted as saying, “On the whole the proposal is understandable and legitimate ... In any event, Russia has no objection to such a proposal.”

The war in Iraq and its overwhelming denouement did, nevertheless, highlight some of Russia’s deepest insecurities. While recognizing the inevitability of a U.S. victory, many of Russia’s top military analysts and experts predicted and hoped for a somewhat drawn-out campaign, with a measure of U.S. suffering. One who never doubted a quick U.S. victory was respected analyst Pavel Felgenhauer, and he wrote after the war that, “the

speed and decisiveness of the offensive has bewildered many [experts in Russia].” Felgenhauer also alluded to the “shock and awe” the U.S. campaign imparted to Russian military leaders, who once again were given a demonstration of the overwhelming strategic and tactical superiority of the United States and U.S. forces.

Nikolai Petrov, an analyst with the Russian Academy of Sciences, explained the visceral anti-American reaction of the Russian public as “an explosive mix of Soviet and post-Soviet phobias and complexes, linked together by the painful experience of loss of superpower status.” This was all the more the case given Russia’s continued problems quelling the guerilla conflict in Chechnya. The U.S. government continued to give Chechnya little consideration – perhaps the one concession Washington was prepared to give Moscow. The Russian press and the Russian public, meanwhile, wondered: who will be after Iraq? The business daily *Kommersant* wrote, “appetites grow with war,” and speculated whether the United States might move next against Syria or Iran.

By the time hostilities in Iraq ceased, Iran became the next hot-button issue in U.S.-Russian relations. Of ongoing concern to Washington has been Moscow’s assistance to Iran’s burgeoning nuclear power program. Russia has helped Iran construct a 1,000-megawatt, light-water reactor in the city of Bushehr and is considering additional nuclear power projects. Russian scientists are rumored to be helping Iranian scientists in an illicit nuclear weapons program. The Russian government has denied this, and it also has been much more assertive in recent months toward Tehran in insisting on a peaceful nuclear program.

By May, disturbing reports from the International Atomic Energy Agency (IAEA) were getting back to Moscow, and the Putin administration began openly backing the U.S. position with regard to the Iranian nuclear program – essentially announcing a policy of “no tolerance” to Iranian nukes. U.S. State Department official John Bolton was encouraged by a May visit to Moscow, where he met with high-ranking Russian officials to discuss Iran’s nuclear program. Although Russian officials vowed to continue with the nuclear energy program at Bushehr, the officials promised to be much more vigilant. When Colin Powell visited Moscow later in May, Putin reportedly expressed a new concern about Iranian intentions. Russia appeared ready to pressure Iran when it backed a statement issued at the G-8 summit in Evian, France calling for new IAEA inspections in Iran. Putin said that Russia would halt new nuclear exports until Iran agreed to more stringent inspections at its nuclear facilities. Later there were contradictory signs emanating from Moscow over this matter, but Putin seemed determined to avoid alienating the U.S. on this issue.

North Korea’s Machinations

Over the last few years Russia has looked to play a stepped-up role on the Korean Peninsula as part of a diplomatic resurgence in Northeast Asia. Moscow was particularly active in Pyongyang in the later part of 2002 and early in 2003 as it attempted to persuade the DPRK to be more cooperative and at the same time get a leg up on both China and the U.S. The effort went for naught, however, as Pyongyang has continually insisted on

direct negotiations with Washington. During the Spring of this year, Moscow has been much less active toward Pyongyang and has for the most part deferred to Washington. Russian leaders have, however, continued to insist on being involved in any multilateral agreement on the Korean Peninsula. Russia fears the outbreak of war on the Korean Peninsula for obvious reasons, as the Russian-DPRK border is less than 100 miles from Vladivostok.

Russian economic interests, meanwhile, have driven the government to take a role in trying to link the trans-Siberian railroad with a trans-Korean railroad. Russia has promoted this scheme for the past several years to help the beleaguered economy of the Russian Far East become a vital part of the Asian market. Asia-European trade amounts to almost \$600 billion annually, and Russia would very much like to get a portion of this trade routed through its own country. Although upgrades to the Siberian railroad and to port facilities will likely cost up to \$5 billion, the potential to accrue up to \$1 billion annually in transit fees from the shipment of goods between Europe and Asia is an attractive incentive. This is almost equal to the amount of money Russia receives from arms sales to China (if averaged annually).

Asia-Pacific Interaction

Russia's economic interests are also deeply tied to the Sakhalin energy projects, which have garnered great attention over the past few years. U.S., British, Dutch, Japanese, Korean, and even Indian companies have become deeply involved and committed to these projects which will run each of the companies commitments' into the hundreds of millions – or billions – of dollars. Exxon-Mobil took a positive step forward in this direction when it announced in late June that it had awarded transport contracts of close to half a billion dollars to two Russian firms.

Further west in Siberia the Chinese and Japanese governments are trying to outdo one another in attracting a pipeline that would transport oil (and maybe one day natural gas) from the oil fields of Angarsk west of Lake Baikal. China has promoted a pipeline running directly into China, terminating there. Japan has promoted a line to Nakhodka, the Pacific port just south of Vladivostok, from which the resources could be shipped anywhere in the world, but most of which would be bought by Japan. The Russian energy firm Yukos favors the China route, while the Russian government-sponsored pipeline firm, Transneft, is promoting a Nakhodka route. The Japanese government had even offered to put in more than a billion dollars of investment into the Russian Far East to help make the Nakhodka route more attractive, and so it was discouraged to hear in late April that the Russian energy firm Yukos had been given the green light by the Russian government to go ahead and develop a pipeline into the northeast Chinese city of Daqing. Japan responded by upping the ante: in late June, Japanese Foreign Minister Kawaguchi Yoriko flew to Vladivostok to meet with Deputy Prime Minister Viktor Khristenko.

According to the *Nikkei Shimbun* Kawaguchi told Khristenko that the Japanese government was prepared to put up to \$7 billion into the development of the Siberian fields necessary to feed the Nakhodka pipeline. But, by the end of June, it was still unclear where the pipeline was headed, though Putin announced that for practical reasons he favored a Nakhodka route.

On the other side of Asia, the dynamics surrounding China and India and the situation in South Asia have obvious implications for both Russia and the United States, not only in the war on terrorism but for the overall strategic picture in East Asia. The China-Russia strategic partnership has been somewhat reawakened after a post-Sept.11 hiatus. China's new president, Hu Jintao, visited Moscow and St. Petersburg in late May, on the eve of the St. Petersburg summit. The two leaders discussed cooperation in energy, space, and the war on terrorism in Central Asia. Hu discussed China's desire to further modernize its armed forces with Russian weapons systems. After the meeting, Putin stated that China-Russia relations were "at their highest level ever." The atmospherics have perhaps never been better between Beijing and Moscow. The terminology "multipolar" has slowly crept back into China-Russia dialogue. This term has been used in the past to criticize Washington's perceived attempt to create a unipolar world order. China was, at least publicly, less put off by U.S. actions in Iraq, but both Beijing and Moscow are willing to utilize the card of the "China-Russia strategic partnership" to counter Washington diplomatically.

Russia, meanwhile, continue to woo India and a series of arm deals were announced this spring, including the final delivery to India of several Russian-built frigates armed with the latest in weapons systems. Beijing is less than happy that Moscow provides Delhi with the latest systems, while Beijing has to be content with systems that are usually one generation behind. In May, five Russian warships, including the Black Sea Fleet's flagship missile cruiser, and an equal number of Indian warships, led by the aircraft carrier *Viraat*, participated in exercises off of India's coast in the Arabian Sea, the first joint naval maneuvers held by India in Russia. There was some speculation in the Russian press that the joint Indian-Russian naval maneuvers in May were aimed at China. Others felt that they were aimed at the United States.

Interestingly, Russian arms sales in Southeast Asia have become a factor in the four-way U.S.-Russia-China-India relationship. Russia hopes to sell weapons systems to traditional U.S. clients, much as the United States looks to supplant Russia as the supplier to traditional Soviet clients in Eastern Europe and Central Asia. Aided considerably by anti-U.S. feelings in Southeast Asia, Russian arms dealers have made inroads there. Russia has recently been able to sell fighter aircraft to both Malaysia and Indonesia. Indonesia ordered 48 Sukhoi-30 and Su-27 interceptor/ground-attack aircraft during the April visit to Russia of President Megawati Sukarnoputri. Malaysia also signed a deal for 18 advanced Su-30MK fighters, choosing these over U.S.-made F-18 Super Hornets.

India stands to benefit from these sales as well. Indian officials have said that Kuala Lumpur's decision to buy the Russian fighters would increase India's strategic and business interests in Southeast Asia, as it is expected to provide training and servicing to

the Royal Malaysian Air Force for its new Su-30s. India hopes to increase its still-marginal influence in Southeast Asia, and if it can utilize its relationship with Russia to do so, then so much the better. Nevertheless, recent overtures have also been made to China as well, and Prime Minister Atal Behari Vajpayee made an historic visit to Beijing in late June. There are also reports that India has expressed interest in joining the Shanghai Cooperation Organization (SCO) along with China and Russia. The hope in Moscow is to create a “Eurasian NATO.” Although the United States is not a member of the SCO, Indian leaders have also made great efforts to shore up India’s relationship with the U.S.

Russian leaders continues to play the “Eastern Great Game” by courting China, India, Japan, and the United States simultaneously, but some observers warn that the Kremlin should be careful in doing so. A well-known political analyst in Moscow, Andrei Piontkovsky, asserts that Russia should not lean too heavily toward China in any diplomatic game with the U.S. He writes that, “the triangular relationship between Russia, the United States, and China will be the most important for Russia as far as its security in the 21st century is concerned. And in this connection, it is vitally important for Russia to have closer relations with the United States than China does.”

Given the war in Iraq, the growing weariness among the Russian public toward what is seen as an overbearing attitude in the U.S., and the elections in Russia during the coming year in Russia, the U.S. and Russia can be said to have weathered the latest downtick in relations quite well. But this year could still hold great unpleasantness. Putin will continue to tread a careful line: he will not be too outwardly friendly toward the Bush administration, yet he will be careful to not undo the work of the past three years. Leaders in Washington, meanwhile, are likely to continue to view relations with Moscow as secondary to other more pressing issues, namely Iran, the Middle East peace process, and North Korea. They will court Russian leaders when it seems expedient. Insofar as this is understood quite well in Moscow and around Russia, do not expect the relationship to develop too far beyond the cautious dance that now defines the relationship. The U.S.-Russian “strategic partnership” is still in its infant stages and it will need a lot more nurturing before it can be said to rest on a firm foundation.

Chronology of U.S.-Russia Relations **April-June 2003**

April 3, 2003: Supreme Mufti Talgat Tadzhuiddin of Russia announces that his organization (representing all practicing Muslims in Russia) has declared *jihad*, against the United States and would raise money to “buy weapons for fighting America and food for the people of Iraq.” Tadzhuiddin is warned that his call for a holy war against the U.S. was illegal and he will be prosecuted if he repeats it.

April 6, 2003: A convoy of Russian diplomats and journalists evacuating Baghdad comes under fire from U.S. forces. Several are wounded. Media reports claim that Washington had asked the diplomats to leave on suspicion that they had aided Iraqi forces.

April 7, 2003: U.S. National Security Adviser Condoleezza Rice holds talks with Russian President Putin in Moscow. Rice also meets with presidential chief of staff Alexander Voloshin, Foreign Minister Igor Ivanov, and Defense Minister Sergei Ivanov.

April 9, 2003: Russia announces that it is withdrawing peacekeeping contingents from Kosovo and from Bosnia-Herzegovina, citing the end of the mission and a lack of funding.

April 9, 2003: Thousands demonstrate outside the U.S. Embassy in Moscow against the war in Iraq. Compared to demonstrations against the war in Yugoslavia in 1999, passions are mostly calm and the crowd, estimated between 30,000 and 50,000, is far smaller than organizers expected.

April 17, 2003: Russia announces that it will back a \$4.5 billion oil pipeline project to boost crude oil exports to the U.S. The government orders a feasibility study of the pipeline (from west Siberia to the northern city of Murmansk), which is scheduled to be commissioned in 2007-2009.

April 20-23, 2003: During a visit by Indonesian President Megawati Sukarnoputri, Indonesia's military chief Gen. Endriartono Sutarto announces that his country is planning to buy 48 Sukhoi fighter jets from Russia. Jakarta promises to purchase an initial batch of two long-range Su-27s and two Su-30s for delivery this year and at least another 44 planes over the next four years.

April 28, 2003: Russia announces that a U.S. "spy" submarine has been detected near the coast of the Kamchatka Peninsula. The headquarters of the Russian Northeastern Forces says that a Los Angeles-class submarine had been following the Northeastern Forces' exercises when it was detected in Avachinsky Bay.

April 30, 2003: Russian Deputy Prime Minister and Agricultural Minister Alexei Gordeyev arrives in Washington to meet with U.S. leaders in hopes of ending friction over Moscow's opposition to the U.S.-led war on Iraq. Besides meeting with U.S. Vice President Dick Cheney, Gordeyev meets with Agriculture Secretary Ann Veneman to discuss U.S. exports of chicken products to Russia.

May 3, 2003: Russian warships pass through the Suez Canal for the first time in 15 years to take part in exercises with the Indian Navy in the Indian Ocean. The maneuvers are Russia's first joint naval exercises with India.

May 5, 2003: In a bid to increase pressure on Iran and North Korea to abandon their nuclear ambitions, U.S. Under Secretary of State John R. Bolton travels to Moscow to meet with key Russian officials.

May 14, 2003: The Duma ratifies a landmark nuclear deal with the U.S. that slashes nuclear arsenals by two-thirds. The U.S. Senate approved the accord in March but the Duma postponed its vote amid criticism of the U.S. war in Iraq.

May 14, 2003: To defuse tensions between the U.S. and Russia, Secretary Powell travels to Moscow to meet President Putin.

May 22, 2003: President Putin sends a note to President Bush saying that Russia is interested in expanding cooperation with the United States. The note is delivered to Bush in Washington by visiting DM Ivanov, who also holds talks with Defense Secretary Rumsfeld, and with National Security Adviser Rice. During his meetings Ivanov hints at U.S.-Russian cooperation on an ABM system.

May 27, 2003: The U.S. Department of Energy announces a \$466 million deal to build two coal-burning power plants for Russia in return for a Russian promise to close three plutonium-producing reactors considered among the most dangerous in the world.

May 31, 2003: Bush and Putin meet at the St. Petersburg summit to celebrate the 300th anniversary of the founding of Russia's "northern capital." Putin also meets with other world leaders including Chinese President Hu Jintao and Japanese Prime Minister Koizumi Junichiro.

June 7, 2003: Poll finds that most Russians dislike George Bush. Sixty percent of respondents said they disliked the U.S. president, and only 17 percent held the opposite view.

June 16, 2003: Russian FM Ivanov launches a trip across Asia, including to India, Pakistan, and Cambodia, as part of Moscow's "Look East" policy.

June 18, 2003: The U.S. firm Exxon-Mobil announces two contracts with a value of \$400-600 million are awarded to two Russian firms, which will transport Sakhalin oil and gas to Japan and South Korea.

June 18, 2003: The Indian Navy takes possession of the *INS Talwar*, a 4,000-metric ton Krivak-class frigate, first of three Russian-built warships that boast "stealth-type" technology.

June 28-29, 2003: Japanese FM Kawaguchi travels to Vladivostok and meets with Russian Deputy PM Viktor Khristenko. She stresses Japan's desire for oil pipeline to the Pacific port of Nakhodka.

**U.S.-Southeast Asia Relations:
Southeast Asia Solidifies Antiterrorism Support, Lobbies For Postwar
Iraq Reconstruction**

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The past quarter has witnessed growing antiterrorist cooperation by the core ASEAN states (Philippines, Singapore, Malaysia, Indonesia, and Thailand) with the United States to apprehend the Bali bombers and others bent on attacking Western interests. Although Indonesia, Malaysia, and Thailand were reticent about supporting the U.S. war in Iraq because of concern about the political backlash from their own Muslim populations, these states as well as Singapore and the Philippines – openly enthusiastic about Washington’s quick Iraq victory – are looking beyond the war to economic reconstruction opportunities there. American plans to reduce and reposition forces in the Pacific may have a Philippine component if Manila agrees to prepositioning military supplies there. The United States also expressed concern over Indonesia’s military assault on Aceh province, Cambodian violence against Thai residents, and Burma’s crackdown on the pro-democracy opposition.

Antiterrorist Cooperation in the Philippines

Controversy surrounds the joint Philippine-U.S. *Balikatan 03* military exercises undertaken this year in Luzon and still in the planning stages for Mindanao. While the Luzon exercises near the former Clark Air Base went off smoothly, plans for the southern Philippines have yet to be implemented. The United States seemed to want to alter the “terms of reference” for the exercise to a “joint operation” that would take place in the Sulu archipelago, home to the Abu Sayyaf terrorist group against which last year’s *Balikatan 02* had also been directed. The problem is that a “joint operation” would seem to allow U.S. forces a combat role that they did not have in 2002 and which would also violate the Philippine constitution’s prohibition against foreign combat operations on Philippine territory. In late April, President Gloria Macapagal-Arroyo settled the issue by insisting that U.S. forces in the Sulu islands would once again engage exclusively in training Philippine forces and in civic action projects that had been very well received by the local population last year in Basilan.

Adding to Philippine-U.S. controversy was an early May statement by U.S. Ambassador Francis Ricciardone that the United States was considering classifying the Moro Islamic Liberation Front (MILF) a terrorist group if it continues violent acts against civilians in the south. At the same time, the U.S. ambassador held out the prospect of economic aid to MILF-dominated areas if the MILF “chooses to have peace in these areas ...” A number of Philippine senators objected to the ambassador’s statement, noting that it could pave the way for “full-scale U.S. involvement” in the government’s war against the MILF. Nevertheless, the Arroyo government is laying the groundwork for a terrorist declaration against the MILF by revealing documents captured from the rebels’ Buliok complex in February 2003 that belied the group’s claim that it had no links with Abu Sayyaf, Jemaah Islamiyah, or al-Qaeda. Recovered documents, according to the Philippine government, also confirmed plans to conduct bombing operations throughout the south. The MILF responded to these revelations by warning the United States not to assist Philippine troops in their fight against the insurgents. So long as U.S. forces refrained from combat, the MILF would cause them no harm. Given the uncertainty surrounding the Philippine government-MILF relationship, *Balikatan 03* has been postponed until the end of this year.

What most worries U.S. officials is that camps in MILF-controlled parts of the southern Philippines provide explosives training to Jemaah Islamiyah recruits from throughout Southeast Asia. According to Philippine intelligence, instructors are Indonesians and Arabs as well as Filipinos.

The most important U.S. reward for the Arroyo government’s staunch support in the U.S. war on terrorism and its war in Iraq was a substantial new military and economic aid program announced during the Philippine president’s May 19 meeting with President Bush in the White House. The U.S. will provide \$100 million in new military assistance and has designated the Philippines a “major non-NATO ally,” the first Asian developing state to attain that status. The designation puts the Philippines in the same category as Australia, Egypt, and Israel with respect to U.S. military ties and provides greater access to American defense equipment – currently in desperately short supply in the Philippines.

In recognition of ongoing negotiations between Manila and the MILF, despite the latter’s apparent attacks against civilian infrastructure in the south, the Bush administration authorized \$30 million in development assistance and support to the peace process with the MILF in Mindanao. While development assistance was the “carrot” in the U.S. aid package, there was also a substantial “stick” for the Philippine Armed Forces in a \$30 million grant for counterterrorism training and 30 new military helicopters to be added to the 15 currently operational. The entire Philippine military wish list was not met, however, for no C-130 transport aircraft were included, though only two are currently flying. The armed forces also need fast patrol boats to guard the country’s maritime borders and improved communications.

On a more somber note, corruption in the Philippine armed forces was alleged by American missionary Gracia Burnham, who was rescued after more than a year in Abu Sayyaf captivity during a shootout between Philippine troops and the kidnappers. Mrs.

Burnham was wounded and her husband killed along with a Filipina nurse in the firefight. Although ransom had been paid for the Burnhams, they were not released, according to Mrs. Burnham, because a Philippine general demanded a 50 percent cut. These allegations appear in a new book by Burnham titled, "My Enemies." The original rationale for U.S. military training of Philippine forces in Basilan last year was to aid in the Burnhams' rescue. In response, the Philippine government has inaugurated a formal investigation of Burnham's allegations with the assistance of U.S. authorities, though no admission of corruption has occurred.

Philippine and Thailand Eager for Iraq Reconstruction Contracts

Unsurprisingly, the Philippines expects to reap some Iraq reconstruction benefits from its early, strong endorsement of the U.S. war to overthrow Saddam Hussein. Less predictable, however, is Thailand's bid for Iraq reconstruction given Prime Minister Thaksin Shinawatra's refusal to support publicly the U.S. Iraq intervention. Philippine President Arroyo has offered to send a 500-person team of military and police peacekeepers, medical workers, and engineers. Foreign Secretary Blase Ople displayed grander ambitions by stating that the Philippines hoped for 100,000 jobs in Iraq's reconstruction. Manila expects that the Philippine humanitarian contingent will be funded by the United States.

Filipino companies and the government have been lobbying the lead U.S. corporation for Iraq reconstruction, Bechtel, which may ultimately be responsible for a U.S. AID contract approaching \$20 billion. Bechtel anticipates subcontracting 75 percent of the reconstruction work, and Filipino representatives are emphasizing that they have a well-educated, low cost English-speaking labor force that has worked around the world with U.S. companies.

Thailand has also been invited to U.S. and British reconstruction briefings. Companies in the food, construction, furniture, and architecture industries are particularly interested. A Thai trade official stated that his country's ability to supply a variety of construction and electrical materials would be quite competitive. Thailand is setting up a task force in the United States and Kuwait to seek reconstruction opportunities.

Singapore's reward for supporting the U.S. war in Iraq is in the realm of military equipment and a new free trade agreement. The latter was initialed during Prime Minister Goh Chok Tong's early May visit to Washington. The military reward is permission for the island republic to arm its home-based F-16s with radar-guided medium-range AMRAAM missiles, the first such to be deployed in the region. Although Malaysia and Thailand also have AMRAAMs in their inventories, they are kept in storage in the United States under U.S. guidelines. Malaysia criticized the U.S. Iraq intervention, while Thailand was neutral. By contrast, Singapore made available KC-135 tankers to refuel American aircraft flying from the U.S. mainland to a staging base in Diego Garcia.

Thailand: Military Exercises and the War on Terror and Crime

This year's *Cobra Gold* joint exercise (May 16-29), which included 7,600 U.S. and 500 Thai soldiers, as well as a smaller number from Singapore for the second time, was also attended by observers from 11 states, among them China and Vietnam. All participants and observers were screened for SARS on arrival. For the second year in a row, *Cobra Gold-2003* included an antiterrorist component. The tripartite exercise was followed a month later by a Thai-U.S. naval maneuver – the annual Cooperation Afloat Readiness Training (CARAT) – which involved 1,500 U.S. sailors and marines and 1,700 Thais. The annual bilateral U.S. CARAT exercises are also held with Brunei, Singapore, and Malaysia. Training covers maneuvering, communications, gunnery, diving and salvage, and amphibious operations.

There is also speculation that the United States has approached Thailand about the possibility of locating a “forward positioning” site in the country as part of a general repositioning plan for U.S. forces in the Pacific. The site would be primarily for logistics where equipment would be stored for regional operations. Currently, in Southeast Asia, only the Philippines has provided this type of facility. As yet, no official U.S. request has been made to Thailand.

Tension in U.S.-Thai relations also surfaced this past quarter as Washington expressed “serious concern” over the Thaksin government’s brutal crackdown on drug dealers throughout the country. Over 2,000 people were killed (allegedly by police) between February and April in what appear to have been summary executions. The United States has provided \$3 million to aid Thailand in its fight against drug trafficking. However, U.S. law provides that assistance be suspended if a country is found to be systematically violating human rights. Both international and local human rights NGOs have accused the Thai government of sanctioning the extrajudicial killings.

Thailand appears to have become more deeply involved in the U.S. war on terror, though Prime Minister Thaksin prefers to maintain a low profile on this issue. According to U.S. officials cited in *The New York Times* on June 8, Thaksin has allowed the CIA to interrogate suspected members of al-Qaeda in secure locations, and Thailand has let the U.S. Air Force use Thai bases for both its Afghanistan and Iraq wars. Utapao Air Base served as a transit point for both engagements.

Because Thailand has been a meeting place for Southeast Asian terrorists and an easy place to acquire false documents, the United States, Australia, and several other countries have placed law enforcement agents at Bangkok’s international airport looking for people traveling under false documents. Over 200 false passports are seized each week. In a mid-June visit to Washington, the Thai prime minister for the first time publicly declared that Thailand is an ally in the worldwide campaign against terror.

The focus of Thai antiterrorist attention is the south where Muslims are in the majority and have close relations with co-religionists in northern Malaysia. In June, two Thai Muslims were arrested in a province bordering Malaysia, who allegedly admitted

planning attacks on embassies in Bangkok, including that of the United States. After a long period of denial, the Thai government now acknowledges the presence of Jemaah Islamiyah members in its territory. Defense Minister Thanarak Isarangura, accompanying the prime minister to Washington in mid-June, stated that Thailand is ready to cooperate with the U.S. antiterror campaign. Moreover, Malaysia and Singapore have joined Thailand in an operation to apprehend some 29 members of Jemaah Islamiyah believed to be posing as Islamic religious teachers in the southern Thai border provinces. However, many Thai Muslims in the south believe the crackdown is a frameup designed to curry favor with the United States.

ASEAN and ARF Grapple with Terrorism and other Concerns

From June 16-19, the ASEAN foreign ministers, their dialogue partners, and members of the ASEAN Regional Forum (ARF) met in Phnom Penh, focusing on regional progress with respect to the war on terrorism. Secretary of State Colin Powell represented the United States. The ASEAN foreign ministers concluded their discussions with a commitment to greater cooperation among law enforcement agencies to implement regional agreements already reached on the war on terrorism. ASEAN ministers also revealed that they and the United States would soon endorse a five-point counterterrorist plan that could involve U.S. assistance in safeguarding shipping in the Malacca Strait, including the sharing of intelligence information. Along the same lines, the ministers welcomed the establishment of a Southeast Asia Regional Center for Counter-Terrorism in Kuala Lumpur. The Center will be funded by the United States but administered entirely by Southeast Asian states.

Both ASEAN and the ARF expressed concern over the detention of Aung San Suu Kyi by Burmese authorities and urged her immediate release. On North Korea, the ARF supported the denuclearization of the Korean Peninsula and prodded North Korea to resume cooperation with the International Atomic Energy Agency and reverse its decision to withdraw from the Nuclear Non-Proliferation Treaty.

The ARF also adopted a statement on “Cooperation Against Piracy and Other Threats to Maritime Security” that linked piracy to transnational organized crime. In addition to encouraging anti-piracy exercises among the littoral states of East Asia, the statement endorsed the International Maritime Bureau proposals that prescribe traffic lanes for large supertankers to be escorted by coast guard or navy vessels upon the agreement of all ARF members.

Indonesia: Human Rights, Antiterrorism, Aceh Dominate Agenda

This past quarter U.S.-Indonesian relations displayed both cooperation and consternation. After considerable political pressure from Washington and Canberra, a military court convicted seven members of Indonesia’s elite Special Forces for the torture and murder of Theys Eluay, the leader of a non-violent campaign for independence for Irian Jaya (Papua). The convictions were a rare instance of soldiers being held accountable for human rights abuses, but the maximum sentence of only 3.5 years

brought immediate criticism from human rights groups. A combination of praise and frustration can also be found in Secretary Powell's positive assessment of Indonesia's moves against terrorism represented in the trial of alleged Jemaah Islamiyah leader Abu Bakar Bashir. In recognition of Indonesia's crackdown on Jemaah Islamiyah and President Megawati Sukarnoputri's moderate stance on the U.S. war in Iraq, the United States permitted families of American diplomats to return to the country. While the Indonesian president and foreign minister condemned the U.S. invasion of Iraq, they declared that the American action was not a war on Islam.

The Bush administration has been trying to find ways to restore financial aid to the Indonesian military which lost that assistance in the 1990s because of human rights abuses in East Timor. While Congress had approved a small training program via the U.S. International Military and Education Training Program (IMET), it has been suspended until the FBI determines whether the Indonesian military was involved in an attack last August that killed two Americans and an Indonesian in Papua province. Deputy Defense Secretary Paul Wolfowitz stated in late May that the future of military relations between the two countries depended on a satisfactory investigation of and resolution to the Freeport killings. Although FBI officials have visited Papua on several occasions, they have been frustrated by lack of cooperation from the Indonesian authorities, suggesting a coverup of the military's culpability.

Adding to these difficulties has been the Indonesian army's offensive into the rebellious northern Sumatra province of Aceh, launched in mid-May. Approximately 40,000 soldiers have deployed in the province to confront an estimated 3,000 guerrillas who have been fighting sporadically for independence for nearly 30 years. Rich in minerals and natural gas, one of the major grievances of the rebels is what they regard as an unfair distribution of the province's wealth by the central government.

Indonesian officials have used the U.S. invasion of Iraq and its general war on terrorism to justify the Aceh invasion as a campaign to crush a terrorist movement. The United States and other countries had brokered talks between the rebel organization GAM and the Indonesian government in Tokyo that failed. Jakarta is counting on general international support for its territorial integrity, and the United States has backed Indonesia's position, though the State Department also regretted that neither the rebels nor the government did more to avoid war in the Tokyo talks. Deputy Secretary Wolfowitz, a former U.S. ambassador to Indonesia, warned the Indonesian army that its war on the Aceh rebels could not be won militarily. He also urged Jakarta to permit human rights monitors into the province, a prospect resisted by the military. By late June, however, the civilian government authorized human rights representatives to go into Aceh provided they registered with the government.

Meanwhile, these frictions between the United States and Indonesia have led the latter to look elsewhere for military supplies. In late April, Jakarta decided to purchase Su-27 and Su-30 combat aircraft as well as Mi-35 helicopters from Russia, partly because they would reduce Indonesia's dependence on the United States.

Cambodia and Burma Draw U.S. Ire

Although the United States maintains diplomatic relations with both Cambodia and Burma, it has treated their authoritarian corrupt governments as semi-pariahs. In May, the State Department issued a report condemning the rise in politically motivated violence in Cambodia, specifically Phnom Penh's instigation of anti-Thai violence in the capital the preceding January. The Thai embassy was razed, and the ambassador and his staff had to flee to neighboring diplomatic establishments. Thai businesses were also torched and looted. While Cambodia subsequently paid damages to Thailand and official relations between the neighbors have been restored, the U.S. report labeled the January events as a cynical manipulation of Cambodian nationalist sentiments for domestic political purposes.

To their credit, Cambodian authorities, on information from U.S. officials, closed a Saudi-funded religious school and arrested three foreigners for international terrorism and membership in Jemaah Islamiyah. The arrests occurred two weeks before the annual ASEAN gathering, this year in Phnom Penh, which Secretary Powell would be attending. The arrests were Cambodia's way of demonstrating its commitment to security for the conference.

Once again Burma embarrassed ASEAN and infuriated the United States and other countries by arresting Nobel laureate and opposition leader Aung San Suu Kyi while her convoy was traveling in northern Burma. Military-backed thugs attacked the pro-democracy leader and her supporters inflicting a number of casualties before the military detained her. Breaking with its previous hands-off policy toward Burma's domestic politics, ASEAN publicly chastised the military junta for its crackdown on dissent and detention of Mrs. Suu Kyi, labeling the developments, "a setback not just for Myanmar [Burma] but also for ASEAN." Secretary Powell, at the ASEAN meeting, called for Mrs. Suu Kyi's release and accused the junta of violating "the fundamental rights of its citizens with impunity" as well as "international human rights obligations."

Conclusion

U.S. policy toward Southeast Asia encompasses several dimensions. The top priority is continued antiterrorist cooperation through military assistance to the Philippines and law enforcement support to other members of ASEAN. On the economic dimension, the United States signed a free trade accord with Singapore this quarter, possibly a precursor to similar trade pacts with Thailand, Malaysia, and the Philippines. The Singapore agreement was praised by the city-state's prime minister as a means of insuring that the United States remains embedded economically in Southeast Asia and provides a counterweight to China's surging economic heft in the region. Finally, in what may be a portent for the region's future, ASEAN's new leader for 2003-2004, Indonesia, released a position paper calling on the group to create a formal security community to combat terrorism, train peacekeepers, and arrange for regular meetings of the region's police and defense ministers. This proposal will undoubtedly be welcomed by the U.S.

Chronology of U.S.-Southeast Asia Relations April-June 2003

April 1, 2003: Waves of demonstrations against the U.S. war in Iraq occur in major cities throughout Indonesia, calling for a boycott of American products, severance of diplomatic relations, and that President Bush be hauled before the International Criminal Court.

April 2, 2003: Malaysia announces it will proceed with a U.S.-supported Southeast Asian antiterrorist center despite Kuala Lumpur's opposition to the U.S. war in Iraq. The center will benefit Malaysia through training and technology transfer as well as intelligence exchange.

April 3, 2003: The U.S. donates 33 trucks to the Philippine Armed Forces from its stocks in Japan to boost mobility in the southern Philippines.

April 3, 2003: Indonesian Vice President Hamzah Haz calls President Bush "king of terrorists," the only Indonesian leader to denounce the U.S. president personally.

April 4, 2003: More than 80,000 Muslims in southern Thailand rally to condemn the U.S. invasion of Iraq and burn an effigy of President Bush.

April 4, 2003: *Bangkok Post* editorial accuses the United States of unilateralism and ignoring the rule of law in its invasion of Iraq, making the world a more dangerous place.

April 5, 2003: Director General of Indonesia's Ministry of Defense Gen. Sudrajat states that the U.S. attack on Iraq is motivated by the American war on terror and not oil.

April 6, 2003: Philippine intelligence reports released to the *Associated Press* show that Jemaah Islamiyah (JI) operatives captured by Singapore authorities with help from U.S. investigators planned to attack Western embassies, U.S. corporations, and crash a plane into Singapore's airport.

April 7, 2003: Malaysian Prime Minister Mahathir insists that the UN take charge of peacekeeping and postwar reconstruction in Iraq with U.S. and UK troops withdrawing as soon as possible. Malaysia is ready to assist in Iraq reconstruction.

April 9, 2003: Philippine Armed Forces chief of staff confirms *Balikatan 03-1* joint military exercise with the United States will be held in Jolo, but U.S. forces may not be deployed in parts of the province considered "too hostile."

April 9, 2003: Singapore accepts a squadron of *Apache* attack helicopters that will be based in Arizona and used for training there.

April 10, 2003: Malaysian Acting Prime Minister Badawi insists that the U.S. prove that Iraq possessed WMD and calls on the UN to take a leading role in postwar Iraq.

April 10, 2003: President Arroyo promises to send 500 peacekeepers and relief workers to Baghdad.

April 10, 2003: Indonesian President Megawati Sukarnoputri denounces the U.S. and Britain for practicing the “law of the jungle” by attacking Iraq in defiance of the UN.

April 14, 2003: Indonesian prosecutors indict radical Muslim cleric Abu Bakar Bashir for plans to blow up the U.S. Embassy in Singapore and the bombings of several churches in Indonesia in December 2000.

April 17, 2003: About 1,200 U.S. soldiers arrive in the Philippines to exercise with local troops in antiterrorist exercises scheduled from April 25-May 9.

April 22, 2003: President Arroyo denies that the southern Philippines will become America’s next “battlefront” in the U.S. global war on terror.

April 25, 2003: U.S. and Philippine forces launch a joint training exercise in Luzon with 1,200 U.S. soldiers and 2,500 Filipinos. Defense Secretary Angelo Reyes said the exercise was aimed to improve “combined combat readiness and interoperability.”

April 25, 2003: U.S. permits families of U.S. diplomats to return to Indonesia, indicating that Jakarta’s crackdown on JI terrorists has greatly reduced the prospect of future attacks on Westerners.

April 26, 2003: A pro-U.S. rally of 2,000 takes place in Jolo, supporting the forthcoming *Balikatan* training exercise in this southern Philippines Muslim guerrilla stronghold.

April 26, 2003: Secretary Powell praises Indonesia for cracking down on terrorism, including the trial of Abu Bakar Bashir, JI’s Indonesian leader.

May 6, 2003: Gracia Burnham, the American missionary held hostage for over a year by the Abu Sayaff, in a book describing the ordeal, accuses a Philippine general of demanding a 50 percent cut of the ransom. The deal fell through.

May 7, 2003: U.S. Embassy criticizes the Thai government for killings associated with the crackdown on drug dealers and asked that the killers be apprehended and prosecuted. More than 2,000 people have been killed over the past three months in the anti-narcotics actions.

May 7, 2003: The U.S. criticizes the Cambodian government’s lawlessness and expresses a lack of confidence in the UN-Cambodian agreement for the trial of former Khmer Rouge leaders.

May 10, 2003: *Balikatan-03*, the joint U.S.-Philippine training exercise held this year for two weeks in Luzon, ends.

May 15, 2003: The State Department labels Abu Sayyaf a continued threat in the southern Philippines and Malaysia's Sabah.

May 16, 2003: The annual Thai-U.S. *Cobra Gold* exercise begins with an emphasis on counterterrorism, peacekeeping, and the training of medical personnel in the treatment of SARS.

May 16, 2003: The State Department issues a warning that al-Qaeda operatives, after the Saudi Arabia bombings, are now targeting Malaysia and the Philippines.

May 17, 2003: Malaysia protests a U.S. State Department warning that it is dangerous for Americans to visit the country.

May 19, 2003: U.S. with EU, Japan, and the World Bank regret the Indonesian government's decision to declare martial law in Aceh province, suspending negotiations with separatist rebels who have been fighting Jakarta for decades.

May 19, 2003: Moro Islamic Liberation Front (MILF) warns that U.S. forces will be in danger if they aid the Philippines in its fight against them.

May 20, 2003: U.S. signed a law enforcement assistance agreement with the Philippines to help the criminal justice system better deal with crime and terrorism.

May 20, 2003: During a state visit to Washington by Philippine President Arroyo, President Bush announces \$100 million in new aid for the Philippine Armed Forces and designates the Philippines "a non-NATO ally," making it eligible for additional American arms.

May 21, 2003: The U.S. agrees to transfer 30 *Huey* helicopters to the Philippines to help build its counterinsurgency capability.

May 23, 2003: Thailand announces the creation of task forces in the U.S. and Kuwait to seek Iraq reconstruction business after Washington gave the green light to Bangkok to join in concession bidding.

May 28, 2003: Cambodian authorities close a Saudi-funded religious school and arrest three Egyptians allegedly linked to JI and the October 2002 terror bombing in Bali. The arrests were made on a tip from U.S. officials.

May 30, 2003: Deputy Secretary of Defense Paul Wolfowitz states that the Indonesian Army's efforts to crush Aceh separatism by force will not succeed.

May 30, 2003: Aung San Suu Kyi and 19 National League for Democracy (NLD) top party members placed into "protective custody" after violent clashes between her supporters and opponents. Junta announces closure of NLD offices in Rangoon.

May 30-June 1, 2003: The second annual conference of Asia-Pacific defense ministers convenes in Singapore and is addressed by Deputy Secretary Wolfowitz who discusses the new U.S. emphasis on mobility of U.S. forces to respond to crises wherever they occur.

June 5, 2003: U.S. and Philippine officials postpone for six months a joint training exercise in Jolo until more Philippine forces can be trained by U.S. troops to hunt down *Abu Sayyaf* remnants on the island.

June 5, 2003: U.S. and Thailand launch joint naval training exercises (CARAT) involving 1,500 U.S. and 1,700 Thai uniformed personnel. Nine Thai frigates and four U.S. ships are participating.

June 6, 2003: The U.S. states that it suspects Burma's opposition leader Aung San Suu Kyi and her entourage were ambushed by "government-affiliated thugs" on May 30 after which she was taken into custody and her party's offices closed.

June 9, 2003: Bangkok's *The Nation* reports that a Thai military source claims that the U.S. wishes to use a military base in Thailand for logistical support for attacks on terrorist groups in Southeast Asia. The U.S. embassy did not comment on the article.

June 10, 2003: Thai authorities arrest several JI suspects based on Singapore intelligence who were allegedly planning to bomb the U.S. embassy among other Western embassies.

June 11, 2003: U.S. announces it is sending special customs inspectors to Malaysian ports, and Muslim countries, with instruments designed to detect chemical and radiological emissions from containerized cargo.

June 9-13, 2003: Thai PM Thaksin conducts an unofficial visit to the U.S. where he meets with President Bush to discuss trade and terrorism and for the first time declares Thailand "an ally" in the global fight against terrorism.

June 13, 2003: U.S. investigators assist Thai police who arrest a Thai national attempting to sell a large amount of radioactive material to terrorists. Cesium-137 could be used to create a "dirty bomb" and probably originated in stockpiles somewhere in the former Soviet Union.

June 18, 2003: Secretary Powell attends ASEAN Regional Forum meeting in Phnom Penh; calls on the Burmese government to release Aung San Suu Kyi from jail, referring to the military junta's actions as "contemptible."

China and Southeast Asia Relations: SARS and a New Security Initiative from China

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The quarter began on a negative note with escalating concern about the spread among ASEAN countries of severe acute respiratory syndrome, or SARS, a new viral disease that originated in China and carried a death rate of up to 15 percent, and was transmitted by means that were not well understood. It threatened to create panic and devastate regional economies just as most were emerging from the economic crisis that began in 1997. ASEAN played a key role in persuading China to take more effective action to halt the spread of SARS, and can take satisfaction that its often-maligned “way” of diplomacy, low key and nonconfrontational, was well suited to this particular crisis.

At the annual ASEAN ministerial meetings in Phnom Penh in June, China proposed the establishment of a new Security Policy Conference, comprised of senior military as well as civilian officials from the 23 ASEAN Regional Forum (ARF) countries. The objective would be to draft a new security pact to promote peace and stability in the region. Also at the ASEAN meetings, China won points by becoming the first major power to agree to sign ASEAN’s 1976 Treaty of Amity and Cooperation. Further steps were recorded in the march toward a China-ASEAN Free Trade Area as Thailand became the first country to gain concrete benefits from “early harvest” tariff reductions. A nascent Asian Monetary Fund emerged, including China and the original ASEAN five countries, among other members. China conspicuously stayed out of the growing consensus that pressure must be increased on Burma to institute democratic reforms. High-level visits between Hanoi and Beijing produced no new developments.

SARS

Asia’s SARS epidemic could have been a severe setback to Beijing’s campaign to be seen as Southeast Asia’s most reliable, responsible partner. China’s delays in facing up to the disease, and its refusal to promptly cooperate with international health authorities in February and March, clearly accelerated the spread of SARS to its southern neighbors. From the initial appearance of the disease in the ASEAN region in February through early May, ASEAN countries were fixated on the possibility that the epidemic would send their economies into prolonged recession. Despite their anger, however, ASEAN

* CNA Corporation is a non-profit research and analysis organization. The opinions expressed in this article are those of the author.

governments used quiet persuasion rather than open criticism to steer Beijing toward the multilateral cooperation necessary to deal with the disease. As it turned out, the damper put on trade and tourism by SARS was serious. By the end of the quarter, however, it appeared that the disease had been contained, and that Southeast Asia's economies were likely to recover more quickly than had been predicted.

Among ASEAN nations, Singapore and Vietnam were hardest hit, receiving infections from the first international SARS carriers in the now infamous Metropole Hotel in Hong Kong in early March. Both countries were able to impose drastic measures to contain the virus. Singapore's Health Ministry found an old law authorizing mandatory quarantines, with criminal penalties for violation, and served thousands of quarantine orders in suspected transmission centers. Vietnam moved quickly to impose controls on its border with China and, like Singapore, quarantined anyone with suspected exposure, including more than 2,000 students returning from China in May. Malaysia, Thailand, and Indonesia, with only a few cases, took less draconian measures.

Pundits predicted that SARS would wreak havoc on Southeast Asia's economies. All suffered sharp drops in tourism, a key sector for the region's economies, and saw serious declines in trade sectors that depend on international movement. Travel by overseas workers, important for the Philippines, Thailand, and Indonesia, was temporarily halted. The Asian Development Bank calculated in early May that if the SARS epidemic lasted six months, the cost in reduced GDP would be 2.3 percent for Singapore, and close to a point and a half each for Malaysia, Thailand, and Indonesia. More apocalyptic forecasts estimated that the Asian region could lose up to \$50 billion from SARS.

At the end of April – the psychological SARS low point in the region – the 10 ASEAN governments, led by Singapore and Thailand, got China to a health ministers' meeting April 26 in Bangkok, followed by a heads of government meeting there April 28, to establish a set of measures that each government would pledge to take to stop the spread of the disease. It was Chinese Premier Wen Jiabao's first international meeting since taking office. He handled it in a way that evidently reassured China's neighbors, indirectly expressing regret for China's earlier dilatory approach to SARS by telling a Bangkok press conference that "we have already learned our lesson." The April 29 summit declaration announced six agreed measures to combat SARS, five of which centered on prompt international reporting and full cooperation in sharing information on the disease – areas in which China's initial performance had had devastating results for other countries.

With the zeal of the newly converted, on June 3, China's vice health minister took the opportunity of a Beijing SARS symposium to call on Asian governments to enhance the sharing of information about the disease. ASEAN health ministers declared the region SARS free June 12. On June 24, the World Health Organization declared that Beijing had conquered SARS.

Behind the relief at the end of the quarter, however, concern lurked that SARS could return, and that the likely original source of the new disease – China’s many rural, poorly controlled markets for exotic wild meats – could foster new viral animal-human leaps, possibly harder to bring under control.

China’s New Initiatives

The agenda at the annual ASEAN Regional Forum (ARF) meeting in Phnom Penh on June 18 was dominated by terrorism, North Korea’s nuclear challenge, and mounting disgust with the ruling junta in Burma, Beijing’s close ally. China nonetheless succeeded in gaining significant attention for its own priorities by aligning itself with concerns in Southeast Asian capitals about the U.S. military campaign in Iraq, and about statements from Washington suggesting a new policy of unilateral military preemption with little regard for dissent in foreign capitals.

Following up earlier promises to consider acceding to ASEAN’s 1976 Treaty of Amity and Cooperation (TAC), Chinese Foreign Minister Li Zhaoxing pledged to seek legislative approval to sign the treaty formally at the October ASEAN-China summit meeting. The TAC is a generalized set of commitments to respect the independence, sovereignty, and territorial integrity of the parties, not to interfere in their internal affairs, to settle disputes peacefully, and to renounce the threat or use of force. ASEAN members opened the treaty to outside accession five years ago. To date, only Papua New Guinea has done so. China’s pledge helped induce India and Russia to join as well.

Potentially more significant, China’s foreign minister formally proposed that the ARF establish a new “Security Policy Conference,” whose participants would be primarily military personnel, to draft a new concept or pact among ASEAN nations and their ARF partners on promoting peace, stability, and prosperity in Southeast Asia. Chinese sources indicated that the proposal was part of China’s “New Security Concept,” aimed at giving equal attention to the security concerns of each country, and guaranteeing security for all through united action, rather than seeking “absolute security for oneself and threaten[ing] other parties’ security.”

ARF members welcomed China’s proposal, reported the chairman’s statement, and agreed that a concept paper would be circulated “in due course.”

An “Iron Wall” of Economic Security?

China’s campaign for integration of the Southeast Asian economies with its own, which Chinese media referred to as a joint effort to build an “iron wall” of economic security, gained ground during the quarter. The World Bank enthusiastically endorsed China’s central role in East Asian economic integration in a research report released June 6, urging countries in the region to continue to adapt to China’s emergence as a major world and regional trader.

Concrete progress toward the goal of an ASEAN-China free trade agreement (FTA) was recorded with Thailand, in a bilateral agreement to eliminate tariffs on some 200 varieties of fruits and vegetables beginning Oct. 1. Emphasizing the Thai-Chinese breakthrough as a model for the region, on June 14, Thai Deputy Prime Minister Somkid Jatusripitak said that Thailand would form a link between China and ASEAN on free trade issues. The Philippines also agreed on May 8, with some reservations, to sign an “early harvest” agreement with China for 82 items, including agricultural products, although Manila wants industrial exports to be included in the “early harvest” as well.

China’s FTA negotiations with ASEAN keep the pressure on other economic powers to negotiate free trade agreements with Southeast Asian countries. At the same time, Beijing’s willingness to open its agricultural market highlights the difficulties for other countries of going down the same path. Talks between Thailand and Japan are essentially stalled over the issue of agricultural tariffs. A representative of the ruling Liberal Democratic Party (LDP) in Tokyo with agricultural interests told the press in April that “an FTA with Thailand is out of the question.” Japan and ASEAN agreed in their ministerial talks in June to draft an action plan and a special charter for future relations, but the announcement was devoid of specifics. India is talking with Thailand about a bilateral FTA deal, with Thailand pressing for a July agreement.

In another move toward regional integration, China and 10 other Asia-Pacific countries, including five ASEAN members, agreed on June 2 to establish an Asian Bond Fund worth more than \$1 billion. The initial purpose is to promote regional bond markets that will channel Asian foreign exchange reserves back into the region, but it could also be used to bail out economies in crisis. The initiative was tailored to meet earlier U.S. objections that such an “Asian Monetary Fund” would be an alternative to the IMF – and thus weaken the international community’s ability to exert leverage to achieve structural reforms in failing economies.

Another sign of China’s growing economic clout in the ASEAN region is the increasing use of the *renminbi* as a form of hard currency in trade and tourism, even though it is not fully convertible. In May, a Morgan Stanley director predicted that China’s currency would be one of the world’s four major currencies in 10 to 15 years.

Energy, a Continuing Priority

In its new investments in the ASEAN region, China continues to give highest priority to the energy sector. China National Offshore Oil Corporation, the country’s dominant offshore oil and gas producer, reported in May that its production had increased by 23 percent in the first quarter of 2003, attributable largely to output from fields it bought in Indonesia last year. PetroChina announced on April 24 that it would join Malaysia’s Petronas to buy an additional stake in Amerada Hess oil and gas rights in East Java. Chinese investors also began talks during the quarter to develop power plants in South Sumatra and in Sulawesi, Indonesia.

China Holds Out on Burma

Perhaps anticipating pressure at the ASEAN meetings in June to take a harder line following the May 30 violent attack on a motorcade of Nobel Laureate Aung San Suu Kyi and her followers, and Ms. Suu Kyi's arrest and detention, China quickly moved to declare there would be no change in its support for the military regime there. A PRC Foreign Ministry spokesperson told the press on June 10 that China is a friendly neighbor, "believes that the Burmese people have the capability of properly handling their own affairs," and would not be interfering in a matter that is between the Burmese government and the opposition parties. Later the same month, Beijing extravagantly hailed Rangoon's successes in fighting narcotics production and trafficking. China thus appears prepared to be increasingly isolated on the Burma issue, bucking the growing regional trend. Presumably both principle (noninterference in internal affairs, which has a potential Taiwan angle), and practicality (rivalry with India and commercial and intelligence access) lie behind China's unwavering support for Rangoon.

Vietnam: High-level Visits, but Minor Irritations Flare

China and Vietnam exchanged high-level visits during the quarter, as Communist Party General Secretary Nong Duc Manh was in Beijing April 7-11, and Foreign Minister Li Zhaoxing was in Hanoi June 13-16. In Manh's meeting with President Hu Jintao, the two parties agreed yet again to speed up the so far glacial pace of border demarcation under their 1999 Land Border Agreement. (On the Lao Cai-Yunnan sector of the border, where 88 markers are due to be placed by 2005, only four have been set since 1999.) Hu promised to waive some \$50 million of Vietnam's debt to China, and to provide a grant to help build a Vietnam-China Cultural and Friendship Center in Hanoi. The two leaders agreed to seek an increase of two-way trade to \$5 billion by 2005 (from \$3.3 billion in 2002).

In Hanoi, during June 12-14, Foreign Minister Li, according to press accounts, went over much the same ground – border demarcation and strengthening trade. Commercial differences between China and Vietnam were not papered over during the quarter, however. Hanoi announced during Li's visit there had been a dramatic drop in agricultural exports to China since January. There were no indications, however, that Beijing was offering Vietnam the bilateral "early harvest" tariff cuts in this sector that it had agreed with Thailand and the Philippines. In April, the Vietnamese Trade Ministry outlined for the media several major problems facing Vietnamese exporters to China, including unpredictable and unclear import policies and lack of transparency in payments. Vietnamese media also reported during the quarter that China ranked only 17th among international investors in Vietnamese enterprises.

Outlook

China's proposal to codify its security relations with ASEAN in a new document is significant, given the weight Beijing has traditionally given to written agreements. It may intend the move as a parallel security step to the free trade agreement that promises

to integrate the region's economies. In the near term, a "security policy conference" of military officers from the 23 ARF countries is something of a gamble for Beijing, given that the United States has well established, enduring military-to-military relations with most of the ARF states, including five formal allies. Several U.S. defense treaty partners, especially Australia and Japan, can be expected to resist any efforts to put language into a new security pact that suggests that bilateral treaties should be replaced by a region-wide collective security organization.

On the other hand, China is likely playing this initiative long. The themes of China's "new security concept" of the mid-1990s, echoing generalized principles, such as non-interference and renunciation of the threat or use of force that go back to the heyday of the nonaligned movement, will be difficult for a number of Southeast Asian governments (and publics) to oppose. Among other things, the principles resemble articles in ASEAN's own Treaty of Amity and Cooperation.

To the extent that such principles are viewed as constraints on China's potential to exert crude leverage, they would be valued in mainland Southeast Asia and in relation to territorial disputes in the South China Sea. However, looking to future contingencies in the region that could call for a military response, such principles could be considered by the United States and other allies as dangerous limits on freedom of action. A prolonged debate on principles could polarize ASEAN and the ARF.

Chronology of China-Southeast Asia Relations April-June 2003

April 4, 2003: China announces that the Lao government has given a 30-year concession to a Chinese company for copper mining in Phongsaly province. China's initial investment will be \$950,000.

April 7, 2003: Xu Rongkai, governor of Yunnan province, meets with Laotian Deputy Prime Minister Asang Laoly. Xu notes that "some cooperation programs between Yunnan and Laos are faring well," and promises to encourage more investment in Laos.

April 7-11, 2003: Vietnamese Communist Party General Secretary Nong Duc Manh visits Beijing.

April 8, 2003: A Malaysian company signs an agreement with the Shanghai municipal government to invest an initial \$400 million to set up a computer chip factory, with additional funds in later phases.

April 8, 2003: A Chinese police official in Yunnan announces the destruction of a major drug factory in Burma's Shan state by police units of the two countries. Chinese media reported another joint police operation destroyed a drug factory "deep in a forest in Myanmar" April 28.

April 10, 2003: Vietnam holds a ceremony on Grand Spratly Island, led by Deputy National Assembly Chairman Nguyen Phuc Thanh, to commemorate the “28th anniversary of the liberation of the Spratly archipelago.” Hanoi’s forces seized a large part of the archipelago April 29, 1975, one day before Saigon fell. At about the same time, Lt. Gen. Phung Quang Thanh, chief of the general staff of the Vietnam People’s Army, visited several Spratly islands to observe military units stationed there.

April 24, 2003: PetroChina announces it will join Malaysia’s Petronas to buy additional stake in Amerada Hess oil and gas rights in East Java.

April 25, 2003: China and Indonesia sign an agreement under which China will donate 1,000 motorcycles to the Indonesian police. *Xinhua* reports the value of the donation at \$1 million.

April 26, 2003: ASEAN health ministers’ meeting in Bangkok, Thailand.

May 2, 2003: Indian media report that the Indian security establishment is unnerved by China’s construction of an airport in Burma across the border from Nagaland in India’s sensitive northeastern region.

May 3, 2002: Thai PM Thaksin says he will ask China to take action against narcotics factories that have moved from Thai border territory into China, in response to Thailand’s crack down on drugs.

May 8, 2003: The Philippines agrees to form link between China and ASEAN on free trade issues, but with some reservations.

May 9, 2003: Bank of China officially opens a branch in Jakarta, for the first time since the BOC suspended operations in Indonesia in 1964.

May 13, 2003: Twenty-four Chinese peacekeepers, members of the PRC’s civil police force, return from a one-year assignment to the UN peacekeeping operation in East Timor.

May 16, 2003: Vietnam’s FM rejects a two-month ban on fishing in the South China Sea, announced by Beijing in mid-May, and warns that any action by another country affecting the Spratly or Paracel Island archipelagoes or Vietnam’s exclusive economic zones or continental shelf would violate Vietnam’s sovereignty. The statement called for negotiations to solve disputes in the island regions, and urged China to exercise restraint.

May 16, 2003: China joins 10 other countries as observers of *Cobra Gold*, a joint military exercise in Thailand held each year with the U.S. (and in recent years, Singapore). This is the largest annual U.S. military exercise in Asia, although the U.S. force contribution this year is about half the size of 2002. The focus is peacekeeping and antiterrorism training.

May 16, 2003: Thailand-based Chia Tai Group donates \$1.2 million to China's Ministry of Civil Affairs to support the fight against SARS.

May 20, 2003: China's president, premier, and foreign minister all send messages of congratulation to East Timorese President Xanana Gusmao on the first anniversary of the Democratic Republic of East Timor.

May 26, 2003: Manila media report that Philippine Defense Secretary Angelo Reyes ordered the Philippine Air Force to keep a close watch on the South China Sea in light of reports that other countries claiming the Spratly Island group have built new fortifications there.

May 30, 2003: Violent attack on a motorcade of Nobel Laureate Aung San Suu Kyi and her followers; Suu Kyi's is arrested and detained.

June 2, 2003: Meeting in Lausanne, Switzerland, on the margins of the Evian G-8 summit, Prime Minister Mahathir of Malaysia and Chinese President Hu agree that the United Nations plays an irreplaceable role in safeguarding world peace and stability, and that all countries should "properly deal with international issues within the framework" of the UN.

June 2, 2003: China and 10 other Asia-Pacific countries, including five ASEAN members, agreed to establish an Asian Bond Fund worth more than \$1 billion.

June 3, 2003: China's vice health minister calls on Asian governments to enhance the sharing of information about SARS at Beijing SARS symposium.

June 6, 2003: The World Bank releases research report endorsing China's central role in East Asian economic integration and urges countries in the region to continue to adapt to China's emergence as a major world and regional trader.

June 10, 2003: A PRC Foreign Ministry spokesperson announces China will not interfere in a matter that is between the Burmese government and the opposition parties.

June 12-13, 2003: Laotian Community Party leader Khamtay Siphandone visits Beijing, meets with President Hu and Premier Wen Jiabao. Wen promises that China will play a more active role in Lao economic development, and that China has decided to reduce or forgive certain loans, and to contribute the equivalent of \$6 million in new aid.

June 13-26, 2003: Chinese FM Li Zhaoxing visits Hanoi.

June 14, 2003: Thai Deputy PM Somkid Jatusripitak announces Thailand will form link between China and ASEAN on free trade issues.

June 15, 2003: China's FM, Li Zhaoxing, meets with Cambodian Prime Minister Hun Sen in Phnom Penh. According to *Xinhua*, the Cambodian leader thanked Li for China's development assistance to Cambodia.

June 17, 2003: ASEAN Plus Three and separate Plus Three (ROK, PRC, Japan) meetings in Phnom Penh.

June 18, 2003: Chinese FM attends ASEAN Regional Forum meets in Phnom Penh; ARF calls on North Korea to rejoin the NPT and urges early release of Aung San Suu Kyi.

June 18, 2003: Cai Wu, deputy head of the International Department of the Chinese Communist Party, leads a delegation attending the general assembly of the United Malays National Organization, leader of the coalition that governs Malaysia. The party leader will also visit Indonesia and East Timor.

June 18, 2003: Senior health officials of China and Thailand, meeting in Beijing, agree to enhance cooperation in SARS control, food safety, and traditional Chinese medicines, among other fields.

June 23, 2003: A Chinese Communist Party delegation meets in Jakarta with the Indonesian Democratic Party of Struggle (PDI-P), Indonesia's largest political party, headed by President Megawati Sukarnoputri.

June 24, 2003: WHO declares Beijing has conquered SARS.

China-Taiwan Relations: The Shadow of SARS

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Throughout this quarter, Beijing and Taipei struggled to contain the spread of severe acute respiratory syndrome (SARS). SARS dramatically reduced cross-Strait travel; its effects on cross-Strait economic ties appear less severe but remain to be fully assessed. SARS intensified the battle over Taiwan's request for observer status at the World Health Organization (WHO). Although the World Health Assembly (WHA) again rejected Taiwan, the real problems of a global health emergency led to the first contacts between the WHO and Taiwan. Beijing's handling of SARS embittered the atmosphere of cross-Strait relations and created a political issue in Taiwan that President Chen Shui-bian is moving to exploit in next year's elections.

SARS

The SARS health emergency dominated cross-Strait developments during this quarter. With the dramatic removal of its health minister and the mayor of Beijing in mid-April, Beijing was forced to admit that it was confronting a health emergency with serious domestic and international implications. For about a month thereafter, Taiwan was proud of its success in controlling SARS. Then its first SARS death and SARS outbreaks in several hospitals led to first Taipei and then all Taiwan being added to the WHO travel advisory list. The PRC and Taiwan each in its own way mobilized resources and launched mass campaigns to control the spread of SARS. By late June, these efforts had achieved considerable success and the WHO travel advisories for both, as well as for Hong Kong, had been lifted.

The most immediate and dramatic impact of SARS was on cross-Strait travel. Before the outbreak, travel from Taiwan to the mainland was running at over a quarter of a million trips a month and about 12,000 PRC citizens were visiting Taiwan monthly. As the SARS outbreak developed in late March, conferences and meetings were cancelled. By mid-April, travel had slowed to a trickle. Taipei imposed a ban on visitors from SARS affected areas and required residents returning from those areas to undergo 10-day home quarantines. The PRC did not adopt such stringent measures but travel plunged nevertheless. From mid-May until mid-June scheduled transport between Taiwan's offshore islands and adjacent mainland ports was suspended. As most cross-Strait travel

is via Hong Kong, the decline of traffic on Dragonair, which carries passengers from Hong Kong to mainland cities, from 10,000 passengers daily to about 700 daily in late April reflected the dramatic decline in cross-Strait travel. Arrivals/departures at Taipei's international airport declined from 45,000 daily to about 7,000 in May. By late June after WHO travel advisories had been lifted, travel at the main airports involved in cross-Strait travel was recovering to levels about one-half of those before the crisis.

The impact of SARS on the crucial cross-Strait economic relationship appears from initial reports to be less dramatic. At the height of the crisis, forecasters in Taipei and Beijing were predicting that a short outbreak would result in modest reductions in projected GDP growth. Initial statistics that record reduced but still strong growth for global exports from the PRC and from Taiwan in May are reliable indications that cross-Strait trade has not been severely affected by SARS. Statistics on cross-Strait trade during the SARS period will not be available for several weeks. Beijing has also reported that foreign direct investment in China continued to expand during this period. Taipei's Investment Commission, whose statistics are indicative of trends, reported that approvals for Taiwanese investments in China during May grew only 1 percent, down from strong double-digit growth rates earlier in the year, but nevertheless remained positive. So it appears now that, although SARS created monumental challenges for individual firms, the underlying economic forces driving cross-Strait trade and investment have not been significantly affected by SARS.

Embittered Attitudes

In the asymmetrical cross-Strait relationship, China looms large in the Taiwan consciousness. Beijing's handling of SARS has engendered waves of criticism from across the political spectrum in Taiwan. How deeply the anger and bitterness of the moment in Taipei will affect long-term attitudes remains unclear.

In March, Taiwan was critical of China's initial efforts to disguise and deny the origins of SARS in China last fall, actions that had laid the ground for SARS' spread beyond China. As the crisis unfolded, Beijing's initial reluctance to allow WHO officials access in China and PRC efforts to control WHO communication with and reporting on Taiwan were further sources of criticism. Comments from Beijing officials expressing concern for the health of people on Taiwan were greeted with derision on Taiwan. President Chen called Beijing's claims that it had helped Taiwan a lie. For its part, Taiwan played the SARS card actively in its annual campaign to obtain observer status with the WHO. Beijing's opposition to Taiwan participation in the WHO was seen as an indication of Beijing's heartless hostility toward Taiwan. Commentators across the political spectrum in Taiwan pointed out that Beijing's clear assertion in dealing with the WHO that Taiwan was a province of the PRC betrayed the duplicity behind the ambiguous language that former Vice Premier Qian Qichen had developed in contacts with Taiwan to the effect that "Taiwan and the mainland were both part of China."

The WHA again routinely turned down Taiwan's application for observer status in May. Joseph Wu in Chen's Presidential Office lashed out at Beijing, vaguely threatening that its opposition would lead to a reevaluation of Taipei's cross-Strait policies. Taiwan's minister of health went to Geneva at the time of the WHA meeting in hopes of presenting Taiwan's experience in dealing with SARS at a planned panel discussion of the emergency. When he was not permitted to make a presentation, Taipei commentators blamed Beijing. Later when Taipei was working hard to persuade the WHO to lift its travel advisory, the *Taipei Times* reported that a WHO official acknowledged that Beijing had urged the WHO not to lift the advisory on Taiwan until the similar advisory on cities in China was lifted. Whether true or not, the story was symptomatic of the suspicions and bitterness on Taiwan. Subsequently, the WHO lifted the travel advisory for Taiwan shortly before lifting the advisory for Beijing.

By mid-May, Beijing recognized that its handling of SARS with respect to Taiwan was being criticized internationally as well as in Taiwan. Beijing began to defend its position and propagandize steps it had taken to assist Taiwan with SARS. It was able to identify a visit Taiwan medical personnel made to China in April and the participation of Beijing medical personnel in video conferences on SARS initiated by individuals on Taiwan. In addition, Beijing took the significant step of having its quasi-official Association for Relations Across the Taiwan Strait (ARATS) make the first substantive communication in nearly seven years with its counterpart in Taipei, the Strait Exchange Foundation (SEF). On May 23, ARATS sent SEF a message offering specific assistance in dealing with SARS. After two days of consideration, SEF replied to ARATS in a tone of sarcasm that it did not need the assistance and that the proffered aid could be better spent controlling SARS in China.

Taiwan and the WHO

Although Taiwan lost the observership battle again, SARS has brought some practical changes in its dealings with the WHO. When the first cases appeared in Taiwan in March, the WHO, rather than dealing directly with Taiwan, had asked the U.S. Center for Disease Control and Prevention (CDC) to send personnel to assist Taiwan. Over the spring, the CDC sent about 20 experts to Taiwan, for which Taiwan has been deeply grateful. In May when SARS began to spread rapidly in Taiwan, the WHO decided for the first time to send two of its own personnel to Taiwan. On the eve of their arrival, Beijing's Foreign Ministry, making a virtue of necessity, stated that it had agreed to their dispatch. Whether the WHO in fact did consult or just inform Beijing of its plan remains unclear. Later in May, two additional WHO personnel were dispatched.

At the WHA meeting, SARS brought about some changes in the way the WHO deals with infectious diseases. One change adopted at the WHA authorizes the WHO to act on the basis of information not just from national governments but also from other sources. This has been interpreted in Washington and Taipei as providing a basis for the WHO to respond directly to requests for assistance from Taiwan. In a separate resolution on SARS, the WHA specifically authorized assistance to all affected areas, which was understood to include Taiwan.

In June, the WHO convened a conference on SARS in Kuala Lumpur and, for the first time, extended invitations to participants from Taiwan. Again Beijing's Foreign Ministry stated that it had shown flexibility by agreeing to Taiwan's participation. However, the spokesman for the WHO said that the invitations had been extended without reference to Beijing. At this conference, Taiwan's senior representative Su Ih-jen was permitted to make a panel presentation.

These new contacts respond partially to Taiwan's (and the international community's) interest in the practical benefits of direct dealings with the WHO. However, they do not provide the recognition that Taiwan craves and deserves from participation in such technical agencies. In the sparring over terminology that inevitably occurs, the Chen administration was pleased that Dr. Su's name badge in Kuala Lumpur identified him as "Director, CDC, Taiwan," without mention of China or the PRC.

Domestic Politics

The changes in Chinese policy – from Beijing's standard opposition to Taiwan in international organizations to the surprise ARATS offer of assistance on SARS – leave the impression that there was considerable debate behind the curtain of Chinese policy making. Who is setting policy at the leadership level is not clear. The experienced hand of former Vice Premier Qian Qichen was not visible. The relative roles of the Foreign Ministry and Taiwan Affairs Office at different points in the evolution of policy are uncertain. While President Hu Jintao and Premier Wen Jiabao appear to have strengthened their position by their handling of the SARS domestic emergency, it is not clear whether the handling of the Taiwan aspects will redound to one or another leader's credit or detriment.

In Taipei, SARS has benefited Beijing's critics and put those who support closer ties with China in an awkward position. President Chen, Presidential Office officials, and the Mainland Affairs Council (MAC) have been among the most vocal in criticizing Beijing. MAC officials have cited SARS as yet another reason why Taiwan investors should not become overly dependent on China. One presidential advisor went so far as advocating cutting all ties with China.

President Chen is seeking to exploit the bitterness in Taiwan to his advantage in next March's presidential election. The day after Taiwan's observer application was again rejected, Chen called for a national referendum on Taiwan in the WHO before next year's WHO meeting. The Executive Yuan has drafted legislation that would authorize referendums on nuclear power and on WHO participation. Both proposals are popular with Democratic Progressive Party (DPP) supporters, and the DPP believes it will be harder for the opposition to oppose such referendums in the current anti-China climate. Beijing has attacked the referendum proposal as "creeping independence" because it could become a precedent for future referendums on Taiwan's sovereignty.

A referendum is not needed to show that the people of Taiwan support efforts for Taiwan's participation in the WHO. What a referendum will do is keep the current feelings about a hostile unreasonable Beijing alive in the runup to the election, particularly so if the referendum coincides with the presidential balloting. The image of a hostile Beijing should play to Chen's advantage.

The opposition pan-blue camp has been less vocal. The awkwardness of their position is highlighted by an episode at the WHO conference in Kuala Lumpur. In addition to the delegates from Taiwan who were invited by the WHO on the recommendation of Taipei, the WHO invited one doctor from Taiwan whom Beijing had recommended as part of its delegation. The doctor was Kao Ming-Chien, the person who had taken the initiative to arrange two cross-Strait video conferences on SARS that Beijing had cited as examples of its support for Taiwan. Kao is also a member of James Soong's People's First Party. As Kao's decision to accept the invitation was widely criticized in Taiwan, Soong appealed to Kao to leave the conference so that his participation could not be misused by Beijing.

Passports and Cargo Charter Flights

In June, Chen took the initiative to break the logjam that had been delaying a decision on the nomenclature to be used on new Taiwan passports. A consensus had been reached within the government last fall to drop the original idea of adding the words "issued in Taiwan" in favor of just adding the word "Taiwan" on the cover of future passports. In the current atmosphere, the opposition has found it difficult to voice their opposition to such a change.

Amid the concern about how SARS might affect cross-Strait economic relations, KMT Legislator Chang Hsiao-yan proposed that procedures for cross-Strait charter cargo flights be arranged to facilitate trade. The business community applauded. In May, the MAC and President Chen endorsed the idea. And in late May, a spokesman for Beijing's Taiwan Affairs Office (TAO) said the idea could be considered. KMT Vice Chairman Vincent Siew, who has been recruited by President Chen to chair a panel advising the government on steps to revive the economy, said in late June that the government was developing concrete proposals to implement the idea.

Policy Implications

SARS has been one of the most widespread and profound events Chinese have experienced in recent memory, particularly for Taiwan and Hong Kong that suffered relatively high mortality rates. Absent a reemergence of the disease, which some experts predict, the short-term cross-Strait travel disruptions should continue to subside. As economic relations do not appear to have been severely affected, the economic underpinning for cross-Strait relations should remain in place. Political appeals for Taiwan investors to pull out of China are likely to have little effect. In the short term, SARS has embittered attitudes on Taiwan toward Beijing, but it is uncertain how long the effect will persist or affect the presidential election next spring.

Chronology of China-Taiwan Relations April-June 2003

- April 1, 2003:** China repatriates major Sun Union Gang leader to Taiwan.
- April 9, 2003:** Taiwan CDC says three doctors will travel to PRC to consult on SARS; Beijing subsequently confirms 10-day visit.
- April 14, 2003:** Taiwan health minister sends report to WHO on SARS in Taiwan.
- April 22, 2003:** MAC advocates reduction in cross-Strait exchanges due to SARS.
- April 24, 2003:** Taiwan bars visitors from SARS affected areas, including China.
- April 29, 2003:** Neither ARATS' Wang or SEF's Koo attend Singapore University conference on 10th anniversary of Koo-Wang talks.
- May 2, 2003:** PRC states it has concurred in sending WHO personnel to Taiwan.
- May 3, 2003:** Two WHO health officers arrive in Taiwan to assist with SARS.
- May 5, 2003:** KMT Legislator Chang calls for cross-Strait cargo charter flights.
- May 6, 2003:** PRC Health Minister Wu Yi says no change in PRC policy on Taiwan in WHO.
- May 9, 2003:** President Chen makes Taiwan's case for joining WHO in *Washington Post* commentary.
- May 9, 2003:** Cross-Strait video-conference on SARS held.
- May 9, 2003:** Taiwan press reports U.S. military team leaves after Hanguang military exercise.
- May 17, 2003:** WHO official says lack of membership has not hurt WHO aid to Taiwan.
- May 19, 2003:** WHA General Committee rejects placing Taiwan issue on WHA agenda.
- May 20, 2003:** President Chen calls for referendum on WHO participation.
- May 20, 2003:** PRC blocks Taiwan health minister's participation in WHA panel on SARS.
- May 21, 2003:** HHS Secretary Tommy Thompson expresses U.S. support for Taiwan at WHA.

May 23, 2003: President Chen calls for early cross-Strait cargo charter flights.

May 23, 2003: ARATS sends SEF message offering aid in SARS fight.

May 24, 2003: PRC blocks Taiwan representative from briefing UN press corps on SARS.

May 24, 2003: Executive Yuan endorses idea of referendums on nuclear power and WHO.

May 25, 2003: SEF rejects ARATS offer of SARS assistance.

May 25, 2003: Two additional WHO health officers arrive in Taiwan.

May 27, 2003: Taipei opposes China's effort to change the name of Taipei's WTO office in Geneva.

May 27, 2003: *Peoples Daily* details Beijing's efforts to help Taiwan with SARS.

May 28, 2003: WHA SARS resolution provides basis for WHO contacts with Taiwan.

May 29, 2003: Taiwan Affairs Office says Beijing willing to consider cross-Strait cargo charter flights.

May 31, 2003: President Bush signs new legislation about Taiwan in WHO.

June 1, 2003: Bush meets Hu at G-8 and reiterates non-support for Taiwan independence.

June 4, 2003: TSMC announces delay in building chip plant in Shanghai.

June 5, 2003: Two hundred illegal immigrants repatriated to China via Matsu.

June 7, 2003: Taiwan Legislative session ends without passage of amendments to cross-Strait regulations.

June 7, 2003: Taiwan Vice Minister of Defense Lin begins 10-day U.S. tour.

June 10, 2003: Press reports three Taiwanese to attend U.S. military academies.

June 12, 2003: Taiwan Foreign Ministry announces future passports will include word "Taiwan" on cover.

June 17, 2003: WHO lifts SARS travel advisory for Taiwan.

June 18, 2003: Taiwan CDC director addresses panel at WHO conference on SARS.

June 19, 2003: MAC announces direct transport from Kinmen/Matsu to mainland to be resumed.

June 20, 2003: Taiwan Investment Commission reports investment in PRC up 1 percent in May.

June 22, 2003: Taiwan Foreign Minister Chien meets Vice President Cheney at AEI forum in U.S.

June 24, 2003: WHO lifts SARS travel advisory for Beijing.

June 25, 2003: KMT Vice Chairman Vincent Siew says Taipei working on plan for cross-Strait cargo charter flights.

June 26, 2003: Beijing TAO spokesman condemns Taipei's plans for referendums as "creeping independence."

June 26, 2003: Taiwan legislators visiting Washington tell press submarine sale is being postponed.

North Korea-South Korea Relations: Symbolic Links, Real Gaps

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The most emblematic moment in inter-Korean ties during the past quarter occurred June 14. In a low-key ceremony timed to mark the third anniversary of the first North-South summit, the two sides reconnected their railway tracks in two corridors across the Demilitarized Zone (DMZ), near the west and east coasts of the Peninsula. If rejoicing was muted, this reflected not just the ongoing nuclear blight, but the fact that this relinking was so far only symbolic. On the Southern side, all is ready to roll, whereas north of the DMZ, large chunks of track have yet to be built. So the much-hyped “iron silk road,” across Siberia to Europe, will not be ready any time soon. South Korea still hopes to see the western Kyongui rail link completed this year. Yet that will depend not only on Pyongyang’s willingness to realize a project it has persistently delayed – although latterly it has seemed keener again – but (in all probability) also on developments over the nuclear issue, which continues to overshadow everything.

In that sense this rail “link” is symptomatic of the ambiguous state of inter-Korean relations currently. While the nuclear shadow has by no means ended all North-South contact – in fact there was more this quarter than in some pre-crisis periods, especially in 2001 – it inevitably colors and inhibits dialogue. Thus both ministerial and economic talks spent much time discussing this – or rather, with the South raising it and the North refusing to discuss it. In a related twist, in the first full quarter of the Roh Moo-hyun administration in South Korea Pyongyang took strong exception to the new president’s harder line after he met George W. Bush in Washington in mid-May. Inter-Korean meetings then witnessed a new sight: a tough-minded Seoul digging its heels in and demanding an apology before proceeding to business.

Official Talks: Off then On

The quarter began with North Korea in a huff. As usual, Pyongyang objected to routine U.S.-ROK military exercises. It was also riled by erroneous reports, swiftly corrected, that South Korea had raised its level of defense alert. These flimsy pretexts sufficed for the North to pull out of economic talks due in late March, plus a 10th round of ministerial dialogue scheduled for April 7-10 in Pyongyang. Yet in a U-turn on April 19, North Korea proposed holding the ministerial talks later that month; the South accepted. Cynics noted the agricultural cycle. As usual at this season, the North needed, and duly

requested, fertilizer and rice aid: 200,000 tons of the former were quickly agreed to and shipped; 400,000 tons of the latter proved more contentious, but were agreed in May, nominally on loan terms, with a 10-year grace period.

As usual, Seoul's largesse by no means guaranteed plain sailing. The ministerial (also known as Cabinet-level) talks, coming as they did just after the three-way U.S.-DPRK-PRC nuclear talks in Beijing, were extended by a day after lengthy efforts by South Korea to include that topic on the inter-Korean agenda. North Korea as ever resisted, and the eventual six-point joint statement agreed only that "the South and the North will discuss fully the other party's position regarding the nuclear issue on the Korean Peninsula and will continue to cooperate in resolving the issue peacefully through dialogue." Even that sounded hollow May 12, when North Korea declared null the 1992 North-South denuclearization agreement. Although never implemented, this treaty constituted Seoul's main legal claim to a say in this area. As usual, North Korea blamed the U.S. for reducing this "to a dead letter." Yet unilateral repudiation of an agreement freely signed will hardly encourage Washington, or anyone else, to put much faith in the nonaggression pact that Pyongyang is currently demanding with the U.S.

Economic Links: Making Tracks

Nuclear wrangling aside, the two sides agreed *inter alia* to have a further round of separated family reunions in June; to hold the next Cabinet-level talks in Seoul in July; and to "actively promote cooperative projects." To that end, a fifth meeting of the Inter-Korean Economic Cooperation Promotion Committee (ECPC), again in Pyongyang, was held in mid-May. Here too noises-off intervened, as this followed soon after Roh Moo-hyun's first visit to Washington, which saw the ROK president adopt a harder line after meeting George W. Bush. Their joint statement threatened "further steps" unless the DPRK ended its nuclear defiance.

That shift stung Pyongyang. In his keynote speech, its chief delegate to the economic talks warned that "the South side will sustain an unspeakable disaster if it turns to confrontation." That was too much for the Southern delegation, which boycotted the talks until it received a semi-apology. They then got down to business, producing a substantial seven-point agreement. Specifics included: fixing dates to rejoin railways and break ground at the planned Kaesong Industrial Complex, just north of the DMZ; joint flood control on the Imjin river before the summer monsoon season begins; full implementation of agreements and guarantees agreed at previous meetings; and the aforementioned rice aid. The next full meeting will be in Seoul in late August, with working-level talks meanwhile in either Kaesong or Munsan, as convenient.

Commuting Across the DMZ

That last clause in the agreement is in some ways the most significant. For the first time, this allows officials from each side in effect to commute across the border. Thus, for working-level talks on road and rail links, held in Kaesong June 7-9, the ROK team traveled daily from Seoul through the DMZ, returning each evening by the same route. It

is not so long since all Southern visitors to the North were forced to go the long way round, via Beijing. In early July, Northern delegates will make the reverse daily trip for a third round of road and rail talks.

As of end June, the Imjin flood control had yet to progress. Pyongyang reportedly wants 100 million trees for this; Seoul's entire reserve stock is only 2 million. But the Kaesong ground-breaking went ahead June 30 as scheduled. Here, as on the (very much related) road-rail links, excitement must be tempered with sobriety. In principle, as noted here before, this could be a growth pole on the lines of Shenzhen vis-à-vis Hong Kong: both promoting cross-border links and stimulating its own hinterland. But so far it is just a bare site, and there are many hurdles to cross. The joint statement commits both sides to "actively cooperate so the complex may enjoy international competitiveness," meaning Seoul hopes Pyongyang will not demand unrealistically high rents and wages, as has been feared. But beyond that, nuclear tensions must ease before ROK firms will commit to investing, and, perhaps, before the U.S. will allow Seoul to build the needed infrastructure. It is not clear if the Bush administration would countenance, for instance, electricity supplies for Kaesong, absent nuclear progress.

Beijing Talks: No Seoul

While April's three-way nuclear talks in Beijing between the U.S., North Korea, and China are beyond the formal scope of this article, the fact that South Korea's absence was and remains contentious is germane. Predictably, the opposition Grand National Party (GNP) and some Seoul media criticized the ROK's "exclusion" as a sign of weakness. Forced on the defensive, the new government spoke (as it tends to) with more than one voice. Thus Foreign Minister Yoon Young-kwan quoted the old Boston Tea Party slogan, "No Taxation Without Representation," to suggest that South Korea will not fund any deal to which it is not a party. This was a dig at the 1994 U.S.-DPRK Agreed Framework, where Seoul is due to pick up most of the tab (\$3.2 billion out of \$5 billion) for building North Korea's new light-water reactors (LWRs). While the fate of the LWRs and indeed of the whole KEDO (Korean Peninsula Energy Development Organization) consortium is now unclear given the nuclear crisis – Washington wants to close it all down, but both Seoul and Tokyo are against this – South Korea has already disbursed \$874 million, and is still spending \$1 million a day.

Yet President Roh, more judiciously and quite bravely, opined that holding the talks as such was more important than the exact format. Since then the U.S., which demands a multilateral forum, has insisted that South Korea and Japan be included in any subsequent round. North Korea has hinted it may accept this, if bilateral talks come first. Yet while Tokyo is keen for a seat at the table, it is not clear how actively Seoul seeks this. On June 27, *Kyodo*, citing ROK officials, reported that the allies will soon offer Pyongyang an economic and security package – if it accepts five-party talks, leading to "verifiable and irreversible" nuclear disarmament.

Fishing in Troubled Waters

On another front, the blue crab season brought the by now customary incursions by DPRK fishing boats in late May and early June across the Northern Limit Line (NLL). North Korea never formally accepted this marine border in the West (Yellow) Sea, and in recent years has intermittently challenged it. In 1999 and 2002, brief but fierce skirmishes raised tensions and led to fatalities in the Northern and Southern navies, respectively. This year both sides were more circumspect: ROK patrol boats fired warning shots, but the situation did not escalate.

Time was when fishing near the border carried further risks. South Korea accuses the North of kidnapping 486 of its citizens, mostly fishermen, in the past half century. Yet until now no ROK government has pressed this issue, nor the far larger numbers – up to 80,000 – abducted during the 1950-53 Korean War. Kim Dae-jung, in particular, was reluctant to raise human rights concerns for fear of jeopardizing “Sunshine.” In April, South Korea absented itself rather than vote on what, extraordinarily, was the first critical resolution on North Korea ever to go before the UN Commission on Human Rights. Sponsored by the EU and backed by the U.S., this cited “widespread and grave” violations. It passed by 28 votes to 10, with 14 abstentions.

On abductions, families and pressure groups have taken up the cause, inspired by Japan’s success in forcing Kim Jong-il into a confession and apology. In June, they gave a list to the DPRK mission to the UN, which refused to accept it. The ROK is almost as unwelcoming to its own. Kim Byong-do, a rare fisherman to escape after 30 years in North Korea, got no help from the ROK consulate in Shenyang, which told him to go – illicitly and riskily – to the embassy in Beijing; he reached Seoul in June. Old prisoners of war, illegally detained after 1953 until escaping decades later, have had similar short shrift. *Time* magazine spotlighted Kim’s case, which hardly redounds to Seoul’s credit. A firmer line is surely now warranted.

Family Reunions, for a Few

All Seoul has done officially is to seek to raise the abduction issue at inter-Korean Red Cross talks, but with no success so far. At the latest meeting, the South handed over a list of 225 journalists who disappeared during the Korean War; the North said it would try to determine their whereabouts. Meanwhile family reunions for a fortunate few continue. The seventh and latest round was under way at the time of writing at the North’s Mt. Kumgang resort, where a permanent center for reunions is to be built. Yet these poignant encounters themselves are anything but permanent. After half a century apart, elderly relatives get just three days together, much of it in the glare of the media, before the barriers descend again. Cruelly, no follow-up letters, phone calls, or emails are permitted, much less repeat visits.

Moreover, the 6,210 lucky ones to have enjoyed these brief reunions are but a tiny fraction, chosen by lot in the South (but by rank and loyalty in the North), of a much larger – 110,000 in South Korea alone – and rapidly aging eligible cohort. At this rate, the vast majority will die without ever seeing their loved ones. Besides being a disgraceful indictment of North Korea's inhumaneness (and the South's complaisance), these deeply inadequate rituals, like the railways linked yet unconnected, also seem emblematic of the wider state of inter-Korean ties. Three years after the Kim-Kim summit, form still predominates over substance, and real honest progress is sadly thin on the ground. It should have been better than this, and perhaps it will be: the ROK press reported June 29 that the North had accepted a Southern proposal to increase the numbers at the next reunion, in September, to 400-500 from each side, and to revert to meeting in Pyongyang and Seoul rather than at Mt. Kumgang. We live in hope.

The ships that June 27 took South Korean family members to Mt. Kumgang also marked a resumption of Hyundai's cruise tours to the resort, after a two-month suspension caused by North Korea's ultra-strict response to the SARS outbreak. ROK NGOs and other visitors were similarly excluded. (Neither Korean state has a single confirmed SARS case, although South Korea had 17 suspected ones.) Having sustained heavy losses on these tours even in better days due to the huge fees it paid Pyongyang, Hyundai will be glad of their reinstatement – and gladder still if and when a far cheaper overland route reopens in July. Hyundai also hopes eventually to profit from the Kaesong zone, originally one of its projects; although the group's financial straits have since brought in the parastatal Korea Land Corp (Koland) as a dominant partner.

Cash for Peace: Another Long Shadow

However idealistic the dreams of Hyundai's northern-born founder, the late Chung Ju-yung, the negative side of its role as a North-South intermediary has damaged more than just the group itself. The so-called "cash for peace" scandal, discussed in previous articles, came to a head June 25 when special counsel Song Doo-hwan concluded his investigation. (He had wanted extra time, but Roh Moo-hyun refused, to the anger of the GNP.) Song found that the Kim Dae-jung government had indeed secretly sent \$100 million to North Korea shortly before the June 2000 Pyongyang summit; so Kim Jong-il was in effect paid to hold what had been hailed as a great political breakthrough. But Song accepted that a further \$400 million also sent by the Hyundai group was a fee for business projects, as Hyundai had claimed.

This is by no means the end of the affair. Although the ailing Kim Dae-jung himself was not questioned, two of his closest aides will now go on trial. Park Jie-won, the ex-culture minister who played a key role in setting up the summit, was detained June 18; he is charged with abuse of power in pressing state-owned Korea Development Bank (KDB) to loan Hyundai the money, and with taking a \$12 million bribe from Hyundai. Also indicted, but without being arrested, was Lim Dong-won who, successively head of the National Intelligence Service (NIS) and unification minister, was the main architect of Kim's "Sunshine" policy. Others charged are Chung Mong-hun, who heads what is left of the Hyundai group, and five others.

Despite Song Doo-hwan's plea for an end to political wrangling over this affair, it will prove divisive at three levels: within the ROK ruling party, split as it is into Kim and Roh factions; between the two main parties in Seoul; and most relevantly here, between North and South. The DPRK has all along vented its anger at the airing of these matters, and will not be pleased when they come to trial in the months ahead. Yet to anyone more concerned with substance than face, confirmation that the 2000 summit was, in effect, bought must leave a sour taste, suggesting it was more a staged photo-opportunity than a real breakthrough, and portraying Kim Jong-il as cynically on the make rather than genuinely seeking peace and reconciliation.

Which Way Roh?

Along with the nuclear issue, the "cash for peace" scandal also sets limits to Roh's future *nordpolitik*. Though elected on a platform of continued or even enhanced "Sunshine," not to mention suspicion of Washington, he now has scant incentive to look soft on Kim Jong-il. Pressure from Bush aside, next year Roh faces National Assembly elections and needs to put together a winning coalition. The GNP's choice on June 26 of a hardline conservative, Choe Byung-yul – nicknamed Choetler, after Hitler – as its new leader may leave Roh the middle ground where he can advocate a moderate but less one-sided version of "Sunshine." While that is probably overdue, it must be hoped that Roh will not zigzag between hard and soft lines, as did the ROK's penultimate president, Kim Young-sam (1993-98), who was criticized as *naengtang ontang* (blowing hot and cold) for his ever erratic policy toward Pyongyang.

Sticky Olive Branches Ahead?

North Korea's own policy, for its part, is already erratic enough. Recent Seoul press reports suggest that, despite its initial criticisms of Roh Moo-hyun, North Korea is looking to Seoul for help in wriggling out of the box that it sees the U.S. as trying to hem it into. Unification Ministry officials said in late June that Pyongyang is now pushing actively for joint projects, such as family reunions and the Kaesong Industrial Zone. The latter got its much-delayed groundbreaking ceremony June 30, followed in July by reopening of a now rebuilt cross-border road near the east coast to the Mt. Kumgang resort.

But after long experience of North Korea's *naengtang ontang*, Seoul would be wise not to hold its breath: Pyongyang can just as quickly switch off its enthusiasm again. Kim Jong-il may try to split his foes. For instance, Kaesong gives Seoul the dilemma of how far to invest in this (or cross-border trains) as a step to peace, even if the nuclear issue remains unresolved. With the Bush administration seemingly moving toward a policy of squeezing Pyongyang into compliance, this is a step in the opposite direction – if arguably a better bet than painting Kim Jong-il into a corner. At all events, as ever inter-Korean relations will not be free to develop in a vacuum. For better or worse, wider strategic issues and other great power interlocutors will call most of the shots.

Chronology of North Korea-South Korea Relations April-June 2003

April 5, 2003: Yang Hyong-sop, vice chairman of the Presidium of North Korea's Supreme People's Assembly (SPA), calls for more North-South exchanges at a meeting to celebrate the 10th anniversary of Kim Il-sung's 10-point program for great national unity. He also calls on South Korea to "separate from foreign forces" and end joint military exercises with the U.S.

April 6, 2003: Secretariat of the North's Committee for the Peaceful Unification of the Fatherland (CPRF) condemns South Korean National Assembly recommendation that Seoul should consider economic sanctions over the nuclear issue, calling it a "plain provocation."

April 6, 2003: Three members of a Northern family defect by boat to the South, the first such case via the East Sea (Sea of Japan).

April 7, 2003: The date for the start of the 10th inter-Korean ministerial-level talks in Pyongyang passes. North Korea had not replied to the South's messages about this.

April 8, 2003: South Korean Unification Minister Jeong Se-hyun says the North has asked for 100 million trees to prevent flooding of the Imjin river, which flows from north to south.

April 16, 2003: The ROK Unification Ministry says that inter-Korean trade in the first quarter rose 45.6 percent year-on-year to \$128 million. Southern imports of \$57.43 million were mainly textiles and agro-fisheries, while exports of \$70.75 million were mostly steel and machinery.

April 16, 2003: The ROK absents itself from the UN Commission on Human Rights to avoid voting on an EU-sponsored, U.S.-backed resolution condemning North Korea for "widespread and grave" human rights abuses. The resolution passes by 28 votes to 10, with 14 abstentions.

April 17, 2003: South Korea's Red Cross says its Northern counterpart has asked for rice and fertilizer aid.

April 19, 2003: North Korea proposes that the 10th round of inter-Korean ministerial talks be held in Pyongyang April 27-29. South Korea accepts.

April 23, 2003: ROK Unification Ministry reports that inter-Korean shipping rose 23.6 percent year-on-year in the first quarter, with 430 trips: 179 northbound and 251 southbound. Total volume was a modest 94,298 tons, up 29 percent from last year.

April 24, 2003: The ROK Unification Ministry says that South Korea will soon send 100,000 tons of maize (corn) to North Korea, via the UN World Food Program.

April 26, 2003: North Korea suspends Hyundai's cruise tours to Mt. Kumgang, ostensibly as part of its quarantine measures against SARS.

April 27, 2003: The 10th inter-Korean ministerial-level talks open in Pyongyang. Initial sessions are largely taken up with wrangling over the nuclear issue.

April 30, 2003: Ministerial talks in Pyongyang end, a day later than scheduled. A six-point joint statement agrees on various joint projects. Though not formally listed, North Korea reportedly agrees to participate in the Daegu Universiade games in August.

May 1, 2003: The ROK's Buddhist Order Association and the DPRK's Buddhist Federation adopt a joint ceremonial statement to be read at all Buddhist temples across the Peninsula on Buddha's Birthday (May 8).

May 2, 2003: South Korea decides to send 200,000 tons of fertilizer aid to the North, valued at \$55 million. This is finally approved on May 16, for delivery within 40 days.

May 2, 2003: Korea Research Institute for Strategy estimates ROK military capability at about two-thirds of the DPRK's. The South leads in quality, the North in quantity.

May 9, 2003: Kotra, the ROK trade-investment promotion agency, reports that in 2002 South Korea overtook Japan to become North Korea's no. 2 trade partner, after China. Japan-DPRK trade fell 22 percent to \$366 million, while inter-Korean trade rose 59 percent to \$642 million.

May 12, 2003: North Korea announces that it regards the 1992 inter-Korean agreement on denuclearization of the Peninsula as nullified, putting the blame on hostile U.S. policies.

May 15, 2003: Jang Ung, a DPRK member of the International Olympic Committee, says the two Koreas could field a unified team at next year's summer Olympics in Athens, if the ROK bid to host the 2010 winter Olympics at Pyongchang succeeds.

May 16, 2003: Senior ROK military officer claims that North Korea is training computer hackers to reinforce its "cyber terror capabilities."

May 17, 2003: The ROK independent counsel into Hyundai's payments to North Korea reports that \$200 million was sent one day before the June 2000 inter-Korean summit.

May 19, 2003: The fifth meeting of the Inter-Korean Economic Cooperation Promotion Committee opens in Pyongyang.

May 20, 2003: North Korea says the South "will sustain an unspeakable disaster if it turns to confrontation." The ROK delegation boycotts the Pyongyang talks until it gets an apology.

May 23, 2003: The fifth meeting of the Inter-Korean Economic Cooperation Promotion Committee closes in Pyongyang. A seven-point joint statement calls for projects to be expedited, and agrees that the South will send the North 400,000 tons of rice as a “loan.”

May 27, 2003: South Korea warns the North to avoid “unnecessary tensions,” after DPRK crab fishing boats cross the Northern Limit Line (NLL) for a third successive day. North Korea does not accept the NLL. Last year a firefight in this area killed six ROK navymen.

May 27, 2003: Seoul warns that rice aid will be in jeopardy if Northern threats continue.

June 1, 2003: ROK Navy fires nine warning shots at three DPRK fishing boats for violating the NLL. Four boats again cross the line the next day.

June 4, 2003: South Korea warns that it may seize Northern fishing boats if they go on crossing the NLL and ignore warning shots. Soon after, violations cease.

June 7-9, 2003: Working-level road and rail talks are held in Kaesong. For the first time, the Southern delegation commutes daily by road across the DMZ through the Kyongui corridor.

June 8, 2003: ROK NGOs try to hand over lists of kidnapped South Koreans to the DPRK mission at the UN, but are rebuffed. They claim that over 80,000 South Koreans were taken to the North during the 1950-53 Korean War, and a further 486 since 1953.

June 12, 2003: North Korea accuses South Korean Navy of repeatedly intruding into its territorial waters and warns them not to misjudge the DPRK’s self-restraint.

June 14, 2003: The ROK and DPRK Red Cross organizations agree to hold a seventh round of separated family reunions at Mt. Kumgang June 27-July 2.

June 15, 2003: A “grand festival for national reunification” in Pyongyang marks the third anniversary of the Inter-Korean Joint Declaration, warning South Korea against “cooperating with outsiders in their anti-DPRK racket.” No commemoration is held in Seoul.

June 18, 2003: Park Jie-won, former ROK culture minister and once the closest aide of ex-President Kim Dae-jung, is jailed pending trial on charges of bribery and abuse of office in connection with the “cash for summit” allegations.

June 19, 2003: South Korea hints that it may allow ex-party secretary Hwang Jang-yop, the highest level DPRK defector and an outspoken critic of Kim Jong-il, to accept an invitation to speak in the U.S. The previous ROK government had refused this.

June 21, 2003: Up to 100,000 ROK veterans and others demonstrate in Seoul against North Korea’s nuclear threat. They burn a DPRK flag and a large portrait of Kim Jong-il.

June 21, 2003: The South's Inter-Korean Exchange and Cooperation Promotion Council approves spending 167.6 billion won (\$141 million) from the inter-Korean cooperation fund to finance 400,000 tons of rice for North Korea, at an agreed unit price of \$265 per ton.

June 23, 2003: ROK President Roh rejects request by independent counsel Song Doo-hwan to extend by a month his probe into the "cash for summit" allegations.

June 25, 2003: Independent counsel Song finds that the ROK government illicitly sent \$100 million to North Korea before the June 2000 summit. Eight persons will face trial for this, including the chairman of Hyundai and two key aides of ex-President Kim Dae-jung.

June 26, 2003: South Korea's main opposition Grand National Party (GNP), which controls Parliament, chooses staunch conservative Choe Byung-yul as its leader.

June 26, 2003: Pyongyang warns GNP that further investigations of Hyundai's payments to North Korea risk driving North-South relations "to a catastrophic phase."

June 27, 2003: A seventh round of family reunions begins at Mt. Kumgang, with 110 South Koreans meeting 217 of their Northern kin. Another group of some 400 South Koreans will visit Mt. Kumgang June 30-July 2, to be reunited with 100 relatives from North Korea.

June 27, 2003: Hyundai's cruise tours to Mt. Kumgang resume after a two-month suspension.

June 27, 2003: 13 North Korean defectors arrive in Seoul from Thailand, where they had been under ROK embassy protection.

June 28, 2003: South Korea announces that Northern delegates will commute daily via the DMZ for a third round of road and rail talks, to be held in Paju near the DMZ July 2-4.

June 30, 2003: Ground-breaking ceremony held for the Kaesong Industrial Zone, adjacent to the DMZ and 78 km northwest of Seoul.

China-Korea Relations A Turning Point for China?

by Scott Snyder
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This quarter marked a period of transition and tumult in China-Korea relations. Beijing revealed its own diplomatic initiative to settle the North Korean nuclear problem with a surprise announcement that it would host representatives from Pyongyang and Washington in multilateral talks. But that effort was set back by an embarrassing North Korean threat during the talks, warning that it had nuclear weapons and might test them in the near future. The economic and health threat from severe acute respiratory syndrome (SARS) was a major concern at the beginning of the quarter, but dissipated by the end of the quarter with little apparent lasting effect. South Korea's new Foreign Minister Yoon Young-kwan took his first trip to Beijing in April to meet newly installed counterpart Li Zhaoxing for the first of several meetings. The dates are now set for President Roh to follow in early July.

Despite the apparent volatility of events this quarter, however, there has been little apparent change either in the seriousness of the North Korean nuclear issue or in continued bullish prospects for buoyant China-Korean economic relations. Still, one can't help but feel that more volatility is on its way, and that tensions with North Korea will rise as events unfold in the second half of the year.

Beijing Hosts and Deals a Round of Nuclear Poker

The most difficult challenge in the high-stakes nuclear poker game between Washington and Pyongyang is finding the right venue and players to play their hands. Getting the key players to sit down at the same table is itself a significant diplomatic feat, and for the first time, Beijing hosted a round of talks that included both the United States and North Korea. The April 23-25 talks in Beijing were very exclusive. Only the hosts and key players from Washington and Pyongyang were allowed. South Korea, Japan, and Russia were excluded from this first round, but it turns out that there was no high-stakes dealing, no serious betting, and lots of bluff, so the other participants didn't miss any action at all.

Washington said it wouldn't even play unless Pyongyang went all-or-nothing, and Pyongyang threatened to trump Washington with a nuclear test but refused to show any of its cards – if indeed Pyongyang even had cards to play. In the end, with neither side willing to reveal its hand, the game was suspended for another day.

Going into the talks in Beijing, there were questions whether Beijing would simply be a host for a thinly disguised bilateral dialogue between representatives from Pyongyang and Washington or whether it would take an active role as a full participant in the dialogue. American officials viewed Beijing as both active and constructive in its efforts to bring North Korea to the table and to reinforce to Pyongyang the dangers of pursuing a nuclear weapons program. However, North Korean delegation head Ri Gun delivered a clear message to Assistant Secretary of State James Kelly during a coffee break on the side of the meeting. Ri asserted that North Korea possessed nuclear weapons and might test or export them, while also offering further negotiations on the future of North Korea's nuclear program.

Ri's revelation was a shock to the United States and stung the Chinese precisely because President Hu Jintao only days earlier had tried to convince North Korean Gen. Cho Myung-rok, number two in the North Korean hierarchy, to end North Korea's pursuit of nuclear weapons. Cho was reportedly seeking assurances of China's assistance in the event of military hostilities, but to no avail. Ri's statement, coming after Hu's meeting with Cho, was interpreted as an embarrassing North Korean affront to China.

However, the fact that Beijing had taken steps to bring Washington and Pyongyang to the dialogue table was in and of itself a precedent-setting initiative. It showed that Beijing's new government recognized that it could not simply hide behind the old rhetoric of noninterference and peaceful coexistence if it really wanted to maintain regional stability and avoid the spectre of another Iraq in its own backyard. The "demonstration effect" of failed diplomacy leading to the American military conflict with Iraq was probably additional motivation for China to stage talks with Washington and Pyongyang to avoid the consequences of failed diplomacy with North Korea. Certainly, Beijing could ill-afford the regional consequences of North Korea's nuclear program, including a likely chain reaction in which Japan, South Korea, and Taiwan may all consider possession of nuclear weapons necessary for their self-defense. So, the stakes for China are high, and the decision to host the talks helps to cement China as an indispensable player in matters concerning the future of the Korean Peninsula.

President Bush's persistent telephone diplomacy with Beijing had raised North Korea as an issue of importance in the U.S.-PRC relationship, and the leadership in Beijing has clearly recognized that there are limits to the losses that Beijing is willing to accept as a result of its past association with North Korea. Once viewed as a "strategic asset" and buffer that protected China from external threats, Chinese analysts increasingly view North Korea's instability, aggressiveness, and unpredictability as a "strategic liability." North Korea's willingness to surprise its hosts with its rude admissions that it had nuclear weapons and may test them caught leaders in Beijing off guard and further distanced Pyongyang from Beijing.

The end of the Beijing talks marked a new phase in U.S. multilateral diplomacy regarding North Korea, although the dates for a new round of talks, this time likely to include South Korea and Japan, remain unclear. Instead of responding directly to a North Korean dialogue proposal widely regarded as a nonstarter, the Bush administration has mounted a drive for international solidarity against North Korean nuclear weapons, which has included summits with ROK President Roh Moo-hyun and Japanese Prime Minister Koizumi Junichiro, Russian President Vladimir Putin, and a follow-up meeting with PRC President Hu in St. Petersburg prior to the Evian G-8 summit. U.S. efforts to persuade North Korea to include South Korea and Japan in the next round of talks with Pyongyang have been handled in close diplomatic consultation with the PRC. However, Beijing appears likely to be less cooperative with the United States at this time on a United Nations Security Council resolution condemning North Korea's violations of its nuclear commitments under the Nuclear Non-Proliferation Treaty (NPT) and International Atomic Energy Agency (IAEA). The expectation is that North Korea will eventually come to an expanded round of multilateral dialogue, although the extent of Beijing's cooperation to ratchet up pressure on Pyongyang remains unclear. China is balancing the value of enhanced cooperation with Washington and the danger that such a path may carry a real cost to China in the form of regional instability that might result from the collapse of North Korea. Bush administration expectations for China may exceed the price that Beijing is willing to pay in prodding North Korea in potentially dangerous directions.

Likewise, there is no public evidence thus far that Beijing is showing cooperation with the Bush administration's Proliferation Security Initiative, a multinational effort designed to strengthen interdiction of shipments of illegal or dangerous cargo, including drugs, missiles, or nuclear components. For such an effort to be truly effective against North Korea, Beijing's cooperation is essential, particularly in light of reports in the *JoongAng Ilbo* that North Korea may have shipped missile components to Iran by air in April and May. North Korean overflight of China to countries such as Iran greatly reduces the risk of interdiction in international waters or airspace, rendering potential application of the Proliferation Security Initiative to North Korea's most sensitive and destabilizing exports all the more difficult to enforce.

SARS: a Speedbump in Economic Relations

For all of the media talk about SARS and its potential impact on China's external economic ties, one might easily think that China's manufacturing and export engine might sputter, with potentially serious implications for the Sino-Korean economic relationship. But in the end, SARS only briefly cut the pace of growth of the relationship to a little over 30 percent year-on-year, rather than the over 60 percent growth achieved in the first quarter of the year. Exports from South Korea to China reached \$12.4 billion in the first five months of the year on the strength of continued rapid growth in exports of semiconductors, mobile phones, and computers. But the growth in exports to China slowed to 37.8 percent in May from over 57 percent in April as a result of the impact of SARS and a truckers' strike in South Korea. In the end, SARS was a mere speed bump

on the road to an even more robust China-Korea economic relationship, delaying for the time being China's rise in market share to surpass the United States as South Korea's number one export market. The United States was the destination for \$13.2 billion in exports during the five months of the year, a 0.7 percent increase from a year earlier.

The sector that took the biggest hit was the tourism and service industry, which suffered deep drops in passenger volume due to the SARS scare. Leisure travel to China dropped precipitously, replaced in part by the migration of Korean students who came back to Korea when schools were closed in early April in China due to SARS. Korea recorded its lowest monthly inbound tourist volume in seven years in May with only 265,204 visitors, a decline of 39.4 percent compared with the previous year. The number of Japanese and Chinese tourists to Korea was halved during this period. Likewise, the number of Korean outbound travelers dropped by 41 percent and 34.4 percent in April and May, respectively, with year-on-year declines for travel to China, Singapore, and Hong Kong of 60 to 70 percent.

According to a survey of 125 Korean firms conducted by the Korea Trade-Investment Promotion Agency, SARS related factory-slowdowns accounted for at least \$25 million in losses, a loss that if extrapolated to represent losses for all Korean operations in China could total \$2.5 billion in trade for the year. Korean businesses imposed restrictions on travel to China and required medical checkups, quarantines, and recent travelers to work at home for two weeks at the height of the epidemic. By the end of the quarter, however, most travel restrictions to China had been lifted and Korean executives flocked back to China to take care of business delayed at the height of the crisis. Business and leisure travel rates returned to their previous levels by the end of June. SARS was not enough to slow Shanghai in its quest to replace Pusan as the world's third busiest port in 2003. Although Pusan's 9.45 million twenty-foot equivalent units (TEU) volume in 2002 edged Shanghai's 8.6 million TEUs, Shanghai's total volume surpassed that of Pusan in both April and May and is likely to surpass Pusan as the world's third busiest port in 2003.

Ironically, there were several silver linings for China-South Korea relations related to the SARS epidemic. Increased automobile sales in China were reportedly spurred by desires to avoid public transportation and the concomitant risks of contracting SARS through close personal contact with SARS carriers; Hyundai and Kia both reported double-digit volume increases over previous month sales in China in March and April.

Although Korea had tens of thousands of students and businessmen in China during the course of the epidemic, there were relatively few returning Koreans diagnosed with the disease. One popular rumor that Koreans enjoyed citing was that *kimchi* may have medicinal properties that helped to ward off SARS. This theory gained some legitimacy from doctors who argued that allicin (also common in garlic) and lactic acid bacteria are key antibiotics that can ward off disease. Some *kimchi* skeptics argued alternatively that the low number of SARS cases said more about the low level of globalization and individual interaction outside their own community. Regardless of the reason for Koreans' relative immunity to SARS, *kimchi* joined fortunetellers and green bean soup as popular home remedies in China, driving up exports of popular *kimchi* brands such as

Doosan Food BG's "Chongga Kimchi" and Dongwon F&B's "Yangban Kimchi" by 40-50 percent in the first four months of the year. The SARS epidemic and the resultant decrease in the volume of travel between Korea and China also reduced the availability of illegal drugs in Korea; the number of reported drug cases dropped in the first five months of the year by more than 43 percent from the previous year.

SARS also played a role in China's relations with Pyongyang, as North Korea quarantined itself from the deadly effects of SARS, cutting off the twice-weekly Beijing-Pyongyang route and refusing NGO delegations from South Korea and other countries. Even for those who might consider visiting, the mandatory two-week quarantine outside Pyongyang would be enough to make many prospective visitors reconsider their plans. The extent to which North Korea's self-isolation was due to SARS or was a response to China's stern messages regarding North Korea's nuclear program remains unclear. SARS also temporarily disrupted the return of North Koreans citizens detained in China, but by June China was able to resume the return of over 700 detainees who were apprehended on the Chinese side of the border. China's continuous repatriations of North Koreans unlucky enough to be caught by Chinese police have been a source of tension and condemnation by human rights groups who have accused China of disregarding its own commitments under international human rights law by failing to allow the UN High Commission on Refugees to interview North Koreans to determine whether these refugees have fled North Korea for economic or political reasons.

Looking Ahead: Anticipating the First Hu-Roh Summit

After a political transition in leadership in both the PRC and South Korea, the third quarter will open with the first-ever summit meeting in Beijing between PRC President Hu Jintao and ROK President Roh Moo-hyun. Both leaders will no doubt be eager to reaffirm support for a continuously expanding bilateral economic relationship, the most recent manifestations of which include the establishment of a joint research center in strategic sectors such as computer memory chips and a steady flow of South Korean foreign investment in China-based factories to take advantage of China's low labor costs. But the geopolitical issue of how China manages its relationship and policy with the two Koreas – as well as how China positions itself in relationship to Seoul and Washington – will be the overarching strategic discussion. The matter of how to handle North Korean refugees deserves further discussion and joint action, but remains so sensitive that it is unlikely to be high on the summit agenda.

Although South Korea and China have maintained parallel policies in favor of dialogue and engagement with North Korea, neither country alone – or even together – is likely to be able to restrain either North Korea or the United States from the current path toward confrontation. Whether it is possible to peacefully resolve tensions on the Korean Peninsula – and how South Korea and China are able to limit the risks or collateral damage that could come from conflict if multilateral diplomacy fails – are key issues in the next phase of China-Korea relations.

Chronology of China-Korea Relations April-June 2003

April 3, 2003: Korean firms including Samsung, POSCO, and LG initiate steps to recall or restrict travel by employees to SARS-affected areas of China and Southeast Asia.

April 5, 2003: Korean Air and Asiana Airlines announce that they are temporarily cutting back or halting flights to areas of mainland China affected by SARS.

April 10-12, 2003: ROK Foreign Minister Yoon Young-kwan meets PRC Foreign Minister Li Zhaoxing in Beijing. Both sides agree to cooperate in establishing a multilateral dialogue including North Korea to resolve nuclear tensions on the Korean Peninsula.

April 14-15, 2003: Reports circulate that the PRC will host talks on North Korea's nuclear program in Beijing including the U.S. and North Korea April 23-25. PRC press spokesman Liu Jianchao clarifies that China is not opposed to "relevant countries" taking part in multilateral talks on North Korea's nuclear program.

April 18, 2003: PRC Ambassador to the ROK Li Bin says that the PRC does not intend to mediate between the U.S. and North Korea and that any issues regarding the Peninsula should be resolved between the two Koreas.

April 22, 2003: The Korean Sharing Movement announces that the DPRK has asked South Korean humanitarian organizations to delay visits to Pyongyang due to precautions taken as a result of SARS.

April 22, 2003: PRC President Hu Jintao meets with Deputy Chairman of the DPRK Defense Commission Gen. Cho Myong-rok.

April 23-25, 2003: PRC hosts talks with the U.S. and the DPRK on North Korea's nuclear weapons program.

April 26, 2003: ASEAN Plus Three meeting in Kuala Lumpur, Malaysia on SARS.

May 2, 2003: ROK President Roh Moo-hyun and PRC President Hu agree to continue efforts to peacefully resolve the North Korean nuclear crisis in a telephone conversation.

May 8, 2003: Samsung Electronics announces that it is delaying the opening of its second household appliances plant in Suzhou, Zhangzhou Province, due to SARS.

May 9, 2003: According to the British daily *Independent*, North Korea has quarantined 20 foreigners and closed its borders to prevent SARS from entering North Korea. Air Koryo canceled its twice weekly flight to Beijing.

May 10, 2003: PRC Vice Foreign Minister Wang Yi travels to Seoul to discuss the North Korean nuclear issue with senior South Korean officials, including South Korean counterpart Kim Jae-sup.

May 19, 2003: ROK Ministry of Commerce, Industry, and Energy announces that Korean investment in China in the first quarter increased by 120 percent year-on-year to \$310 million. Korean investment in China was 39.8 percent of Korea's total overseas investment during this period.

May 22, 2003: Two South Koreans, including *New York Times* photographer Seok Jae-hyun and human rights activist Choi Young-hoon, are among five people sentenced to prison terms of up to five years for helping a group of North Korean defectors board a ship to Korea from Yantai, China.

June 3, 2003: Korea Trade-Investment Promotion Agency announces that Korean exporters have aggressively expanded their share of exports to China from 5.16 percent to 9.68 percent during the past decade.

June 4, 2003: Tianshan Industrial Company Ltd., announces that Korean firms will participate in a construction project to build the largest high-tech industrial park in Hebei Province, a 660,000 sq. meter project to be completed by 2005 known as the Tianshan Science and Technology Industrial Park.

June 4, 2003: Korean businessmen and students start to return to China after the subsiding of the SARS epidemic.

June 11, 2003: The Korea Trade-Investment Promotion Agency projects that losses to Korean investors in China due to SARS will reach \$2.5 billion by the end of June.

June 17, 2003: A study of the Korean Federation of Textile Industries projects that China's textile exports in 2005 are likely to compose 50 percent of the global textile and apparel market.

June 17-18, 2003: ROK FM Yoon and PRC FM Li discuss the North Korean nuclear issue on the sidelines of the ARF in Phnom Penh.

June 18, 2003: Korea International Trade Association announces that \$30.33 million of kimchi exports in the first four months of 2003 are on track for a record performance, outstripping prior year exports by 38.4 percent.

June 19, 2003: Samsung Electronics announces plans to set up a computer memory chip research and development center in Suzhou, China.

June 20, 2003: Ruling party President Chyung Dai-chul meets with President Hu in Beijing and urges him to hold a summit with North Korea's supreme leader Kim Jong-il to persuade North Korea to accept multilateral talks.

Japan-China Relations: Political Breakthrough and the SARS Outbreak

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Political relations broke out of the Yasukuni-induced deep freeze. Prime Minister Koizumi Junichiro met with China's President Hu Jintao in St. Petersburg, Russia, on May 31 during ceremonies marking the city's 300th anniversary. Less than three weeks later, during meetings of the ASEAN Regional Forum (ARF) in Phnom Penh, Foreign Minister Kawaguchi Yoriko invited China's new Foreign Minister Li Zhaoxing to visit Japan in August to commemorate the 25th anniversary of the Japan-China Friendship Treaty; Li accepted. Japan also successfully lobbied China to support Japan's admission to the multilateral U.S.-China-North Korea talks that opened in April in Beijing.

But across the board, the severe acute respiratory syndrome (SARS) epidemic in China dominated the relationship. Japan extended emergency medical assistance and personnel to help China cope with the epidemic. SARS also affected Japanese business operations in China as well as in Japan, which is now increasingly dependent on low-cost component imports from China. Throughout the quarter, economists repeatedly tried to assess the bottom-line impact of SARS. Through mid-May, the prospects were judged to range from bad to catastrophic. However, by the end of the quarter as the epidemic appeared to come under control, economic forecasts brightened.

To the St. Petersburg Summit

On April 4, Japan's Ministry of Foreign Affairs announced that Foreign Minister Kawaguchi would visit China from April 6-8 and meet with Foreign Minister Li and Premier Wen Jiabao. The purpose of the trip was to review the state of bilateral relations with China's new leadership and to look ahead to the 25th anniversary of the Treaty of Peace and Friendship. Other agenda items included Iraq and North Korea.

Kawaguchi met with Li on April 6. Both agreed on the importance of "high-level" talks – shorthand for a Koizumi meeting with China's new president, Hu Jintao. Li stressed that both sides should draw on the lessons of the past as they worked to strengthen bilateral ties. Touching on Koizumi's visits to Yasukuni Shrine – the most recent in January, Li observed that the issue hurts the sensitivities of the Chinese people. Kawaguchi explained that the prime minister's visits are aimed at reaffirming that Japan will never again resort to war.

On North Korea, Kawaguchi asked for China's support in advancing a multilateral dialogue with Pyongyang, and Li replied that China was interested in cooperating with Japan on the matter. The ministers recognized the need for international cooperation in the reconstruction of Iraq. They also agreed to conclude a convention on consular relations (talks began in Beijing April 23) and to hold a security dialogue involving vice foreign ministers and vice defense ministers in June. Both emphasized the importance of expanding bilateral cooperation and coordination.

The next day, Kawaguchi met with Prime Minister Wen. Wen reiterated former President Jiang Zemin's formulation that it was necessary for both countries "to respect the principle of using history as a mirror while looking to the future." Significantly and unlike Jiang during his meeting with Koizumi in Mexico last October, Wen did not refer to Koizumi's visits to the Yasukuni Shrine, raising Japanese hopes for a "high-level" meeting in the not too distant future.

Kawaguchi also handed Wen a letter from the prime minister and formally invited him to visit Japan. Wen told the foreign minister that he appreciated the invitation and that he hoped that Koizumi would visit China when the "atmosphere is appropriate." Kawaguchi emphasized the importance of high-level exchanges in building "future-oriented bilateral relations" and said that Japan would do so based on "a correct understanding of history." Wen made clear that China's new leadership was "positive" about improving relations with Japan and intends to strengthen bilateral relations. Both agreed to expand contacts and exchanges in all fields between the two countries and to strengthen economic and commercial relations.

Prior to her meeting with Wen, Kawaguchi also met with former Foreign Minister Tang Jiaxuan, now a member of the State Council. On North Korea, Tang told the foreign minister that China is opposed to both nuclear weapons and the outbreak of war on the Korean Peninsula and favors a peaceful resolution of the issue. Like Wen, Tang did not raise the issue of Yasukuni.

In mid-April, at the invitation of the Chinese Communist Party, the president of Japan's Democratic Party, Kan Naoto, led an eight-member goodwill delegation to China. On April 16, Kan became the first Japanese political leader to meet with President Hu. During the meeting, which took place in the Great Hall of the People, the two leaders discussed Japan-China relations as well as North Korea. Kan spoke of the need to resume high-level Japan-China meetings, but Hu reiterated that such a meeting required an appropriate time and the right conditions. Kan carried the message back to Tokyo and the prime minister.

Prior to meeting Hu, Kan met with Wang Jiarui, chief of the Communist Party's External Liaison Department, on April 15. Wang addressed the issues of history and other problems in the bilateral relationship, which, he argued, were inhibiting the development of Sino-Japanese relations. Wang emphasized the importance of resolving Yasukuni and other related issues, such as Japanese history textbooks.

A month later, the secretaries general of Japan's three ruling parties, the LDP's Yamasaki Taku, New Komeito's Fuyushiba Testsuzo, and the New Conservative Party's Nikai Toshihiro traveled to China. On May 19, the delegation met with Hu. Yamasaki told Hu that he gave China "high marks" for its efforts earlier in the month supporting the trilateral U.S.-North Korea-China meeting. Yamasaki went on to ask that the multilateral format be expanded to include Japan, South Korea, and Russia. Hu concurred, noting that China wanted to expand the framework in the months ahead. Foreign Minister Li was reported as having "no objection."

The *Sankei Shimbun* reported that, when Yamasaki raised the importance of summit talks during the 25th anniversary of the Peace and Friendship Treaty (August-October), Hu told the delegation that he would meet with Koizumi May 31, where he would attend ceremonies marking the 300th anniversary of St. Petersburg. Yamasaki also handed Hu a personal letter from the prime minister.

Appearing in the Diet after their return from China, Yamasaki, Fuyushiba, and Nikai were photographed wearing anti-SARS surgical masks.

The St. Petersburg Summit

Koizumi and Hu Jintao met in St. Petersburg May 31. In contrast to Koizumi's October meeting with Jiang Zemin at the APEC summit in Mexico and the chill in relations generated by his January visit to the Yasukuni Shrine, the dialogue was marked – noticeably in the Japanese press – by what was not said – the Y word.

Instead, Hu took a future-oriented approach to the relationship, saying that to deepen relations both countries should learn from history and morality. Hu noted that antagonism had marked only a brief period in the two countries' 2,000-plus year history of good relations. Using history as a mirror, the peaceful development of friendly relations would contribute to international peace and stability. Hu argued that political leaders in both countries should keep this strategic perspective in mind.

With respect to North Korea, Hu said that the nuclear issue as well as Japan's issue of abductees should be peacefully settled through dialogue. He expressed his understanding of Japan's wish to participate in the U.S.-China-North Korea dialogue and left himself open as to the ultimate shape of the table – the important thing was to keep the dialogue going.

Koizumi took the opportunity to push Japanese commercial interests with respect to the high-speed Beijing-to-Shanghai railroad now under study, noting that the award of the contract to Japan would significantly broaden the possibilities for Japan-China cooperation. At present, Beijing is considering both Germany's linear technology and Japan's *shinkansen*. Hu said that, if a decision is to be reached, he would like to factor in China-Japan cooperation.

SARS

On April 4, Japan's Foreign Ministry issued a travel warning for Singapore, Hanoi, Toronto, Macau, Taiwan, and Shanxi Province in China. The warning urged travelers and those living in those locations to "take utmost care or caution because there is an epidemic of an unknown disease." On April 20, the travel warning was extended to Inner Mongolia; at the same time, travelers to Beijing were asked to defer visits other than those deemed "essential or urgent."

As SARS-related deaths continued to mount in China, the Japanese government announced April 25 that it was sending masks and protective clothing to China. That evening, at his official residence, Koizumi told reporters that he wanted to do what he could to cooperate in meeting Chinese requests for assistance.

On May 2, Japan's ministers of health, transport, science and technology, and the senior vice minister of foreign affairs met at the prime minister's residence to map out a SARS counter offensive. On May 7, the prime minister instructed Health Minister Sakaguchi Chikara to take all steps necessary to establish a SARS prevention system in Japan. Koizumi announced that Japan would extend additional assistance to China. The next day, the Health Ministry sent face-masks, preventive clothing and equipment, and medical instruments, amounting to approximately ¥18 million. At the presentation ceremony in Beijing, the deputy chief of China's Health Ministry's International Cooperation Office told a group of Japanese embassy officials that he regarded the assistance as an "expression of Japan-China friendship."

On May 9, the Foreign Ministry announced that, in response to a request from Beijing, Foreign Minister Kawaguchi had informed her Chinese counterpart that Japan would dispatch a four-man Disaster Relief Team to China to help deal with the epidemic. The team, composed of two doctors accompanied by officials from the Foreign Ministry and the International Cooperation Agency, arrived on May 11.

The same day, Health Minister Sakaguchi announced that Japan would send an additional ¥1.5 billion of assistance. That day, China's ambassador Wu Dawei told LDP Secretary General Yamasaki that China appreciated Japan's "prompt and large-scale assistance." Wu also told Yamasaki that during his visit to China, scheduled for the following week, the delegation of the three ruling parties would meet President Hu.

China's appreciation for Japan's assistance did not, however, extend to Taiwan. When Sakaguchi suggested that Taiwan might participate (as an observer) in World Health Organization meetings on SARS, on May 13, the Chinese Foreign Ministry made clear that WHO membership was limited to sovereign states – Taiwan did not qualify.

China and North Korea

The April 6 Kawaguchi-Li meeting in Beijing set the stage for cooperation with respect to North Korea.

During his April 16 meeting with Hu, Democratic Party President Kan raised the issue of Japan's inclusion, along with South Korea and Russia, in multilateral talks aimed at resolving the North Korean nuclear issue. Hu told Kan that he understood Japan's concerns and that China also strongly supported the denuclearization of the Peninsula. Hu went on to observe that the important thing was to get the U.S. and North Korea talking without being a stickler for any particular format. Later, Kan publicly had good words to say about China's involvement, noting that, should China ask North Korea to terminate its nuclear program, China's position would be the same as Japan's.

A day earlier, the Chinese Foreign Ministry's spokesperson, when asked whether China was opposed to the participation of Japan and Russia in the multilateral talks, made clear that China "has never opposed the participation of relevant countries in multilateral talks on the Korean nuclear question." China was "open to any proposal that facilitates a peaceful settlement."

On April 24, the *Tokyo Shimbun* reported that Chinese diplomatic sources were floating the idea of a joint U.S.-China-Russia-Japan guarantee of North Korea's security in exchange for Pyongyang's surrender of its nuclear program and a commitment not to export nuclear technology to third countries.

On April 29, Hu met with visiting Socialist Party Chairperson Doi Takako. Hu said that the China-U.S.-North Korea talks, which began April 23, were dealing with difficult issues not susceptible to resolution at a single meeting. Accordingly, China favored a continuation of the talks and had communicated that message to Washington and Pyongyang. Doi also met with former Foreign Minister Tang. Tang told her that Beijing had been in the dark about North Korea's nuclear program because Pyongyang had never informed China about it.

On May 11, China's Vice Foreign Minister Wang Yi traveled to Tokyo to brief Foreign Ministry officials on the China-U.S.-North Korea meeting and to exchange views on the future course of the talks.

The foreign ministers met again during the ARF meeting, June 17-18 in Phnom Penh. In the meetings, Kawaguchi obtained China's support for Japan's admission to the multilateral U.S.-China-North Korea talks. She also made clear Japan's interest in cooperating with China to deal with the SARS epidemic and invited Li to visit Japan in August to commemorate the 25th anniversary of the Japan-China Friendship Treaty. Li accepted.

Even as consultations continued on Tokyo's participation in the U.S.-China-North Korea talks, differences with Beijing arose over China's vote against the UN resolution condemning North Korea's human rights record, including the kidnapping of Japanese citizens. Nine countries, including Vietnam, joined China in opposition – all recipients of Japan's Overseas Development Assistance (ODA). On June 11, the Foreign Ministry announced that, during the week of June 15, it would be calling in ambassadors of the 10 countries to protest the vote. On June 16, Koizumi told an Upper House Audit Committee that it was important to determine if China has "appreciated" Japan's ODA and was actually in need of it.

Economic Relations: the SARS Affect

On April 23, Japan's trade ministry released official trade statistics for 2002, a year in which for the first time Japan's imports from China surpassed those from the United States. At the same time, Japan's exports to China grew 39.3 percent.

Shortly thereafter, China's government-related think tank, the National Information Center, looked at China's economic prospects in light of the SARS epidemic. The Center noted that 2003 first quarter economic growth recorded a 9.9 percent increase over 2002 but that second quarter figures were much less promising and that, overall for 2003, SARS could lower GDP 1.5 percent to an estimated 7.5 percent. Against this background, stories on the economic impact of SARS, both at the macro and micro levels, dominated Japanese newspaper reporting on China – not only the business page but often the front page as well.

On April 17, the Japan External Trade Organization (JETRO) released the results of a survey of Japanese companies operating in China. Those operating in the south, mainly in Guangdong, projected that leading economic indicators would fall from the March number of 13.4 percent to 7.8 percent in the quarter, while those centered in and around Beijing saw numbers falling from 23.5 to 13.2. The JETRO survey indicated that economic concerns focused on the tourist and service industries, business travel, and the possible closure of factories due to the epidemic. At the end of April, JAL reported that bookings to China and Hong Kong were down 33 and 66 percent, respectively. At the same time, major tourist companies, JTB and Kinki Travel, suspended package tours to Beijing.

Golden Week, with thousands of Japanese returning from China for the holidays, posed difficult policy decisions for companies and the government. Many Japanese companies, including Toyota, Tomita Trading Company, and Oki Electric, decided to bring their employees home for the holidays to protect them from the rapidly spreading epidemic. The surge of Golden Week travelers from China, in turn, led the government to ask the returnees to accept a voluntary quarantine for 10 days and to wear masks in public. Temperature sensing devices were set up in all airports to test all travelers from China.

The economic low-point came on May 21, when the lead story in the *Nihon Keizai Shimbun* announced that Matsushita had shut down production in two Beijing plants because five local Chinese employees had been infected with SARS. The decision to suspend operations, because of SARS, marked a first for major Japanese companies operating in China. The story went on to speculate the SARS would force a rethinking of China-based corporate strategies.

On June 10, the *Asahi Shimbun* published the results of a survey of Japan's major companies, conducted May 25 through June 5. Fifty companies were polled and 48 responded. Of the respondents, close to 80 percent saw a decrease in sales as a result of the spread of SARS. Three out of four, or 36 companies, responded that SARS had had an affect on their operations. Most frequently cited problems involved postponed business trips, stalled commercial negotiations, and decreased sales. Shiseido Cosmetics experienced a 20 percent drop in sales; Furukawa Electric put off opening a new plant in China; and three companies, Matsushita Electric; Asahi Kasei and Pacific Cement temporarily shut down operations.

Yet even in the worst of times, SARS provided economic opportunity.

An early May *Asahi* report from Shanghai noted that China's already booming automobile market was receiving an additional health-related boost from SARS. Fearing infection from traveling on public transportation, Shanghai residents were visiting Japanese automobile showrooms in record numbers. For Honda, May sales doubled over the previous year, while Mazda's increased 4.5 times. Also benefiting from the epidemic were Japanese manufacturers of air purifiers.

In Hong Kong, the Japan Chamber of Commerce petitioned the Japanese consulate for a relation of the Health Ministry's regulations on two-way travel to and from Japan. On June 7, the *Asahi* reported that Toyota had decided to send 17 employees back to China and that employees of Japanese banks were returning to Beijing. Meanwhile, JTB announced the resumption of tours to Hong Kong.

Security

On May 15, the Lower House of the Japanese Diet passed a legislative package of three bills comprising the government's emergency legislation, which defines roles of the government authorities, including the Self Defense Forces, in the event of an attack on Japan. Two weeks later, on June 6, the Upper House adopted the legislative package. In each instance, the response from Beijing was restrained.

On the day before the Lower House took up the legislation, Chinese Foreign Ministry sources told the *Asahi Shimbun* that China believed that Japan should continue to adhere to its defense-oriented policy. This would serve Japan's long-term interests as well as the peace and stability of the Asia-Pacific region. A researcher at Beijing University told the newspaper that "even today, the fear of a revival of Japanese militarism remains strong among the Chinese people." At the same time, he noted that the emergency legislation is

related fundamentally to the defense of Japan.” Compared to the reaction that greeted the passage of the law governing Contingencies in the Area Surrounding Japan, China’s response to the emergency legislation is, he observed, “relatively mild.”

Jiang Lifeng, director of the Institute of Japanese Studies at the Chinese Academy of Science, expressed his understanding of the new law, telling the *Asahi* that “there’s no way to predict what North Korea will do.” Nevertheless, a Communist Party source told the *Asahi Shimbun* on June 6 that passage of the legislation is a breakthrough event and that many are concerned that this “will lead to a strengthening of a military trend in Japan.”

Back to the Senkakus

The second quarter of 2003 ended as the first quarter began – in the Senkakus. In January, Beijing protested a decision by Japan to lease three privately held islands in the island chain. At the end of June, Chinese activists from the mainland and Hong Kong sailed into the islands’ territorial waters and attempted to land. Their efforts were blocked by Japan’s Coast Guard and, on June 24, the Chinese boats withdrew. On the same day, Vice Minister of Foreign Affairs Takeuchi Yukio told the press that Japan, through diplomatic channels, had asked the Chinese government to persuade the protestors to end their activity.

Chronology of Japan-China Relations April-June 2003

April 4, 2003: Ministry of Foreign Affairs issues SARS travel warning for China, Macau, Taiwan.

April 6, 2003: Foreign Minister Kawaguchi Yoriko meets with Chinese counterpart FM Li Zhaoxing.

April 7, 2003: FM Kawaguchi meets with Premier Wen Jiabao.

April 7, 2003: FM Kawaguchi meets with former FM Tang Jiaxuan.

April 15, 2003: Kan Naoto, president of Japan Democratic Party, meets with Wang Jiarui, chief of the Chinese Communist Party’s External Liaison Department.

April 16, 2003: Kan meets with China’s President Hu Jintao.

April 20, 2003: Ministry of Foreign Affairs extends SARS travel warning to Inner Mongolia.

April 23, 2003: Japan’s Trade Ministry announces trade statistics for 2002; imports from China exceed imports from the U.S. for the first time.

April 25, 2003: Japanese government announces anti-SARS assistance, sending surgical masks, protective clothing, for China.

April 26, 2003: ASEAN Plus Three meet in Kuala Lumpur, Malaysia on SARS.

April 29, 2003: Japan Socialist Party Chairperson Doi Takako meets with President Hu and former FM Tang.

April 29, 2003: Aso Taro, head of the LDP's policy board, in Taipei recommends Japanese-Taiwanese discussion of security issues.

April 29, 2003: ASEAN-China emergency summit on SARS in Bangkok.

May 2, 2003: Japanese government meets to develop anti-SARS strategy.

May 7, 2003: PM Koizumi instructs Health Minister Sakaguchi to establish SARS-prevention system in Japan.

May 8, 2003: Ministry of Health sends additional SARS assistance to China.

May 9, 2003: MFA announces that Japan will send four-man Disaster Relief Team to China. They arrive May 11.

May 11, 2003: Ministry of Health announces additional relief package for China.

May 11, 2003: China's Vice FM Wang Yi travels to Tokyo to brief Japan on U.S.-North Korea-China talks.

May 15, 2003: Lower House of Japan's Diet passes emergency legislation.

May 19, 2003: Secretaries general of Japan's three ruling parties meet with President Hu.

May 21, 2003: Matsushita announces closing of two plants in China as result of SARS.

May 31, 2003: PM Koizumi meets with President Hu in St. Petersburg, Russia.

June 5, 2003: China announces antidumping case against Japan and four other countries over import price of raw materials used in making of nylon.

June 6, 2003: Upper House of Japan's Diet passes emergency legislation.

June 9, 2003: MFA cancels travel warning for all areas of China except Beijing and Guangdong.

June 10, 2003: China announces antidumping case against Japan, U.S., ROK over chemicals used to produce polyurethane.

June 17, 2003: FM Kawaguchi and Li meet at ASEAN Plus Three meeting in Phnom Penh, Cambodia.

June 17, 2003: China announces support for Japanese and South Korean participation in multilateral talks with North Korea.

June 23, 2003: Japanese Coast Guard escorts 13 Chinese protesters from Senkaku Islands' waters.

Japan-Korea Relations: “Containment Lite”

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We are under threat ourselves from another terrorist state, North Korea, which has kidnapped 150 of our citizens. 150 people! I don't think any of them are alive. Pyongyang is also sending boatloads of drugs to Japan to harm our youngsters, and it has missiles ready to hit 15 Japanese cities. What other country would tolerate this?...You mean the Sunshine Policy? Do you really think the policies of Kim Dae-jung were working? (All throughout), the North was becoming more dangerous. This is the country that says it is ready to deliver a 'sea of fire' over Japan.

Tokyo Gov. Ishihara Shintaro

The quarter saw Japan implement its own version of the Bush administration's "containment lite" policy toward North Korea, inspecting and detaining DPRK vessels. Pyongyang accused Tokyo of taking the first step to sanctions (which North Korea equates with war). Japan responded to the North's bluster not by cowing but by making serious steps toward a robust missile defense system as well as toward emergency security legislation that would give the government the power to respond to military crises. Meanwhile, South Korean President Roh Moo-hyun did his own rendition of a Madison Avenue-type media blitz of Japan, leaving summit observers with some choice memories of his off-the-cuff style.

Japan-DPRK Relations: Tense

The outspoken and recently re-elected Tokyo governor's words basically summed up this quarter's relations between Japan and North Korea, which grew more tense in both words and actions. In April, Japanese Defense Agency chief Ishiba Shigeru virtually lifted the words from the White House briefing book on North Korea, claiming that Japan would not be blackmailed nor threatened by Pyongyang's nuclear weapons drive. The following month at Crawford, Texas, Prime Minister Koizumi Junichiro and President Bush stood shoulder to shoulder vowing that neither would tolerate a nuclear North Korea, and that they see the problem "exactly the same way" in seeking a complete, verifiable, and irreversible end to the North's nuclear weapons.

After the launch of Japan's first two military satellites at the end of March, *Korean Central News Agency* (KCNA) broadcasts blasted Tokyo for untold hostile acts and threatened retribution. Although the Japanese did not grace these statements with replies, they did take concrete actions when the North appeared to push the threats too far. In early April, the Air Self-Defense Force scrambled two F-15 jet fighters in response to an unidentified aircraft from the direction of North Korea that violated Japanese airspace without responding to identification requests. In addition, the Maritime Self Defense Forces reportedly undertook training exercises with their Aegis air-defense systems tracking mock North Korean ballistic missile tests in the Sea of Japan.

“Containment Lite”

The most significant set of concrete measures showing Japan's harder line toward the North related to Tokyo's participation in the Bush administration's "containment lite" approach to pressuring North Korea. In initial stages, this entails willing parties cracking down on illegal activities Pyongyang engages in for hard currency (missile sales, drugs, counterfeiting). Over the quarter, examples of this were evident in the Australian seizure of the heroin-laden North Korean *Pong Su* and a South Korean raid of a methamphetamine shipment. Japan did not raid any ships, but it did greatly ramp up existing customs and safety inspections of North Korean vessels. Japan detained two North Korean ships in early June, sending a clear signal of its newfound willingness to support the U.S.-led effort to crack down on illicit DPRK activities. The ship was detained for safety violations at the western Japanese port of Maizuru, including: missing maps, a hole in the bulkhead, and cabin doorsill violations. These appear to be minor violations and indeed the 16-member crew of the detained *Namsan 3* was released to sail the next day by safety inspectors after fixing the violations, but the message was clear: The Japanese were willing to take such actions at a major port for DPRK ships (the Maizuru port receives 25 percent of the 1,344 calls by DPRK ships in 2002). The other detention occurred in Otaru in northern Japan, where inspectors stopped the 178-ton freighter *Daehungrason 2*.

The formal explanation for these actions by Japan is merely the heightened efforts (with existing, not new legislation) at screening DPRK ships because of their horrendous safety record. Many of the unkept freighters become stranded and/or shipwrecked in Japanese waters and abandoned by the crew. But these actions are also intended to prevent the transfer of dual-use consumer goods into the North. These include titanium carbon fibers from golf clubs (that can be used for missiles); global positioning system hardware; Sony PlayStation 2 games; fishing equipment (that can be used for underwater sonar purposes); camera lenses; and other items. Moreover, as Under Secretary of State for Arms Control and International Security John Bolton testified in Congress in June, the vessel traffic between Japan and North Korea provides a conduit for millions of dollars of Yakuza money and missile technology that aids the North's programs (the former statement was made much to the chagrin of Japanese officials).

The seriousness with which Japan pursued these custom operations drew fire from the North. Pyongyang canceled the ferry, *Mangyongbong-92*, that runs between Niigata and Wonsan (the Japanese reportedly had a small army of customs inspectors waiting to rummage through the ship's passenger records and cargo manifests). North Korea accused Japan of implementing economic sanctions against the country and warned Japan that such actions constituted an act of war, but no apologies were forthcoming on Tokyo's side.

Normal Japan?

North Korea arguably has contributed more than any other single variable to Japan's slow, plodding move toward normalization as a military power. The North Korea problem provided the backdrop for larger changes in this direction during the quarter. In May, JDA chief Ishiba met in New Delhi with Indian counterpart George Fernandes to discuss regional and international security problems. Japan's relations with India cooled significantly after India's nuclear tests when Tokyo imposed economic sanctions. But these sanctions were lifted after Sept. 11 and the purpose of this trip was to engage India directly on the issue of security cooperation between Pakistan and North Korea and to build a broad international coalition beyond northeast Asia vis-à-vis the nuclear crisis. This represented a form of extraregional diplomacy on security issues rarely seen in Japanese foreign policy, but that is more likely given the problems posed by North Korea.

Even more significant were the votes in the lower and upper houses of the Diet in May and June allowing for the passage of three bills that will give the prime minister and the Self-Defense Forces (SDF) greater authority to respond to security emergencies. The Bill to Respond to Armed Attacks, Bill for Revision on the Self-Defense Forces Law, and Bill for Revision on the Law Governing the Security Council of Japan allow the Cabinet to bring immediate military courses of action directly to the legislature for approval. Once approved, the Prime Minister's Office would then have legal authority to exert executive power. These decisions give the Japanese government the first legal framework for responding to imminent military threats. In particular, they enable the SDF, in theory, to launch preemptive strikes when a military attack is deemed imminent, which would be a major departure from Japan's pacifist Constitution. The SDF is also exempted from having to follow laws and regulations that obstruct defense operations, such as traffic regulations, said the report.

The quarter saw several statements and actions by Japanese defense officials moving Japan further along the path to fielding a more robust missile defense system. This newfound enthusiasm derives from clear-eyed evaluations of the growing missile and WMD threat from North Korea at both the government-elite and public levels. In April, JDA chief Ishiba stated that the DPRK missile threat logically could be targeted no place else except Japan. Although Japan had been involved in missile defense research with the U.S., in April, the government reportedly also began moving to study the introduction of various systems separate from the joint research with the U.S. Strong interest initially was expressed in a sea-based interceptor system using Aegis destroyers as well as a

ground-based Patriot-3 capability. Coinciding with a visit to Tokyo in May by Deputy Defense Secretary Paul Wolfowitz, the Japanese press reported that the government would begin deploying a new missile defense system in 2006-2007 in response to the DPRK threat, conservatively estimated at over \$4 billion. These moves would be taken in conjunction with a review of the National Defense Program Outline. What is so interesting about these measures is that they reflect the new urgency in Japan with regard to the proximate threat posed by the North. Decisions by Tokyo to purchase already-made U.S. systems such as the Standard Missile 3 (SM3) system for Aegis and the Patriot-3 system would potentially run counter to the investments that the government has already made in joint research of separate systems with the U.S. Rumors during the quarter of North Korea's capabilities targeting Japan, however, raised for the Japanese public the specter of a real imminent threat by the North. Given the mood in Japan, Koizumi himself had to calm speculation in newspapers that Pyongyang had weaponized nuclear warheads aimed at Japan.

Mr. Roh goes to Tokyo

Japan-South Korea relations this quarter were marked by South Korean President Roh Moo-hyun's big splash in Japan with an all-out media blitz that few foreign leaders have tried in recent memory (e.g., Bill Clinton in 1998). Roh's four-day tour (June 6-9) included interviews with major Japanese dailies, a special forum telecast live on the *Tokyo Broadcasting* system, a speech to the Japanese Diet, a news forum with *Japan Broadcasting* (in which average Japanese citizens in Osaka could ask the South Korean president questions in a *CNN Talkback* live-type format). And, oh yes, there was also the summit with Japanese Prime Minister Koizumi Junichiro. The agenda for the meeting was dominated by North Korea, but also included the opening of South Korean markets to Japanese cultural products as well as a Korea-Japan free trade agreement. With regard to the nuclear crisis, the two leaders engaged in private discussions about different scenarios and likely responses by each government, particularly if North Korean behavior grew more provocative. In their joint news conference, Roh and Koizumi basically stayed on message with North Korea policy pronouncements similar to those made in the preceding summits (the South Korea-Japan meeting followed both Bush-Roh and Bush-Koizumi meetings in the U.S. in May). They emphasized the need for parallel tracks of "dialogue and pressure" in turning back the North's drive for nuclear weapons. The South Korean president was more hesitant to expound on the types of pressure and preferred to keep the discussion on the positive incentives. Media reported Roh's verbal gymnastics as evidence of a divergence in Seoul and Tokyo's views on North Korea. Indeed summit-watchers noted that Roh opposed language in the joint statement referring to the necessity of "further measures" if the crisis gets worse.

Roh's visit to Japan produced other newsworthy items besides statements on North Korea. The South Korean president made obligatory statements during his speech in the Diet about Japan needing to be more sincere about its historical past with countries in the region. In a nod to the policies of his predecessor Kim Dae-jung, Roh also admitted in his Japanese television "town hall" appearances that South Koreans are not enthusiastic

about reunification and could wait for such an event if peaceful coexistence with the North were achieved. In conjunction with the Kim Dae-jung era, Roh's remark offered truly astounding commentary on how South Korean conceptions of national identity appear to no longer accrue with the vision of unification, given the pragmatic costs. (Ironically, North Korea remains the only entity on the Peninsula that still directly identifies its Koreanness with such a vision.) Arguably, Roh's unification statement might have been the talk of the summit ... until the political maverick-turned-president opened his mouth about the communist party. In a meeting with the Japan Communist Party leader, Roh stated that he would be willing to meet in South Korea with Shii Kazuo. Given the fact that such a meeting would be illegal according to South Korea's national security law, Roh's presidential spokesman was forced to rationalize and parse his boss' words, trying to limit the damage domestically.

TCOG

Trilateral meetings among Washington, Seoul, and Tokyo continued to provide an institution in which the three allies could deal with the North Korean threat. The summits that Roh and Koizumi held with George Bush in May were effectively a high-level TCOG given the proximity of the two visits with the U.S. president. At the TCOG meetings in Honolulu in June, the ROK proposed a comprehensive package as an initial template for a counter to the offer North Korea presented to Assistant Secretary James Kelly in Beijing. The South Koreans expressed confidence in their proposal, which the U.S. and Japan have indicated will be subject to further study. No doubt Seoul's proposal – as well as that of Congressman Curt Weldon and numerous NGO proposals – will be floating around Washington in the next quarter as the allies prepare for another round of talks involving Beijing and Pyongyang.

Chronology of Japan-Korea Relations April-June 2003

April 1, 2003: Conflicting intelligence assessments by the U.S., Japan, and ROK over apparent firing of a surface-to-surface missile by the DPRK.

April 2, 2003: In a *Washington Post* interview, Japanese PM Koizumi supports the Bush administration's policy toward North Korea, stating that the likelihood of a hostile outcome to the crisis is small.

April 7, 2003: *Korean Central News Agency* (KCNA) broadcasts condemn Japan for March 28 military satellite launches as a violation of the Kim-Koizumi Pyongyang Declaration and as the start of a new arms race in Asia.

April 9, 2003: *KCNA* broadcast warns Japan against remilitarizing based on its support of the U.S. in the war against Iraq, warning Japan that it is within "striking distance" of North Korea.

April 9, 2003: *Mainichi Shimbun* reports that Japanese fighters sought to intercept an unidentified aircraft that flew into Japanese airspace without authorization on April 1.

April 11, 2003: In Japan, Koizumi and Russian DM Ivanov call on North Korea to allow international inspectors to monitor nuclear facilities.

April 11, 2003: Japanese officials note that North Korea's withdrawal from the NPT may not be official because Pyongyang did not fulfill the second condition for withdrawal, which is to notify all signatories.

April 14, 2003: Chief Cabinet Secretary Fukuda welcomes North Korea's apparent shift in policy toward accepting multilateral talks.

April 16, 2003: Koizumi welcomes news of trilateral U.S.-DPRK-PRC talks on the nuclear crisis in Beijing April 23. Expresses hope that Japan will be involved in future talks.

April 17, 2003: Koizumi calls for DPRK to heed resolution on human rights abuses in North Korea passed by UN Human Rights Commission.

April 17, 2003: Deputy Chief Cabinet Secretary Abe reaffirms that progress in Japan-North Korea normalization talks cannot occur without resolution of the abduction issue.

April 20, 2003: Outspoken Tokyo Gov. Ishihara calls the DPRK a "terrorist state" because of its kidnappings, missile sales, and drug-smuggling.

April 26, 2003: Assistant Secretary of State James Kelly debriefs Japanese officials on Beijing talks.

May 1, 2003: *Yomiuri Shimbun* reports that DPRK proposal at the April Beijing talks included Japan-DPRK normalization as a precondition for ending its nuclear program.

May 3, 2003: JDA Director General Ishiba Shigeru meets Indian DM Fernandes to discuss North Korean-Pakistani nuclear and missile cooperation.

May 7, 2003: At a rally for families of Japanese abductees, JDA chief supports a tough approach to the DPRK and promises that Japan would not be "blackmailed."

May 14, 2003: LDP lawmakers introduce legal revisions for discussion that would enable Japan to implement sanctions against the DPRK as necessary.

May 21, 2003: DPRK defector testifies before Congress that over 90 percent of North Korean missile technology is smuggled into the country through Japan.

May 23, 2003: Bush-Koizumi summit at Crawford, Texas. Two leaders confirm that nuclear weapons in North Korea are intolerable; that they will not give in to North Korean blackmail; and that complete, verifiable, and irreversible nuclear dismantlement was their joint goal.

May 23, 2003: Osaka appeals court overturns ruling by a previous lower court relieving the Japanese government of responsibility for compensating victims of boat accident at the end of World War II killing 524 Koreans being sent back to Korea

May 24, 2003: *Kyodo News Agency* reports during Deputy Secretary of Defense Paul Wolfowitz's visit to Japan that government officials admitted a revision of the National Defense Outline is imminent and that Japan will deploy new missile defenses from 2006.

May 27, 2003: *KCNA* broadcasts warn Japan against supporting the Bush administration's hardline approach, saying that Japan will meet a "fatal fiasco."

May 28, 2003: *Chosun Ilbo* reports that FM Kawaguchi confirmed to her counterpart Yoon Young-kwan that Japan was prepared to support economic sanctions against North Korea if diplomacy failed.

June 6, 2003: Japanese Diet enacts special legislation, the Three Laws Regarding Response to Armed Attacks, to respond to security emergencies.

June 6, 2003: Fifty-eight Japanese and South Korean citizens' groups submit a written request to both governments to take measures that will result in Japan apologies and compensation to victims of Japan's militarism before and during World War II.

June 6, 2003: U.S. Under Secretary of State John Bolton in congressional testimony says that North Korea uses funds from numerous sources, including from Yakuza-related activities in Japan, to fund their WMD programs.

June 7, 2003: Roh-Koizumi summit. Both agree to seek a peaceful resolution to the nuclear crisis with North Korea.

June 8, 2003: DPRK authorities decide not to send the controversial *Mangyongbong-92* ferry from Wonsan to Niigata in anticipation of extremely harsh customs and safety inspections by Japanese authorities.

June 9, 2003: Deputy Secretary of State Richard Armitage and FM Kawaguchi praise Japan-Korea summit; agree on the need for "further measures" if the DPRK proves uncooperative; and for multilateral talks.

June 9, 2003: In a speech before Japanese Diet, President Roh calls on Japan to be more sensitive to its history. States that he would be willing to meet with Japanese communist party leaders despite history of Korea anti-communism.

June 10, 2003: Senior officials from Japan, the U.S. and Australia agree to cooperate in cracking down on DPRK ships suspected of smuggling weapons and drugs.

June 11, 2003: Japan Transport Ministry detains two DPRK cargo ships at ports in western Japan (Maizuru) and in Hokkaido (northern Japan) for safety violations (the ship at Maizuru departs the next day after rectifying safety violations).

June 12, 2003: *KCNA* broadcasts warn Japan against using safety inspections of DPRK freighters as a form of “sanctions” against the country.

June 12-13, 2003: TCOG meeting in Hawaii to discuss North Korean nuclear weapons issues.

June 12, 2003: *Mainichi Shimbun* reports 30 South Koreans conscripted by Japanese forces during World War II into labor camps in Siberia after Japan’s defeat sued the Japanese government for unpaid wages. The plaintiffs demanded ¥300 million in damages.

June 17, 2003: Deputy Chief Cabinet Secretary Abe says that pressure is necessary to deal with the DPRK and that Pyongyang should not expect economic aid from Japan if it fails to take the necessary steps to normalize relations.

June 21, 2003: *KCNA* blasts Japan for implementing economic sanctions against the DPRK, and considers this a declaration of war. *KCNA* complained about DPRK ships being barred from Japanese ports, and condemned calls for Japan to restrict the sale of goods to its neighbor.

June 23, 2003: At a joint news conference, Korean and Japanese families with DPRK abductees in Seoul call for two governments to demand return of abductees and make this top priority.

June 24, 2003: *KCNA* broadcast warns Japan not to follow U.S. embargo strategy, calls it attempted reinvasion of Peninsula.

June 27, 2003: FM Kawaguchi states that it was too early to terminate KEDO activities pending more dialogue with North Korea over nuclear crisis.

China-Russia Relations: Party Time!

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As the war in Iraq was winding down, diplomacy quickened its pace. The pursuit of national interests yielded statecraft such as Russian President Vladimir Putin embracing the era of preemption with his Bismarckian shrewdness and Peter the Great style. With “three steps” – the Putin-Hu summit, the Shanghai Cooperative Organization (SCO) summit, and the St. Petersburg extravaganza – Chinese leader Hu Jintao left severe acute respiratory syndrome (SARS) at home and vaulted onto the world stage at the G-8 summit in the French spa town of Evian.

New Face? Old Game?

For Putin, Hu Jintao ceased to be “who” quite some time ago. During the previous 19 months (October 2001 to May 2003), the two had three official bilateral meetings. The Russian president seemed determined to be – and was successful – the first foreign head of state to meet China’s soon-to-be paramount leader at every step of the latter’s final ascendance to power.

In October 2001, Putin sneaked in a two-day “working” visit to Russia by the then Vice President Hu on his way to Europe (for official visits to Britain, France, Spain, and Germany). The trip was widely believed to be a version of “foreign policy-101” for the future Chinese leader and it took place just a few weeks after the Sept. 11 terrorist attacks on the U.S. In December 2002, Putin traveled to Beijing to become the first foreign dignitary to size up Hu as the new general secretary of the Chinese Communist Party, the real power center in the world’s most populous nation.

The May 26-28 summit in Moscow this quarter was Hu’s first foreign tour as head of state. His stay in Russia was further prolonged, if not necessarily “sweetened,” by two multilateral gatherings: the third Shanghai Cooperation Organization summit (May 29) moved from Kazakhstan to Moscow, which connected the Hu-Putin Moscow summit to the tricentennial celebration of St. Petersburg (May 30–31). By the time they joined the G-8 on June 1 in France, the two – who represent the least developed part of the “axis of rich and powerful” annual gathering – had been companions for a week.

Step 1: Moscow Summit

The Putin-Hu summit began with an informal, private “2+2” dinner (presidents and two first ladies) in Putin’s *dacha* at Novo-Ogaryovo, west of Moscow on May 26. This was followed by a busy two-day schedule for Hu. This included a formal three-hour summit in the Kremlin and a joint news conference. Hu also met with Prime Minister Mikhail Kasyanov, Russian Federation Council (Upper House) Chairman Sergei Mironov and Speaker of the State Duma (Lower House) Gennady Seleznyov. His speech at Moscow’s State Institute of International Relations called for constructing “a fair and just international political and economic order.” In the midst of all this, Hu found time to visit the Great Patriotic War Memorial Complex in Moscow, the Khrunichev National Aviation and Space Center, and to invite Putin for an official visit to China in 2004. The two presidents also authorized the start of a working group on preventing illegal migration to Russia.

A 10-point joint statement was issued, covering everything from their mutual commitment to the principles and spirit of the 2001 Sino-Russian Friendship Treaty (Article 1), the need for maintaining high-level contacts, promoting exchanges in the areas of economics, culture, education, science and technology, military, criminal justice, health care, immigration, and people-to-people contacts (Articles 2–5); supporting international cooperation, the UN, and “strategic stability”(meaning arms control) (Articles 6–8). The Iraqi and Korean issues were discussed in Articles 9 and 10.

Both sides hailed the results of the summit. The Chinese side, including Hu himself, constantly pointed out that Hu’s first foreign trip began in Russia, an indication of how important Russia was in China’s strategic view. Hu called Russia a powerful nation enjoying broad authority around the world. On several occasions, Hu stated that strengthening Sino-Russian relations was the consensus of the new generation of China’s “collective leadership” – another way of saying that the current state of China-Russia relations was unlikely to be altered by individual leaders.

In response, Putin declared that “[R]elations between Russia and China have never been at such a high level before,” and that cooperation between Moscow and Beijing “has become an important factor for peace and stability across the Eurasian continent ... for a more secure and fair world.” Other Russian officials argued that the summit “has a landmark significance from the perspective of the development of strategic partnership ... including the economy and military-technical cooperation.”

Russia’s Oil Confusion

Economics topped the agenda for the Kremlin summit as Russian ministers of finance, energy, and economic development and trade joined talks. For the first time, Russian Minister of Public Health Yuri Shevchenko was also present, reflecting serious concern about the impact of SARS on bilateral economic interaction. Four documents signed in Moscow focused on economics, including a \$200 million credit line by the Construction Bank of China to Russia’s Bank for Foreign Trade (Vneshtorgbank) for 10 years to

finance the exports of Chinese durable goods to Russia, a three-year contract supplying China by rail with 2 million tons of Russian oil beginning June 1, and a general agreement on the main principles for a 25-year, \$150 billion contract to supply oil to China via a Russia-China oil pipeline.

The emphasis on economics revealed a mixed picture at best. On one hand, bilateral trade registered four consecutive years of growth, reaching \$12 billion in 2002, making China Russia's sixth largest trade partner and Russia China's eighth. In 2002, China absorbed 55 percent of Russia's \$4.8 billion worth of arms exports. Despite this, bilateral trade occupied only a small portion of each other's total trade. Both had more extensive trade ties with the U.S., Europe, and Japan than with one another. There was a 30 percent hike, to \$4.15 billion, in trade for the first four months of 2003. SARS, however, cooled it off considerably as Russia closed most of its trading ports for quite some time. The disappointing economic relations contrasted sharply with the normal and stable strategic and political intercourse between the two countries. Wang Yizhou, a prominent Beijing analyst of international affairs, went as far as to describe the "hollowing" of strategic relations without a strong economic leg.

Perhaps the most bizarre element of China and Russia relations is the forever "clogged" pipeline issue. Its fate has been decided, and retracted, by numerous "final decisions" by Moscow. The project was first proposed by Russia in 1994. In 2000, Russia and China signed an intergovernmental agreement on the oil pipeline and China spent several million dollars on a feasibility study of the project. Yet newfound enthusiasm and lots of money from the Japanese for a pipeline to Russia's Pacific coast in late 2002 seemed to leave Russia unable to decide to which Asian nation, Japan or China, the Russian pipeline would go.

In early April this year, Russia reportedly approved the Angarsk-Nakhodka pipeline with a branch running to Daqing, China's biggest oil field where annual production declined by 2 million tons in recent years. In late April, however, Russian Deputy Foreign Minister Alexander Losyukov was quoted from Tokyo saying that "Moscow cannot but take into account the negotiations with China that have continued for several years now." He nonetheless insisted that the final decision would "be guided exclusively by economic factors, and not political considerations." Whatever the case, a decision would be made by Hu's state visit in May. A few days later, Russian Prime Minister Kasyanov said that Russia had decided that the Angarsk-Nakhodka oil pipeline would branch off to the Chinese city of Daqing. By the time Hu was in Moscow in late May to sign two contracts on the oil business, the pipeline case was still a "general agreement on the main principles and understandings," not a done deal. To alleviate China's anxiety, Russia offered its guests another three-year contract to increase the current oil shipments by rail to China to 2 million tons per year.

While Russian officials from oil minister to prime minister to president repeated that "feasibility studies" by experts would be the basis for the government's final decision, Russian oil companies repeatedly claimed that they were ready to start laying a pipeline as soon as the government made a decision.

At the heart of Russia's dilemma is a difficult balancing job between the desire to be strategically flexible and economically profitable with two end users (China and another Pacific outlet for Japan and South Korea), and the practical concern that there may not be enough oil to be pumped to both ends. "Laying a pipeline and waiting for resources for 15-20 years would be tantamount to burying \$5 billion for many years," said Russian Deputy Foreign Minister Alexander Losyukov.

After the Hu-Putin summit in late May, Moscow's comments regarding the pipeline changed on a weekly, if not daily basis. On June 11, Losyukov hinted that a decision on the construction of the pipeline to China would be made "in the near future." A week later, Russian Prime Minister Kasyanov said that the study would not be done until September. Kasyanov's words came the same day that Japan decided to invest up to \$7.5 billion in constructing the Angarsk-Nakhodka oil pipeline. In contrast, Russia may have to invest in its own portion (1,600 kilometers out of 2,400 kilometers) of the pipeline to China. No matter who gets to have the Russian oil first, China would have to wait until the autumn for the oil decision.

Comparing with the indecision and contradictions regarding the pipeline to China, Russia made quick decisions for oil and gas business with other countries. In early June, Russia and Japan signed a \$2 billion contract for the construction of the world's largest liquefied natural gas (LNG) plant in Russia's Sakhalin Island with an annual capacity of 9.6 million tons of LNG, mostly earmarked for export to Japan. On June 26, Putin and British Prime Minister Tony Blair held a signing ceremony for a \$6.15 billion deal to construct a gas line to Britain.

Step 2: SCO for a Multipolar World Order

Set up in 1996 in Shanghai, the SCO (Russia, China, Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan) had been deeply affected, and sometimes stalled, by the U.S.'s strategic return to Central Asia after Sept. 11. SCO's own internal inefficiency and inaction were also part of the problem. Nonetheless, the fact that it is still around, alive, and even trying to speed up its institutional development is an exception when various international organizations (ranging from the UN to NATO to G-8) are plagued by division and neglect. Hu's participation at the SCO summit was designed to set the SCO on the fast track.

As usual, all important issues and preparations were thoroughly deliberated at the SCO's National Coordinators meeting (April 1) and the SCO Foreign Ministers Conference (April 29). The Moscow annual summit, however, resulted in several key decisions. This included launching the SCO Secretariat in Beijing and a regional antiterrorist structure in Bishkek; approving procedures for drafting the budget; appointing China's ambassador to Moscow Zhang Deguang as first executive secretary; approving rules for the SCO councils of heads of state, heads of government and foreign ministers, and on conferences of the heads of various agencies; conducting the first SCO antiterror drill in

August (without Uzbekistan); holding SCO's second prime ministerial meeting in Beijing in September to promote economic cooperation; and to finalize its operating budget.

A six-point declaration was issued. In addition to covering all these points, the document also states that the SCO, upon its debut, would be willing and able to establish contacts with other international organizations and countries. The goal was to foster a new security concept featuring mutual trust, equality, disarmament, and security cooperation. Iran, Pakistan, India, Mongolia, and Turkey expressed their intention to join the SCO.

The durability of the SCO can be partially explained by China and Russia's overlapping interests in Central Asia. Despite a growing U.S. presence there, Moscow needs the regional organization to preserve and advance its traditional influence and interests. For Beijing, a platform is also highly desirable for managing its western borders and creating a stable environment. Economic interests, too, become both ends and means for Beijing's interactions with Central Asian states. Hu's first foreign tour ended with visits to two of China's neighbors – Kazakhstan (June 2-3) and Mongolia (June 4-5). This highlighted China's intention to further integrate its neighbors. In bilateral terms, the SCO is also a useful interface for Russia and China to regulate their interests in this highly volatile region. As a result, the SCO, which started as a confidence building mechanism and ad hoc forum in 1996, took the first crucial step in Moscow toward becoming a regional political forum, a security mechanism, and even an economic web.

The China-Russia effort to speed up SCO institutionalization was part of a much stronger push toward a multipolar world order in the age of unipolar preemption. By late June, the long-discussed China-India-Russia triangle started to take shape when Indian Prime Minister Atal Behari Vajpayee paid a week-long state visit to China, the first in 10 years by an Indian prime minister. The vision of Russia's former Prime Minister Yevgeny Primakov finally bore some tangible fruit, thanks to consistent efforts by Russian officials, including Putin's visits to Beijing and New Delhi last December.

Moscow and Beijing's "Peace Rush" for Korea

In the post-Saddam era, Korea quickly became an issue of mutual concern for Moscow and Beijing. Early in the first quarter, Russian Deputy Foreign Minister Losyukov launched a well-publicized, "mini-shuttle" diplomacy between Beijing, Pyongyang, and Moscow (January 18-22), which included a meeting with DPRK leader Kim Jong-il. (See "China's Dilemma in the Current Korean Crisis," *PacNet* newsletter, Feb. 20, 2003, www.csis.org/pacfor/pac0308.htm). In late April, China hosted U.S.-DPRK-PRC trilateral talks in Beijing, without Russian participation. The Beijing talks were a compromise between the DPRK insistence on talks with the U.S. and the latter's demand for a multilateral approach. Russia's absence, however, contrasted sharply with Putin's special relationship with DPRK leader Kim.

Although Russia officially welcomed the Beijing talks, its repeated statements that Russia was ready to join broader format talks on the DPRK nuclear issue revealed its displeasure at being left out of the process. In the wake of the China-Russia summit in Moscow,

Russia seems more impatient as several U.S.-proposed multilateral formats simply excluded Russia. “None of the issues involving North Korea can be resolved without consideration of Russia’s interests and its participation. This is unequivocal and clear,” said Losyukov on June 11.

After this, Russian officials sent more confusing signals regarding Korea. On June 18, Foreign Minister Ivanov went so far as to say that Russia supported a possible reexamination of the North Korean nuclear problem at the UN Security Council, a stance that Russia had consistently opposed. In February, Russia was one of the two member states in the IAEA that did not support a decision to refer the Korea case to the UN Security Council. Back home, Deputy State Duma Speaker Vladimir Lukin said that the introduction of UN sanctions against North Korea would be absolutely justified. Two days later, Deputy Foreign Minister Yury Fedotov argued that there should be no hurry to have the dispute over North Korea’s nuclear program put on the agenda of the UNSC.

Both Moscow and Beijing want a peaceful resolution of the Korean crisis. None would support the use of force. Beyond this, however, the two face quite different consequences of the current crisis. A nuclearized DPRK certainly constitutes a bigger threat to China due to its smaller nuclear forces. Nuclear proliferation in East Asia, which is highly likely if the DPRK goes nuclear, would immediately complicate China’s security calculus simply because of China’s geostrategic position. Last, but not least, is Taiwan’s potential to acquire nukes. For these reasons, Beijing may have a stronger desire than Moscow to see a nuclear-free Korean Peninsula. Russia, on the other hand, seems more interested in preserving its foothold in the Peninsula and its special relations with Kim Jong-il.

Step 3: St. Petersburg’s White Nights

At the time when the Korean “pressure pot” was brewing, “white nights,” or round-the-clock daylight caused by the summer solstice, descended upon St. Petersburg, halfway around the earth. In late May and early June, the city, its ancient buildings, and the quiet and beautiful Neva River, all glowed under the never-setting sun and the tricentennial celebration of the city. Parades, banquets, fireworks, bilateral and multilateral summits overwhelmed 44 heads of state from around the world, including China’s President Hu.

Beneath the lavish and spectacular scene of Russia’s window to Europe, however, was its turbulent 20th century history, which had a lot to do with China thousands of miles away. It was here that Russian Bolshevik leader Vladimir Lenin set up the first communist system, which inspired generations of Chinese leaders, including Mao and Deng. Germany’s bombardment and the city’s (then called Leningrad) heroic defenders in World War II may well be part of Hu’s early education during the Sino-Russian honeymoon. Almost a century later, St. Petersburg again connected China’s fourth generation leaders to the world scene.

Here, Hu had mini-summits with several heads of state, including Canadian Prime Minister Jean Chretien, Greek Prime Minister Kostas Simitis, Polish President Aleksander Kwasniewski, Japanese Prime Minister Koizumi Junichiro, and Indian Prime Minister Vajpayee.

The St. Petersburg celebration also highlighted an emerging divergence for Putin and Hu. While the Russian leader abandoned his usual behind-the-scenes “KGB” work-style with lavish and wasteful displays, Hu began his first foreign tour a week before by cutting China’s extended diplomatic protocols to the minimum. Putin is now viewed by many Russians as an almost saintly figure, while Hu has managed to get his government closer to ordinary Chinese (See “Hu’s Mini ‘New Deal’,” *PacNet* newsletter, March 6, 2003, www.csis.org/pacfor/pac0311.htm).

Hu does not speak Russian. Nor does his new ambassador to Moscow, Liu Guchang. He was the only foreign leader, aside from former U.S. President Bill Clinton, who cared to visit the State Duma (Lower House) during an official visit. Some Russian lawmakers recalled that Clinton came to meet them as an outgoing head of state while Hu has just assumed the leadership position. In fact, Hu visited all three legislatures and met all three prime ministers in Russia, Kazakhstan, and Mongolia during his first foreign tour.

It will be interesting to see how “Putin the Great” and the rather humble Hu interact and advance their national interests.

Chronology of China-Russia Relations April-June 2003

April 1, 2003: SCO national coordinators complete preliminary work on the formation of the regional antiterrorist structure (RATS) in Kyrgyzstan. This included the definition of the work procedure, financing, and a mechanism for launching the RATS. Its headquarters will be in Bishkek (the Kyrgyz capital) and the secretariat in Beijing.

April 1-2, 2003: SCO experts meeting on emergency responses held in Beijing to draft a pact on mutual help in case of emergency, which is to be signed in the autumn.

April 3-4, 2003: Russian Deputy Foreign Minister Yuri Fedotov consults in Beijing with Chinese Deputy Foreign Minister Wang Guangya on the Iraq problem. The two sides issue a joint statement calling for the end of the hostility. Chinese FM Li Zhaoxing meets Fedotov.

April 8, 2003: FM Li talks on the phone with Russian counterpart Ivanov about the humanitarian situation in Iraq and urges a peaceful solution to the Iraq issue within the UN framework. Both sides call for a peaceful solution to the North Korean nuclear issue.

April 29, 2003: SCO foreign ministers meet in Almaty, Kazakhstan to finalize documents for heads of state meeting in late May in Moscow. They also discuss issues regarding SCO organization, Afghanistan, Iraq, regional security, and economic cooperation. China's ambassador to Russia Zhang Deguang is approved as SCO secretary general. Russian FM Igor Ivanov and Chinese FM Li discuss preparations for first visit to Russia by Chinese President Hu in May.

May 2, 2003: Russian President Putin sends condolences to President Hu after death of the crew of *Submarine 361*.

May 9, 2003: Russian FM Ivanov and Chinese FM Li discuss the Iraqi issue by phone and agree the UN should play an important role in postwar Iraq.

May 16, 2003: Deputy FM Yang Wenchang visits Moscow to coordinate Chinese and Russian positions on a UN Security Council resolution on postwar Iraq.

May 17, 2003: Russian Il-76 cargo plane lands in Beijing with 30 tons of medicine and equipment (\$1.33 million) from the Russian Ministry for Civil Defense and Emergencies to assist China's anti-SARS effort.

May 26-31, 2003: Chinese President Hu visits Russia on his first foreign trip as president. Hu conducts state visit to Russia (May 26-28), attends third SCO summit (May 29), and joins St. Petersburg's tricentennial celebration (May 30-31).

May 30, 2003: Russian Defense Minister Ivanov holds talks with Chinese Defense Minister Cao Gangchuan in Moscow.

June 3, 2003: Russia's Sevmash defense industry shipyards in Severodvinsk begin to construct two Kilo-class diesel submarines for China's Navy to be completed by 2005, part of May 2002 contract for eight diesel submarines for China.

June 16, 2003: China's Defense Ministry notifies Russia of three ballistic missile test launches planned for June. A Dong Feng-31 intercontinental missile, a Dong Feng-21 middle-range missile and a Ju Lang-2 submarine missile are to be tested.

June 16, 2003: Eight Russian teenagers attack and rob a Chinese embassy counselor in western Moscow.

June 18, 2003: Russian and Chinese foreign ministers hold talks in Phnom Penh during ASEAN Regional Forum annual meeting.

June 25, 2003: Chinese doctors, microbiologists, and infection experts arrive in Russia to research SARS. They will work in Russia until July 7; Russian scientists will work in China from July 10.

June 26, 2003: China and Russia agree to jointly survey oil and natural gas resources in their border areas. Scientists from China's Heilongjiang Province and Russia's Primorskiy Krai will make a separate survey within their territorial land some 200 kilometers away from the border according to a common standard method. A joint expert panel will coordinate the survey.

June 25–27, 2003: SCO Council of National Coordinators meets in Dushanbe to discuss budget and activities of SCO permanent agencies, the secretariat and the Regional Anti-Terrorist Center.

Australia-U.S. Relations
Mr. Howard Goes to Washington:
The U.S. and Australia in the Age of Terror

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As the planes struck on Sept. 11, 2001, Australian Prime Minister John Howard was in Washington for an official visit scheduled to mark the 50th anniversary of the ANZUS Treaty that formalizes the security alliance between Australia and the United States. He had met the president Sept. 10, and the two men had signed a statement affirming the vitality and strength of the bilateral strategic partnership between the two countries.

The poignancy of Howard's presence in Washington that day, and the symbolic significance of the anniversary that he was there to celebrate, have lent weight to the view that the events of Sept. 11 mark a fundamental turning point in the dynamics of the U.S.-Australia relationship, with a much strengthened trend to an even deeper and closer alliance than before. This view in turn is often adduced to support a wider hypothesis: that Australia under John Howard is undertaking a fundamental realignment of its international relationships away from Asia and toward the U.S.

There is evidence, some of it quite compelling, to support these views. Certainly over the intervening 22 months since that tragic day, Australia has been second only to the UK in the warmth of its support for the Bush administration's approach to the war on terror. The Howard government has put less rhetorical weight on Australia's relationships in Asia than did its predecessor, Paul Keating. Even so, one must be careful. Relationships as old, deep, and complex as that between the U.S. and Australia have a tempo and a trajectory that are not easily transformed by individual events – even events as resonant as the terrorist attacks of Sept 11. It may be that the current phase of evolution of the U.S.-Australia alliance, while obviously affected by the dramatic contemporary context, is also, and to a greater degree, reflecting the influence of longer-term, slower-acting, but in the end, more powerful forces.

* The opinions expressed in this article are those of the author.

Back Before...

John Howard's policy credentials, when he came to the prime ministership in the election of March 1996, were in economic issues. He had little engagement with the debates on Australia's foreign or defense policies. He had an instinctive respect for Australia's alliance with Washington, and a concern to do what was necessary to ensure that the alliance flourished. But Howard did not have the intense emotional empathy with U.S. political culture shared by many of his most influential political opponents in the Labor Party. His approach to the relationship with Washington, as to much else, was inherently conservative: he did not come to office with an agenda to transform the alliance or its place in Australia's overall international posture.

The most remarked-upon feature of Howard's early foreign policy was not a tilt toward America, but a perceived tilt away from Asia. There was an element of political artifice in this: Keating had driven Australia's engagement with Asia to such a high rhetorical pitch, and had identified himself so closely with it, that Howard had no political option but to adopt a more detached tone. But this intentional change of nuance was unintentionally amplified by international attention to the views of a high-profile independent member of Parliament, Pauline Hanson. Her extreme views on immigration and foreign policy were not John Howard's, but his reluctance, in the name of freedom of speech, to criticize her expression of them lent weight to the view that Howard was in some sense "anti-Asian."

In fact, in the late 1990s, the pace of Australia's engagement with Asia was slowing for reasons that had little to do with Howard or Hanson. Australia's inability to find a seat among Asian countries at the Asian-European Summit meetings was at one level a diplomatic pinprick, but it served as a discouraging reminder that after a decade of creative and energetic diplomacy in helping to build Asia Pacific Economic Cooperation (APEC) and the ASEAN Regional Forum (ARF), Australia was still not accepted on its own terms as part of the region. The financial and economic crises of 1997 and 1998, and Japan's decade of stagnation, dented Australians' long-held view that the economic miracle of Asia was the key to their future prosperity, especially as their own economy continued to perform strongly despite the downturn in Asia. The collapse of the Suharto regime in 1998, followed by the tumult in East Timor in 1999, killed off many Australians' faith in the ability to work constructively with their closest Asian neighbor. By the end of the 1990s, the slogans of the Hawke and Keating eras – that Australia's future security and prosperity would be found in and with Asia – started to sound dated.

But this did not produce any identifiable shift in policy toward a closer relationship with the U.S. During the Howard government's first term in office, some offers were made to Washington to expand U.S. military exercises in Australia, and a warm affirmation of the alliance was issued to mark the first annual meeting after the change of government between U.S. and Australian foreign and defense ministers in Sydney. But the Howard government's first Foreign Policy White Paper mentioned the U.S. only as the first among four equally important key relationships for Australia, alongside China, Indonesia,

and Japan. The administration's proudest diplomatic achievement in its first term was the rehabilitation of the relationship with China, which had been badly damaged by Chinese anger at Australia's strong support of the U.S. over the Taiwan crisis in March 1996.

Indeed, there was a slight coolness between the U.S. and Australian governments as the first American Century drew to a close. This was partly, perhaps mainly, a matter of leadership personality dynamics. Howard and Bill Clinton did not warm to one another. Their political and personal styles were diametrically opposed. Clinton treated Howard poorly during Howard's first visit to Washington as prime minister in 1996, announcing politically damaging quotas on lamb imports while Howard was en route to Washington, and then keeping him waiting in the rain before a scant 20-minute meeting. The resulting chill never quite thawed, and was in some ways deepened in 1999 when Clinton's support for Australian-led action in East Timor, though welcome and appropriate, was less than Howard apparently wanted and expected.

It is therefore somewhat ironic that it was in the midst of the East Timor crisis that Howard gave the interview in which the view was attributed to him that Australia should adopt the role of America's "deputy sheriff" in our neighborhood. In fact Howard never said any such thing. To the extent that he concurred with the idea when it was put to him by the interviewer – one of Australia's most respected journalists, Fred Brenchley – Howard most likely had in mind the idea that Australia would continue – as it was doing in East Timor – to take the lead in handling problems in its immediate neighborhood, rather than expressly doing so on behalf or at the behest of the U.S. The phrase, with its connotations of subordination, has taken on a life of its own, and Howard must take some responsibility for that. But it remains an inadequate expression of Howard's approach to the alliance – at least at the time it was uttered.

Howard and Bush

Howard's agenda for the relationship with the U.S. moved from conservative to ambitious with the election of George W. Bush as president in late 2000. Bush brought to the White House two things that changed the dynamics of the relationship. The first was Bush's own political and personal style, which Howard found very congenial after Clinton. In Bush, Howard found a president that he felt he could do serious business with. The second was a group of senior officials who knew Australia and were well known to Australian counterparts from their service in the Reagan and first Bush administrations, and from extensive contacts while they were out of office during the Clinton years – people like Deputy Secretary of Defense Paul Wolfowitz, Deputy Secretary of State Richard Armitage, and USTR Robert Zoellick. With counterparts like these, Howard and his team were encouraged to think more broadly about the opportunities available to develop the U.S. relationship in new directions, and more fully exploit the potential of an intimate relationship with the world's hyperpower at its zenith. For Howard, the chance to remodel the U.S. relationship probably had both national and political attractions.

There was no doubt that the maximum exploitation of our relationship with the U.S. was in the national interest, but in addition Howard probably welcomed the chance to put his own stamp on a relationship which until then had still retained the imprint of Labor's custodianship over the Hawke and Keating years.

The search for a new dynamic in the relationship was manifest in particular in the push for a bilateral free trade agreement (FTA) between Australia and the U.S., which moved to the top of the government's foreign policy agenda early in 2001. It was a telling choice as the focus of the push to reshape the relationship. The security relationship was already as close and warm as anyone could imagine. It seemed to offer little opportunity for new developments and initiatives. The economic relationship, on the other hand, was relatively underdeveloped, at least on the political level. Trade issues had traditionally been a source of tension on the Washington-Canberra circuit, with differences over U.S. agricultural trade policies – like the ill-timed lamb quotas – a particular irritant. The FTA was seen as a way to inject into the economic relationship some of the glamour and intimacy that has hitherto been the monopoly of the security alliance.

The FTA was always conceived in broad terms. It was not promoted by its proponents as a route to traditional trade benefits like better market access in particular sectors. It was promoted in more general terms as a way of establishing a closer overall enmeshment of Australia's economy with the U.S. behemoth, of drawing the two countries closer together, and even as a way to enhance still further the security relationship. Opponents argued that it would blunt Australia's commitment to push for multilateral trade liberalization under the World Trade Organization (WTO) and signal a turn away from Asia as the prime locus of our economic aspirations. Some of those concerns may have been overdrawn, but it is probably fair to say that a FTA with the U.S. would have had little appeal before 1997, when Asia's economies seemed set to be the powerhouse of global prosperity in the new century.

Of course, there remained significant doubts about the achievability of an FTA. These doubts included whether the Bush administration was really committed to it, especially when the U.S. was already embarked on an ambitious program of FTAs with other countries, and whether our negotiators could reach an agreement with the U.S. on an FTA which would provide sufficient concrete benefits to the Australian economy to offset the sacrifices we would no doubt be called upon to make to U.S. demands.

That is how things stood on the morning of Sept. 11, 2001.

Sept. 11 – the First Shock

It is perhaps hard now to quite capture in the imagination the simplicity, strength and spontaneity of our first reactions to the attacks of Sept. 11. *Le Monde*, no less, led with the now famous headline, "We are all Americans now." How much more strongly did Australians, with their much less ambivalent affection for America, identify with America, empathize with – and share – its shock and suffering, and support its

spontaneous declaration of a “war on terror?” Despite the symbolic potency of Howard’s own presence in Washington on the day, it is doubtful that his presence did much if anything to amplify Australians’ responses to the images on their screens.

For Australians, that impact was amplified by the fact that over the preceding weeks the country had been fixated by the drama of attempted illegal immigrants rescued from their sinking boat in the waters to Australia’s north by a Norwegian container ship, the *Tampa*. The government in Canberra took an unorthodox and controversial, but ultimately very popular stand. They refused to allow the *Tampa* to land the castaways in Australia, and arranged for them to be sent to neighboring Pacific Island countries for processing. Substantively the issue had nothing to do with terrorism, but the fact that many of the would be immigrants apparently originated in Afghanistan made it easy to link what was happening in America to a sense of the porousness of our own borders at home.

Like many other countries, Australia responded quickly to U.S. requests for military and other forms of support in the war on terror. After NATO invoked Article Five of the Treaty, Australia followed by formally invoking the equivalent article of the ANZUS Treaty as the basis for Australian support for the war on terror. This had no practical significance, but it did convey potent symbolism – that the attack on the U.S. endangered Australia’s “peace and safety,” and that it would act with the U.S. to “meet the common danger.” A large majority of Australians strongly supported the government’s commitment of forces to military action in Afghanistan. The scale of the military commitment was relatively small, the key element being a company-group sized contingent of Special Forces, and after they were withdrawn Australia declined to contribute to the multinational peacekeeping effort. Australia’s military contribution to the first phase of the war on terror was substantial and significant, but hardly exceptional compared to those of many other countries.

Redefining the Alliance

Nonetheless the overall impact of Sept. 11, the war on terror, and Australia’s engagement in Afghanistan did change the public mood in Australia, and created a whole new context for thinking about the future of the U.S. relationship. Howard won his third general election in October 2001 following a campaign inevitably dominated by defense and security issues – a policy area once considered his weak suit and the natural strength of his Labor opponent, Kim Beazley. The sense that the security environment had been transformed post-Sept. 11, the speed of the coalition victory in Afghanistan, and the depth of Australian public support for America’s war on terror, all pointed to the conclusion that security rather than economics would determine the future of the U.S. alliance. Howard sensed the opportunity, indeed perhaps the inevitability, of reconceptualizing the relationship with the U.S. in terms of this new security environment.

In the meantime, the war on terror was metamorphosing in important ways. After the swift fall of the Taliban, the focus of war against al-Qaeda moved from high-profile military actions to slow and secret intelligence and police work. But in Bush’s January

2002 State of the Union address, a whole new front was opened up against the “Axis of Evil,” and especially against Iraq. At first, the Australian government was somewhat cautious about this new direction. Australian ministers gently observed that while they could sympathize with American concerns about the countries identified as being on the axis, they would express those concerns in different ways. But these nuances became marginalized as the Bush administration’s campaign to build support for possible military action against Iraq accelerated. Without making an irrevocable military commitment, Australian ministers expressed early support for the Bush approach to Iraq, and endorsed the radical evolution of U.S. strategic policy as spelled out in President Bush’s June 1, 2003 West Point Academy address. Howard visited the U.S. in June, and expressed unequivocal support for U.S. policies and approaches. He addressed a joint session of Congress in the warmest terms. “America has no firmer friend anywhere in the world than Australia,” he said. The U.S. alliance was to be redefined, reinforced, and reinvigorated to meet the new challenges of the war on terror. The FTA, though still a key priority, was seen more as a component of this wider security-driven agenda.

Over the same period, however, the war on terror was metamorphosing in other ways as well. In January 2002, evidence emerged from Afghanistan of plans for al-Qaeda affiliates in Southeast Asia to attack Western targets (including Australian) in Singapore. This was not a complete surprise. Australian agencies had been tracking the rise of globally networked Islamic extremist organizations with terrorist leanings in Southeast Asia for some years, and Osama bin Laden in his first taped message after the Sept. 11 2001 attack had explicitly mentioned Australia as a target of al-Qaeda. Concerns grew that Australia’s own region – especially Indonesia – would become part of the front line of the war on terror. These concerns reinforced longstanding Australian anxieties about the security of its immediate neighborhood, often described as an “arc of instability” stretching from Indonesia to the weak and failing states of the Southwest Pacific.

Terrorism Comes Home to Australians

These concerns about the dangers that Australia might face closer to home started to complicate the government’s support for the U.S.-led campaign against Iraq. Howard recognized the global nature of the terrorist threat and the problem of weapons of mass destruction (WMD), but he was also conscious of the primacy that Australians would expect him to give to the regional manifestations of these global problems. At the same time, the government appeared to recognize that international support for the U.S. position on Iraq was weaker than they had hoped and expected, and that many Australians were uncomfortable with aspects of new U.S. strategic doctrines that seemed to focus on unilateral preemption. It was no surprise when Howard gave an address marking the first anniversary of the New York and Washington attacks on Sept. 11, 2002, he expressed both strong support for the U.S. approach to the war on terror, and also affirmed that Australia’s highest security priorities remained close to home in his own region. It was also not surprising that reports – authoritatively sourced, but never conclusively confirmed – started to suggest that the U.S. had pressed the Howard government to offer a somewhat larger contribution to a possible military coalition in Iraq than Canberra was prepared to provide. In fact, it is clear that around August and

September 2002, the Howard government was working hard alongside the UK government – and against influential members of the U.S. administration – to urge the U.S. down the UN route to seek broader international support for any action against Iraq.

On Oct. 12, 2002 the war on terror came home to Australians, when the terrorist bombing in Bali killed 88 Australians as well as many more Indonesians and a large number of other nationals. This tragedy both reaffirmed Australia's commitment to the war on terror and reinforced the tendency to keep Australia's efforts focused close to home. But, nonetheless, the Howard government sustained its support for U.S. policy on Iraq. This generated significant anxiety in Australia and a fair amount of outright opposition. Early in 2003, a series of antiwar rallies brought several hundreds of thousands of people onto the streets in what were by Australian standards very large demonstrations. The failure of the U.S. administration to attract wider international support, and the debacle in the Security Council in February and March 2003, added to the discomfort. The government managed these tensions by sustaining support for U.S. policy, while keeping the Australian military contribution relatively small and making clear that it did not intend to contribute forces to the post-occupation reconstruction and peacekeeping operations.

The Labor opposition, led by Simon Crean since the 2001 election, opposed military action in Iraq that did not have UN support, and therefore found itself opposing the war Australian forces were being deployed to fight and apparently distancing itself from the U.S. alliance that Labor governments in the 1980s had worked so hard to cultivate. This marked the most significant departure from bipartisanship in the Australian Parliament on a key strategic issue since the debates in the 1960s over Australian contributions to Vietnam.

But the war came. Australia's small contribution – Special Forces, F-18s, maritime patrol and tanker aircraft, naval ships, and divers – performed creditably and took no casualties. True to Howard's word, they were mostly quickly withdrawn after the fall of Baghdad, and Australia has not contributed units to peacekeeping operations. The swiftness of initial victory, pride in the Australian forces' achievements, and Australia's relative detachment from the perils and frustrations of Iraq's rehabilitation, have all deflected much of the dissent expressed before the war, and limited the costs to Australia's relationships with its Islamic neighbors.

After Iraq

With the fall of Baghdad, American strategic policy has lost much of its post-Sept. 11 simplicity. The future trajectory of the war on terror has become more complex and less straightforward. For the foreseeable future, Washington will be preoccupied with the pacification and democratization of Iraq. Australia will have little part to play in that. The other key priorities over the coming months will be North Korea and Iran – both urgent and important security issues, but neither looking amenable to the kind of swift and muscular action that has characterized the Bush administration over the past 22 months. Australia has key interests, especially in the North Korean situation, but short of a disastrous war, it is hard to see Australia taking a high-profile role. Nonetheless,

Canberra joined the 11-nation “coalition of the willing,” that in Madrid agreed to more aggressively impede the spread of weapons of mass destruction primarily through greater maritime law enforcement efforts. Australia hosts the second coalition meeting in Brisbane in early July.

Meanwhile, Australia’s own attention has refocused swiftly back on its own immediate region, where the government has announced in recent weeks a significant change in policy approaches to the Southwest Pacific. Weak and failing states in this close neighborhood have been calling for a more engaged and activist Australian response, and Canberra has now announced that it is going to abandon a traditional hands-off approach and do more to help. Initially, Australia is set to lead a coalition of local states to restore law and order in the strife-torn Solomon Islands; later it may look at more active aid and other policy approaches to other Southwest Pacific neighbors in trouble. Attempts to portray this policy shift as an application of the Bush doctrines of the war on terror on a local scale are far-fetched; the problems that need fixing, and the pressure on Australia to do more to help, would be there even if Sept. 11 had never happened.

At least on the operational level it seems that the pace and profile of U.S.-Australian military cooperation in the war on terror may be slowing down for the first time since Sept. 11. But that does not mean the underlying questions posed by the war on terror have been answered, nor that the opportunities offered by it to reconfigure the U.S.-Australia alliance have all been exhausted. On the contrary, some of the biggest issues are still on the table. Australian policymakers are still wrestling with the implications of Sept. 11 for Australia’s long-term strategic policy.

One key question is how to strike the balance in shaping Australia’s forces between capabilities to defend Australia against conventional attack, capabilities to undertake the kind of low-level operations now being launched in the Solomons (and still being maintained in East Timor), and capabilities to slot into U.S.-led coalitions in high-intensity conflicts far from home. At stake in this question is the principle of self-reliance. Australia took to heart the U.S. Guam Doctrine of 1969, which said that U.S. allies should be able to look after themselves, and has for the past 30 years designed its forces to do just that. Does that still make sense? Also at stake is the issue of the degree to which Australian capabilities should be shaped to fit in with U.S. forces. After his trip to Washington in June last year, Howard decided that Australia would abandon a competitive tender to select a new combat aircraft, and plan instead to buy the U.S. Joint Strike Fighter. Should that be the pattern of the future?

Finally, these issues will impinge upon the question of Australia’s attitude to the possibility that the U.S. might seek to use Australia as a base for mounting or sustaining combat forces. Despite the closeness of the alliance, no U.S. combat forces have been permanently based in Australia since World War II. No proposition has been put to Canberra at this stage, but as the U.S. reconfigures its forward posture in the Western Pacific over the coming years, the question may well arise.

The answers to these questions will shape the long-term development of the U.S.-Australia alliance. All of them will be influenced by the events of Sept. 11 and the subsequent war on terror. But equally they will be influenced by a range of other potentially longer-term issues: how U.S. strategic objectives and postures in the Western Pacific evolve, how Australia's closer neighborhood develops, how Australians come to see themselves and their place in the world. It is far from clear what the answers to any of these questions will be and it is likewise not clear, even post-Sept. 11, that Australia is indeed committed to ever-closer strategic integration with the U.S.

Chronology of U.S.-Australia Relations* **January 1996-December 2000**

March 11, 1996: John Howard elected prime minister, defeating Labor incumbent Paul Keating.

March 25, 1996: Taiwan Strait Crisis; PM Howard condemns China's intimidation of Taiwan's first democratic elections and supports dispatch of U.S. aircraft carriers to the region.

July 27, 1996: Joint Security Declaration is released at the annual Australian-United States Ministerial talks (AUSMIN). The "Sydney Statement" declares that, "[t]he Australia-United States security relationship, having proved its value for five decades, will remain a cornerstone of Asia Pacific security into the 21st century."

Aug. 28, 1997: Australia's Department of Foreign Affairs and Trade releases "In the National Interest," which states that "[t]here is no strategic relationship closer than that which Australia shares with the United States, whose strategic engagement and commitment underwrites the stability of East Asia."

July 1997-1998: The Asian financial crisis cripples financial markets in the region. Australia contributes to IMF rescue packages for countries most effected, including Indonesia, Korea, and Thailand.

May 21, 1998: Indonesia's President Suharto is forced to resign as an estimated 2,500 people are killed in riots across Jakarta.

July 12, 1999: PM Howard meets with President Clinton in Washington.

Sept. 29, 1999: Following an interview between Prime Minister Howard and journalist Fred Brenchley in *The Bulletin*, it is subsequently misreported that Australia is to adopt the role of America's "deputy sheriff" in its regional foreign policy.

Oct. 25, 1999: Australia leads a UN sanctioned International Force in East Timor and plays a key role in East Timor's movement toward independence in 2002.

* My thanks to Dougal McInnes of ASPI for preparing the chronology.

Dec. 6, 2000: Australia's Department of Defence releases "Defence 2000: Our Future Defence Force," which affirms that "Australia's undertakings in the ANZUS Treaty to support the United States are as important as the U.S. undertakings to support Australia."

January-December 2001

Aug. 26, 2001: Norwegian-flag container vessel *Tampa*, collects 438 asylum seekers from a stranded Indonesian fishing vessel, but the Australian government refuses to allow the ship into its territorial waters.

Sept. 10, 2001: PM Howard meets with President Bush in Washington as part of the 50th anniversary celebrations of the ANZUS Treaty signed Sept. 1, 1951. The two leaders sign a joint statement reaffirming the strength and vitality of the bilateral relationship between the two countries.

Sept. 11, 2001: Terrorist attacks in New York, Washington, and Pennsylvania kill more than 3,500 people, including 10 Australians.

Sept. 14, 2001: PM Howard returns from Washington and invokes Article IV of the ANZUS treaty for the first time. Howard declares the terrorist strikes an attack on Australia, and that the invocation of the treaty "demonstrates Australia's steadfast commitment to work with the United States."

Oct. 7, 2001: U.S. commences "Operation Enduring Freedom" against Taliban forces in Afghanistan, the first conflict in the "war against terror."

Oct. 17, 2001: After a request from President Bush, PM Howard officially commits 1,550 military personnel to "Operation Enduring Freedom." The deployment includes two 707 aircraft refuelers, a 150-man SAS squadron, and an Orion Aircraft. Twenty-six other countries also contribute forces.

January-December 2002

Feb. 16, 2002: Australia suffers first non-U.S military fatality in Afghanistan when SAS Sgt. Andrew Russell is killed by a land mine.

March 11, 2002: In a speech on the six-month anniversary of the Sept. 11 attacks, President Bush praises Australia in the fight against terrorism and singles out Sgt. Russell and his family for special praise and remembrance.

May 28, 2002: Australian government sends ASIO, federal police, and foreign affairs officials to Camp X-Ray, Guantánamo Bay to interview two Australian captives, David Hicks and Mamdouh Habib, suspected of al-Qaeda links.

June 8-13, 2002: PM Howard visits U.S. and addresses joint session of Congress (the first PM to visit since 1988) and declares: “My friends, let me say to you today that America has no better friend anywhere in the world than Australia.”

June 27, 2002: Australia joins U.S. in \$200 billion development phase of the Lockheed Martin Joint Strike Fighter (JSF) Program.

July 12, 2002: FM Alexander Downer delivers speech in Dallas, “reaffirming Australia’s commitment to the dynamic and diverse relationship with the United States.”

Aug. 29, 2002: In Canberra, FM Downer delivers speech on the strategic importance of a free trade agreement to Australia-U.S. relations, stating that it is “now a major policy objective for the Government.”

Oct. 12, 2002: Terrorist attacks in Bali, Indonesia kill 202 people, including 88 Australians and 7 Americans.

Oct. 13, 2002: President Bush calls PM Howard to express his country’s deepest sympathies for the Bali bombings, stating that the attack is a reminder that the war against terror must continue.

Oct. 30, 2002: Australia-U.S. ministerial (AUSMIN) talks held in Washington.

Nov. 14-15, 2002: In Canberra, U.S. Trade Representative Robert Zoellick formally announces America’s intention to negotiate an FTA with Australia.

January-March 2003

Feb. 10, 2003: PM Howard travels to the U.S. for talks. Bush confirms that Australia is part of the U.S. “coalition of the willing” in any military action against Iraq.

Feb. 12, 2003: DFAT releases policy white paper which states, “Australia’s links with the United States are fundamental for our security and prosperity and that the strengthening of our alliance is a key policy aim.”

Feb. 12, 2003: Simon Crean, leader of the Australian Labor Party, rejects criticism from U.S. Ambassador to Australia Tom Schieffer that he had indulged in anti-American behavior, broken long-standing bipartisan support for the American alliance, and failed to develop meaningful relationships with members of the Bush administration.

Feb. 27, 2003: Crean meets with Schieffer, who agrees not to interfere in domestic Australian politics.

March 16, 2003: Schieffer says he has noticed wave of anti-Americanism across Australia.

March 17, 2003: President Bush advises Saddam Hussein and his sons that they have 48 hours to leave Iraq.

March 17, 2003: PM Howard pledges support to the U.S. military campaign in Iraq “Operation Iraqi Freedom.”

March 17-21, 2003: First round of Australia-U.S. FTA negotiations begin in Canberra.

March 18, 2003: President Bush formally asks Australia to be part of the U.S. “coalition of the willing” in military operations against Iraq.

March 20, 2003: PM Howard tells Australian people that he has committed up to 2,000 Defence Force personnel to a U.S. coalition to disarm Iraq of weapons of mass destruction. The commitment includes Navy frigates, a Special Forces Task Group, a squadron of F/A-18 aircraft, and C-130 Hercules aircraft.

March 31-April 2, 2003: FM Downer visits Washington and New York, meeting with President Bush and his administration.

April-July 2003

April 1, 2003: U.S. Senate thanks Australia for its support in the war against terror.

April 16, 2003: Australian Navy seizes DPRK vessel, the *Pong Su* for smuggling illegal drugs.

May 1, 2003: Australia’s Defence Minister Robert Hill announces the beginning of “Operation Catalyst,” Australia’s military contribution to assist postwar Iraq.

May 1, 2003: U.S. Congress establishes a caucus devoted to Australia. The immediate aim of the “Friends of Australia Congressional Caucus” is to support the U.S.-Australia FTA.

May 1, 2003: Australia’s DM Robert Hill announces beginning of “Operation Catalyst,” Australia’s military contribution to assist post war Iraq.

May 2-4, 2003: PM John Howard visits President Bush in Crawford, Texas.

May 2-3, 2003: PM Howard visits President Bush at his Crawford Ranch in Texas. Bush states that an FTA between the two countries could be completed by the end of the year for submission to the U.S. Congress in 2004.

May 19, 2003: Second round of U.S.-Australia FTA talks begins in Hawaii.

May 22, 2003: DM Hill denies report that there are plans to base U.S. military forces in Australia.

May 31, 2003: Deputy Secretary of Defense Paul Wolfowitz, repeats comments of Australia's Ambassador to Washington, Michael Thawley: "We know what is right. We do what is needed. We stick by our mates."

June 1, 2003: DM Hill says that Australia will increase joint exercises with U.S. forces, allowing the U.S. to conduct their own training operations in Australia, and expand Australian ports facilities for the U.S. Navy.

June 3, 2003: Speaking in Tokyo, Deputy Secretary Wolfowitz indicates that a strategic realignment of U.S. forces could see a greater emphasis placed on Australia in the Pacific region.

June 12, 2003: Eleven nation "coalition of the willing" supports U.S. Proliferation Security Initiative in Madrid.

June 13, 2002: Australian PM John Howard meets President Bush at the White House.

June 25, 2003: PM Howard announces Australian soldiers and police will be sent to Solomon Islands (following request by its PM) to prevent drug dealers and terrorists from exploiting current instability.

About the Contributors

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