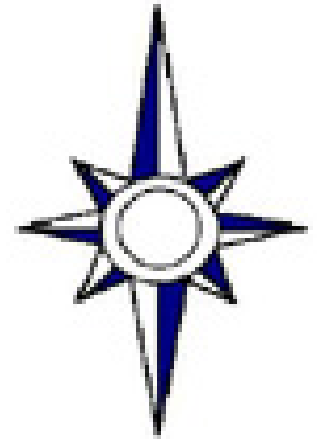




P a c i f i c F o r u m C S I S



Comparative Connections



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

edited by

Ralph A. Cossa
Eun Jung Cahill Che

4th Quarter 2000
Vol. 2, No. 4
January 2001

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Pacific Forum CSIS

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

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

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A Quarterly Electronic Journal on East Asian Bilateral Relations

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

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

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

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by Michael Jonathan Green, Council on Foreign Relations

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by Carlyle A. Thayer, Asia-Pacific Center for Security Studies

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by James J. Przystup, The National Defense University

The early October visit of China’s Premier Zhu Rongji to Japan served as the quarter’s political and diplomatic centerpiece, providing for an across the board review of outstanding issues. Zhu’s agenda focused on pending cuts in Japan’s development assistance budget, the efforts of both governments to develop a mutual prior notification system for maritime research activities, and the always politically sensitive issue of history. Meanwhile, economic relations continued to expand, with the Japanese private sector paying particular attention to Beijing’s western development plan and China’s growing interest in information technology. However, at the end of December, Beijing’s finding against Japan’s steel industry for dumping practices raised temperatures in Tokyo, along with the possibility of retaliation against China’s textile industry.

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Ever bang your head against a brick wall countless times? This must be how Japanese negotiators feel after another quarter of normalization talks with North Korea. Despite Tokyo’s earnest efforts, a breakthrough in deadlocked talks was not achievable. While hope springs eternal that the new year may bring progress, the future path is far from clear, given a variety of factors in Tokyo, Seoul, and Washington that may suggest a new algorithm in bilateral relations with Pyongyang. Regarding Seoul-Tokyo relations, the quarter was a fairly quiet one. Trilateral coordination with the U.S. on North Korea continued functioning in the form of the Trilateral Coordination and Oversight Group. Of most interest was the growth of Japan-South Korea-China links, suggesting initial steps toward greater institutionalization of the region.

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The year 2000 was, by any standard, unprecedented in the annals of North Korean diplomacy. The first and last months of the year saw full relations established with two G-7 nations, Italy and the UK. In between came a dazzling array of activity with pride of place going to the first North-South summit in June and the wholly new phase of regular and substantive inter-Korean dialogue that has ensued. Diplomatically speaking, the DPRK blazed away on all barrels in all directions, both reviving old alliances and embarking on new ones. Startling spectacles came in quick succession; from DPRK Vice Marshall Jo Myong-rok taking tea at the White House to Secretary of State Albright in Pyongyang watching a mass display in praise of communist power. We are in a new phase, which has no pre-written script. The challenge in 2001 will be for the DPRK to show that its change is more than just cosmetic and tactical by imbuing its new formal ties with substantive content.

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Editors’ Note: In response to reader feedback and in keeping up with current events, we are dropping separate Japan-Russia coverage this quarter and will make North Korea-South Korea Relations a regular feature, following this issue’s review of the past year of DRPK activity. Significant Russo-Japanese developments will be addressed in the Regional Overview and in U.S.-Russia or Russia-China coverage, as appropriate.

**Regional Overview:
Democracy in Progress . . . or in Peril?**

**by Ralph A. Cossa,
Executive Director, Pacific Forum CSIS**

This was not a great quarter for democracy in Asia. From attempts to remove sitting presidents in the Philippines and Taiwan to a ruling party near-coup in Japan to questions of eligibility of the leading candidate (and ultimate victor) in Thailand to disturbing political instability in Asia's newest and most fragile democracy, Indonesia, the democratic process seemed under attack . . . and many point to the events in Florida to argue that even after over 200 years, kinks remain. Fortunately, with the notable and serious exception of Indonesia, one can argue that this merely represents democracy--"the worst form of government, except all the others," as Churchill once observed--very much in progress, and not in serious peril.

Despite this political turmoil and a series of significant multilateral (and unilateral) gatherings, most Asian capitals seemed more fixated on the "battle of the dimpled chads" in Florida, amid growing anxiety as to what a new U.S. administration portends for Asia. This anxiety ranged from concerns among Chinese that they would not be liked enough to apprehensions among Japanese that they would be liked too much to fears on the Korean Peninsula that North Korea would not be liked at all. Even though the Bush administration has more than a fair share of old Asia hands well-known in the region, such concerns are to be expected whenever an administration changes. Some suggestions to the new administration as to how best to address regional anxieties are offered, nonetheless.

Democracy in Progress

Rumors of democracy's demise in Asia at present are clearly overstated. Yet, there is no question that this past quarter was not democracy's finest hour, in Asia or in the U.S. But, the key point worth remembering is, at least thus far, the process still works. While some Asian leaders took delight in tossing out barbs about the need for overseas observers at U.S. elections, most comments came from officials who remain unprepared to submit themselves to a similar true test of the will of the people.

The Florida experience nonetheless should remind Americans that democracies are not perfected overnight and need constant nurturing and fine-tuning. That fine-tuning is very much in evidence in many of Asia's new and emerging democracies today. Efforts by nations like Thailand to root out corruption, for example, while causing some near-term pain and disruption, auger well for the future of democracy there. Others would still do well to follow the Thai model, despite its obvious imperfections and growing pains.

Charges of government corruption are also behind the efforts to remove Philippine President Estrada. George Bernard Shaw once observed that "democracy is a device that

insures we shall be governed no better than we deserve.” Surely the Philippine people deserve better government than they have received of late. The strength of democracy is that it provides a process for holding governments accountable or for affecting peaceful change. There is a constitutional process, which is being followed--at this writing Estrada’s impeachment trial was continuing in the Philippine Senate. While talk of military involvement in bringing about a change of government remains disturbing and must be carefully monitored, it seems a good bet that once the dust settles, the Philippine presidency will either remain in Estrada’s hands or proceed to his constitutional successor, current Vice-President Gloria Macapagal-Arroyo. Any other outcome would represent a serious setback for Philippine democracy and no doubt cause serious strains in Manila’s relations with Washington, among others.

Taiwan President Chen Shui-bian’s political travail aptly demonstrates that it is much easier to lead an opposition than to run a government; he is not the first leader to encounter this phenomena. From the viewpoint of this observer, however, Taipei’s political “crisis” is primarily about hard-ball politics and power-sharing; thus far it falls well short of representing a constitutional crisis. It has, however, severely limited Chen’s ability to move his government forward and has affected consumer and investor confidence in Taiwan. It has also helped to guarantee a lack of progress in cross-Strait interaction, since Beijing is taking obvious delight in Chen’s struggles and is unlikely to do anything that would earn him points domestically. However, should Chen’s solution be to form an alliance (or at least a marriage of convenience) with opposition Kuomintang factions still sympathetic to former President Lee Teng-hui, Beijing may wish it had been more responsive to Chen earlier.

In Japan, infighting among Liberal Democratic Party (LDP) factions is hardly anything new, although both the nature of Kato Koichi’s late November challenge to Prime Minister Mori and its dismal failure took many by surprise. The Mori government has survived for now but few expect Mori to still be in charge at summer’s end, if he lasts that long. While prospects for internal reform and speedy economic recovery appear slim as a result of continuing leadership inertia and instability, Japan’s foreign relationships remain largely unaffected. The December appointment of former Prime Minister Hashimoto to a cabinet post in charge of Okinawa developments and Northern Territory issues is encouraging and may bode well for bilateral relations between Tokyo and both Washington and Moscow, although Hashimoto’s earlier dream of a Russo-Japanese Peace Treaty by the dawn of the new millennium failed to materialize.

The country where the democratic process appears most at risk is in Indonesia, given President Abdurrahman Wahid’s mercurial actions and his failure thus far to live up to promises to transfer significant authority over day-to-day operations to his Vice President Megawati Sukarnoputri (who remains largely untested herself). U.S. attempts to pressure Jakarta to hold an increasingly demoralized army accountable for past sins while stressing the urgent need to disarm West Timor militias and handle other separatists in a kinder, gentler way may seem reasonable in their own right, but will be for naught if the democratic experiment in Indonesia fails. Conversely, if democracy takes hold in

ASEAN's preeminent capital--which remains possible but is by no means assured--it could prove an irresistible force throughout the rest of Southeast Asia and beyond.

Multilateral (and Minilateral) Activities

There was also a flurry of multilateral summitry this past quarter, which provided opportunities for numerous one-on-one contacts and some East Asian community building as well.

APEC Meeting. From a U.S. perspective, the most significant multilateral gathering of the quarter was the November 15-16 Asia Pacific Economic Cooperation (APEC) Leaders' Meeting in Brunei. This proved to be President Clinton's swan song visit to Asia--he had wanted to make one more Asian visit, to North Korea, but finally concluded that there was insufficient time available to assemble a missile deal significant enough to warrant a presidential visit. [For this author's views on why the DPRK trip would have been a mistake, see [PacNet 46-2000](#).] Clinton did, in conjunction with the APEC trip, also visit Vietnam; a long overdue visit, the first by a U.S. president since the end of the Vietnam War. Clinton's visit provided a useful reminder that "Vietnam is a country, not a war."

Not a great deal of substance came out of the APEC gathering. The leaders did call for a new round of global trade talks but continuing disagreements over the agenda prevented them from agreeing on a target date. Developing states are particularly adverse to the inclusion of several favorite American topics: environmental protection and workers' rights. All continue to play lip service to the concept of global integration but significant differences remain over how to best deal with the wide range of social and economic challenges that globalization poses. Meanwhile, as Pacific Forum economic analyst Jane Skanderup points out, APEC's consensus-building approach has been allowed to provide a convenient excuse for some members to resist or impede liberalization. This has helped stimulate moves by some more progressive APEC members to create bilateral Free Trade Agreements among themselves. Singapore Prime Minister Goh Chok Tong summed it up quite nicely: "Those who can run faster should run faster. They should not be restrained by those who don't want to run at all."

While APEC's sense of common purpose has suffered in recent years, the annual Leaders' Meeting still provides a useful opportunity to draw attention to--and to keep pressure on toward the achievement of--the Bogor Declaration's 2010 and 2020 open market goals for developed and developing states respectively. The meeting also presents an important opportunity for bilateral mini-summits, this year including Clinton's final one-on-one meetings with Chinese President Jiang Zemin, Russian President Putin, Japanese Prime Minister Mori, and ROK President Kim Dae-jung.

ASEM. Earlier in the quarter, on October 20-21, leaders from throughout Europe and East Asia met in Seoul for the third Asia-Europe Meeting (ASEM). The leaders agreed to an "Asia-Europe Cooperation Framework 2000," which will chart ASEM's course of development over the next decade. The 26 assembled leaders (10 Asian and 15 European

heads of state plus the head of the European Commission) also adopted “The Seoul Declaration for Peace on the Korean Peninsula,” which envisions improved ties between North Korea and ASEM member countries (although it was clear that some members, like France, were less inclined than others to speed this process along). This biennial meeting has helped to build a sense of community among the nations of East Asia, in addition to its stated purpose of fostering better Europe-Asia ties. Sitting on the outside looking in were the U.S. (who barely peeked) and Russia (whose curiosity remains peaked), plus Australia and New Zealand--the exclusion of the latter two remains a sore point in relations between ASEAN and its two South Pacific neighbors, who see themselves as members of the East Asian community of nations as well.

ASEAN Plus Three. Australia and New Zealand are even more eager to be included in ASEAN Plus Three (China, Japan, ROK) gatherings, but even less likely to be invited. The fourth informal meeting of ASEAN Plus Three leaders was held in Singapore in late November. The main topic on everyone’s mind was the impact that China’s impending entry into the World Trade Organization (WTO) would have on the ASEAN states’ economies. ASEAN members remained nervous despite assurances from Chinese Premier Zhu Rongji that the impact would be minimal. For its part, China proposed the creation of a China-ASEAN Free Trade Area, which was quickly expanded into a discussion of an ASEAN Plus Three or East Asian FTA. Members agreed to study the creation of such a zone and to consider upgrading this annual informal summit into a more institutionalized East Asia Forum. This year’s host, Prime Minister Goh was quick to point out, however, that there was a need to proceed slowly--“I myself would not recommend a hasty evolution,” Goh noted--while also making it clear that “this is not an attempt to shut out Washington from Asia.” It does, however, represent an attempt to develop more institutional links between Southeast and Northeast Asia, in what could eventually form the basis of a greater East Asian sense of community.

Plus Three Meeting. For the second year, ROK President Kim Dae-jung, Japanese Prime Minister Mori Yoshiro, and Chinese Premier Zhu Rongji held a separate breakfast meeting along the sidelines of the ASEAN Plus Three meeting. The three agreed that these informal side meetings should become an annual event. They also agreed to set up a joint economic research program to strengthen trilateral economic cooperation. While the focus of this exercise in minilateralism remains on economics, Japan and the ROK appear eager to place political and security topics on the agenda as well. In addition to improving three-way coordination and helping to bridge the Southeast Asia-Northeast Asia gap, the separate Plus Three gathering is helping to improve Sino-ROK, Sino-Japanese, and ROK-Japan bilateral ties and may also provide a base upon which to build a broader Northeast Asia dialogue, which remains lacking.

TCOG. One other minilateral effort that continues to thrive is the ongoing practice among the ROK, Japan, and United States to closely coordinate their North Korea policies through the Trilateral Coordination and Oversight Group (TCOG). There were two working level TCOG meetings this quarter, in Washington in early October just before DPRK Vice-Marshall Jo Myong-rok’s visit, and again later that month in Nara, Japan shortly after U.S. Secretary of State Madeleine Albright’s trip to Pyongyang. This

habit of cooperation was further solidified when Japanese Foreign Minister Kono Yohei traveled to Seoul to meet with Secretary Albright and ROK Foreign Minister Lee Joungh-binn on October 25, in order to receive a first-hand account of Albright's just-concluded meeting with North Korean paramount leader Kim Jong-il. Given the success of this cooperative effort, one would expect that the Bush administration would attach a high priority to continuing this trilateral dialogue and coordination process.

Bush Administration Challenges

In trying to forecast future U.S. policy in Asia, one can argue that continuity is likely to be order of the day--U.S. national interests do not change when administrations do. In most instances, policy adjustments will be tactical ones or represent shifts in emphasis. No early major surprises are anticipated. Nonetheless, the second most-asked question among Asians during the past quarter seemed to be, "how will the change in U.S. administrations affect Asia?" (the first being "who won?").

In Beijing, there were concerns that the PRC would not be liked enough, given Bush's references to China as a "strategic competitor." In Tokyo, there were apprehensions that Japan would be liked too much; that Washington would expect more from its steadfast ally than Japan was prepared to deliver. On the Korean Peninsula, there were fears that North Korea would not be liked at all; that a more hardline Republican administration would refuse to bargain with Pyongyang or adequately support the ROK's Sunshine Policy. Elsewhere in Asia, there were questions about a continued U.S. commitment to the multilateral process and about how the new team would pursue traditional issues such as the promotion of democracy, human rights, and free trade.

Although the new Bush national security and foreign policy teams contain many Asia hands well-known (and well-respected) in the region, such concerns are normal whenever an Administration changes--remember the anxiety levels eight years ago when a relatively unknown Arkansas governor was about to take the helm in Washington? Nonetheless, some (unsolicited) advice is offered to the new administration as to how best to address regional anxieties.

Japan. The Bush security team has long made it clear that top priority would be given to the maintenance of U.S. bilateral security relationships in general and to the reinvigoration of the U.S.-Japan alliance in particular. This is nothing new! Every major Asia policy or strategy statement issued by the Clinton administration (and by its immediate predecessors, for that matter) highlighted the importance of bilateral alliances and the role of Japan as the "lynchpin" or "foundation" of American security strategy in Asia. But, there were periods when the Japanese, not without some due cause, felt themselves the victim of Japan "bashing" or "passing" over the past eight years. If the October 2000 National Defense University "Armitage/Nye" report on "The United States and Japan: Advancing Toward a Mature Partnership" is any guide--and most observers are assuming it is until it is proven otherwise--the Bush administration will be looking to Japan as a more equal partner. It will be important for Washington to send clear signals

as to just what this means and for Tokyo to send equally clear signals about how much more equal it wants and is prepared to be.

Korea. It is important for Mr. Bush to send an early signal to both Koreas that his administration is committed to the process of engagement and fully supportive of ROK President Kim Dae-jung's Sunshine Policy and the U.S.-DPRK Agreed Framework. Mr. Bush should also be prepared to continue high-level contacts to signal (to Seoul as well as to Pyongyang) America's continued commitment to the peace process and to more fully ascertain the North's perspectives while ensuring that the North also understands Mr. Bush's views. A general timetable and set of milestones should also be set for continued high-level interaction.

Ongoing U.S.-DPRK missile negotiations should continue but should not be allowed to detract from the broader Peninsula peace process. Mr. Bush must reaffirm President Clinton's firm assertion that there will be no separate U.S.-DPRK deal when it comes to the issue of peace on the Peninsula. [see *PacNet* 50-2000 for more details]

China. Mr. Bush has made it clear that the current Sino-U.S. "constructive strategic partnership" buzzword will not be perpetuated. But, even the most enthusiastic cheerleaders recognize that this lofty goal is unattainable today (or in the next four years), given the two nations differing world views. Regardless of the Bush administration's chosen catchphrase--and I would argue against the continued use of the term "strategic competitor"--some form of "cooperative engagement and managed competition" is likely to guide relations between Beijing and Washington during the next four years (as it has over the past eight).

Mr. Bush should also reaffirm U.S. support for the "one-China" principle, even if the wording reverts to pre-Clinton pronouncements "acknowledging" (rather than endorsing) the Chinese position. Mr. Bush will be under great pressure domestically not to repeat the famous three no's uttered by Mr. Clinton in Shanghai--no Taiwan independence; no two Chinas or one China, one Taiwan; and no Taiwan participation in international organizations involving sovereign states. He can finesse this by merely asserting that U.S. policy on this issue remains unchanged.

Any heavy-handed attempt by Beijing to get President Bush to put the three no's in writing is sure to fail and will likely backfire. Conversely, absent some obvious PRC provocation, Mr. Bush would do best by allowing the Taiwan Security Enhancement Act (TSEA) to lie dormant. Efforts to codify the TSEA would set a counterproductive, confrontational tone and impede even routine efforts to address Taiwan's defense needs. The Bush administration also needs to remind Beijing of two other no's: no use of force and no change to Taiwan's status without the consent of the people of Taiwan. These should play a central role in the future.

One area where the two states are sure to disagree is over the issue of theater and national missile defense (TMD/NMD). Mr. Bush can be expected to proceed with TMD in continued close cooperation with Japan. Coverage for Taiwan should neither be ruled in

nor out for the time being, unless Beijing forces the issue with renewed missile “tests” in close proximity to Taiwan, *a la* 1996. Meanwhile, a strategic dialogue with China is needed on NMD so that each side at least understands, and hopefully will be prepared to address, the other’s legitimate concerns.

Multilateralism. President Bush also needs to signal U.S. support for the various Asian multilateral processes, including the ASEAN Regional Forum (ARF), as well as APEC and others (including those in which the U.S. does not participate). He will, of course, be expected to attend the October 2001 APEC Leaders’ Meeting in Shanghai (which makes an earlier visit to Japan and Korea essential). However, some thought should be given to proposing that, in the future, the APEC Leaders’ Meeting be held every other year, substituting an ARF Leaders’ Meeting on the off years, in order to promote higher-level security as well as economic dialogue. In the interim, Bush’s Secretary of State, Colin Powell, must do a better job than his two Clinton-era predecessors in attending the annual ARF ministerial meeting.

As regards APEC, there are several key challenges facing the Bush administration. Most important is to revitalize the notion of cooperation toward mutual goals, with the attendant give and take that requires. The U.S. shouldn’t waver on pushing for pragmatic results, but it can also set a higher tone of collaboration in service of the regional good. In this vein, China’s entry into the World Trade Organization (WTO) will affect markets globally, but will be particularly felt by APEC members. Jane Skanderup of the Pacific Forum CSIS warns that there will be temptations to revert to protectionist measures as countries face inevitable economic and political pressures resulting from China’s increased exports to the region. The United States, in its own policies as well as its approach to APEC members, can help the region’s leaders stay focused on the ultimate benefits of a more open and equitable Chinese market.

A full commitment to the APEC process by the U.S. should also entail active encouragement of the intra-Asian economic dialogues that exclude Washington. So far, the U.S. seems merely to tolerate (if not ignore) such fora. But, the more opportunities East Asian countries have to flesh out differences among themselves on “mini-lateral” economic issues, the more progress APEC is likely to make when the full 21 members are convened.

Democracy and Human Rights. Finally, the new administration should reaffirm America’s commitment to the promotion of democracy and human rights, but needs to pursue this long-standing national objective in the less arrogant manner promised by candidate Bush during the presidential debates. Highest priority should be given to nurturing and supporting emerging democracies in nations such as Indonesia. This will require great patience and understanding, characteristics not typically attributed to American statesmen and politicians.

Regional Chronology October-December 2000

Oct. 2, 2000: U.S., Japan, ROK, and Singapore begin 13-day Pacific Reach combined submarine rescue exercise.

Oct. 3, 2000: U.S. House passes legislation that places economic sanctions on Russia for sales of supersonic cruise missiles to China.

Oct. 4, 2000: Chang Chun-hsing is appointed Taiwan PM, following Tang Fei's resignation.

Oct. 6, 2000: U.S. and DPRK issue joint statement that asserts that terrorism is "an unacceptable threat to global security and peace."

Oct. 7, 2000: Trilateral Coordination and Oversight Group (TCOG) meets in Washington.

Oct. 9-12, 2000: DPRK Vice Chairman of Defense Commission Jo Myong-rok meets with President Clinton and Secretary of State Albright in Washington.

Oct. 10, 2000: PRC Premier Zhu tells Japanese reporters in Beijing that China will put its critique of Japanese WWII behavior behind it, as long as Japan does not forget its history.

Oct. 10, 2000: Representatives of ROK labor, religious, arts, and civic groups attend the DPRK Worker's Party 55th anniversary gathering.

Oct. 10, 2000: President Clinton signs H.R. 4444, granting China permanent normal trade relations.

Oct. 11, 2000: Third ASEAN-China Working Group meeting on South China Sea Code of Conduct is held in Hanoi.

Oct. 12-17, 2000: PRC Premier Zhu visits Japan.

Oct. 13, 2000: ROK President Kim Dae-jung wins Nobel Peace Prize.

Oct. 13, 2000: PMs Mori and Zhu meet in Tokyo, agree to open military hotline between China and Japan.

Oct. 14, 2000: ROK and Russia hold joint military exercises off Russia's Far East.

Oct. 16, 2000: China releases Defense White Paper.

Oct. 16-18, 2000: Russia-U.S. consultations on START/ABM in Moscow.

Oct. 17, 2000: Premier Zhu meets with President Kim in South Korea.

Oct. 18, 2000: Japan denies visa request for former Taiwan President Lee Teng-hui.

Oct. 20, 2000: Philippine Defense Secretary Mercado visits Beijing.

Oct. 20-21, 2000: Asia-Europe Meeting (ASEM) in Seoul.

Oct. 21, 2000: Premier Zhu meets with Indonesian President Wahid. Reports indicate some Indonesian military commanders urged Wahid to procure weapons and equipment from China to replace those denied by U.S.

Oct. 22, 2000: Singapore PM Goh and PM Mori meet in Japan, agree to open free trade agreement talks.

Oct. 22, 2000: PRC Defense Minister Chi begins five-day visit to DPRK.

Oct. 23, 2000: Secretary Albright meets with Kim Jong-il in Pyongyang.

Oct. 23, 2000: U.S. National Security Advisor Samuel R. Berger visits Beijing.

Oct. 23-24, 2000: Russian Deputy FM Losyukov and Japanese FM Kato meet in Tokyo to discuss disputed islands.

Oct. 25, 2000: Foreign ministers of U.S., Japan, and South Korea meet in Seoul for Albright debriefing.

Oct. 25, 2000: U.S. and ROK begin Foal Eagle military exercise.

Oct. 26, 2000: Two U.S. military aircraft accidentally cross into DPRK air space but safely return after emergency radio calls to the pilots.

Oct. 27, 2000: Decision to cancel previously-approved fourth Taiwan nuclear power plant helps trigger recall efforts against President Chen Shui-bian.

Oct. 27, 2000: President Jiang meets with former Japanese PM Hashimoto in Beijing.

Oct. 27-28, 2000: TCOG meets in Nara, Japan.

Oct. 30-31, 2000: Japan and the DPRK hold normalization talks in Beijing.

Oct. 31, 2000: North and South Korea cosponsor their first UN joint resolution on furthering Peninsula peace efforts.

Oct. 31, 2000: Opposition Kuomintang launches recall drive against Taiwan President Chen Shui-bian.

Nov. 1, 2000: Seoul hosts ASEAN Regional Forum Inter-sessional Support Group on Confidence Building Measures.

Nov. 1, 2000: U.S. and DPRK begin arms talks in Kuala Lumpur.

Nov. 1-5, 2000: Chairman of the Joint Chiefs of Staff General Shelton visits China.

Nov. 2, 2000: FM Kono arrives in Moscow to clear path for signing Russo-Japanese Peace Treaty by year's end; no luck.

Nov. 2, 2000: Japan and China agree to naval ship visits next year.

Nov. 2-4, 2000: Russian PM Kasyanov visits China.

Nov. 3, 2000: U.S. and Japan begin 17-day large-scale military maneuvers near Japan.

Nov. 3, 2000: ROK and U.S. military officials meet in Washington to discuss Nogun-ri probe.

Nov. 3-7, 2000: ROK Chief of Naval Operations in Japan to discuss increased military cooperation.

Nov. 6-7, 2000: ROK FM Lee meets with FM Kono in Japan.

Nov. 7, 2000: U.S. presidential elections are held, and the winner is...(TBD).

Nov. 7, 2000: ROK's opposition Grand National Party publishes a white paper on Status of Forces Agreement (SOFA), highlighting its inequity.

Nov. 8, 2000: North and South Korea resume economic talks in Pyongyang.

Nov. 11, 2000: President Jiang visits Laos.

Nov. 11, 2000: President Putin makes first visit to Mongolia by a Moscow head of state in 26 years.

Nov. 13, 2000: Philippine President Estrada is impeached; faces Senate trial on corruption charges.

Nov. 13, 2000: G-8 experts meet in Tokyo to discuss nuclear non-proliferation.

Nov. 13, 2000: President Jiang visits Cambodia.

Nov. 14-17, 2000: Australian FM Alexander Downer visits DPRK.

Nov. 15, 2000: President Putin calls for a bilateral U.S.-Russian reduction in nuclear weapons to the 1,500 warhead level by the year 2008.

Nov. 15, 2000: Latest recount in Florida confirms birth of editor's first grandchild, Justus Dali Cossa.

Nov. 15-16, 2000: APEC Leaders' Meeting in Brunei; numerous one-on-one summits are held on the sidelines, including Clinton with Jiang, Mori, Putin, and Kim Dae-jung; Jiang with Malaysian Prime Minister Mahathir, Kim, and Putin; Mori with Kim and Putin; and Putin and Kim.

Nov. 16, 2000: President Clinton arrives for historic visit to Vietnam.

Nov. 21, 2000: ASEAN army commanders hold inaugural meeting in Bangkok to discuss peacekeeping operations and disaster relief.

Nov. 21, 2000: Beijing agrees to tighter missile export controls and U.S. resumes commercial space cooperation.

Nov. 22-24, 2000: ASEAN and ASEAN Plus Three summits in Singapore; Kim, Mori, and Zhu hold second annual separate breakfast meeting. Numerous one-on-one summits also conducted.

Nov. 25, 2000: Premier Zhu attends the Fourth China-ASEAN Summit (Ten Plus One) in Singapore.

Nov. 25-28, 2000: China's Defense Minister, Chi Haotian, visits Malaysia.

Nov. 25-28, 2000: U.S. Representative Tony Hall visits DPRK to assess food situation.

Nov. 27-29, 2000: Kim Dae-jung visits Indonesia.

Nov. 28-30, 2000: Russian Defense Minister Sergeyev arrives in Tokyo for discussions on Russo-Japanese defense cooperation.

Nov. 30, 2000: U.S. Under Secretary of Defense Slocombe holds Defense Consultative Talks in Beijing.

Nov. 30-Dec. 2, 2000: Second round of Korean family reunions begin in Pyongyang and Seoul.

Dec. 4-5, 2000: KEDO experts meet in New York; DPRK participates in talks for the first time.

Dec. 5, 2000: Japan PM Mori announces new cabinet with former PM Hashimoto as special minister for Okinawa/Northern Territories.

Dec. 6, 2000: Taiwan President Chen tells visiting former U.S. officials that the Bush administration should change “three no’s.”

Dec. 7, 2000: American army investigators and South Korean officials fail to reach agreement on whether U.S. soldiers at Nogun-ri acted under orders in shooting civilians.

Dec. 11, 2000: The air forces of Singapore, Thailand, and the United States open annual Cope Tiger air exercise in Singapore.

Dec. 11-13, 2000: U.S. CJCS Henry Shelton visits Russia.

Dec. 12, 2000: Under Secretary of Defense Slocombe meets with Russian Deputy FM Georgy Mamedov regarding ABM.

Dec. 12, 2000: North Korea and the UK establish diplomatic relations.

Dec. 12-16, 2000: Inter-Korean ministerial talks begin in Pyongyang.

Dec. 13, 2000: ...Bush, who declares victory after Al Gore concedes.

Dec. 14, 2000: President Putin announces presidential pardon for convicted U.S. “spy” Edmond Pope.

Dec. 15, 2000: PRC FM Tang tells visiting U.S. former officials that the Bush administration should abide by all previous pledges (including “three no’s”) on Taiwan.

Dec. 19, 2000: Washington and Moscow co-sponsor UN resolution calling for sanctions against Afghanistan’s Taliban regime.

Dec. 25-29, 2000: Vietnamese President Tran Duc Luong makes his first official visit to China.

Dec. 26, 2000: Chinese Foreign Ministry reaffirms China’s “indisputable sovereignty” over the contested Spratly Islands.

Dec. 28, 2000: U.S. and ROK reach an agreement on SOFA.

Dec. 28, 2000: President Clinton announces he will not visit DPRK.

Dec. 30, 2000: North and South Korean economic officials meet.

U.S.-Japan Relations:
**Preparing for New Teams in Tokyo and Washington
...and a Muddy Field in Both Capitals**

by Michael Jonathan Green, Olin Fellow for Asia Security Studies,
Council on Foreign Relations

There was not much drama in the U.S.-Japan alliance this past quarter, but some bold (if old) faces re-appeared in both Tokyo and Washington as new cabinets were being formed. The eventual victory of George W. Bush in the U.S. presidential election brought to the fore a group of veteran security policy hands with a clear agenda to strengthen the strategic partnership with Japan. In Tokyo, Prime Minister Mori Yoshiro had a worse November than Al Gore, but the prime minister somehow survived his numerous travails and formed a high-caliber new cabinet that includes two former prime ministers and a score of political heavyweights. The new teams taking the field have proven records--but, oh, the field. In Washington, President-elect George W. Bush takes power with the most divided electorate and Congress in a century and Mr. Mori is still hobbled by stunningly low approval ratings and an unwieldy coalition. Meanwhile, this quarter served as a reminder that Tokyo and Washington will have to move the ball forward on some tough issues--ranging from Okinawan bases and Defense Guidelines implementation to trade and deregulation talks.

Mori Survives but No Big Promises on Security Policy

Prime Minister Mori had a tough quarter. It started out with his only loyal lieutenant and Chief Cabinet Secretary, Nakagawa Hideo, resigning on October 26 after he appeared in a weekly gossip magazine photo with the boss of a notorious ultra-rightist group. Despite grumbling in the Liberal Democratic Party (LDP) and calls for Mori's resignation from the opposition parties, the prime minister held on. Then in early November, a group of Young Turks within the LDP formed a new club with the avowed aim of dumping him. That group eventually fizzled, but not before a November 6 poll showed Mr. Mori with a dizzying disapproval rate of 71.5%. That, in turn, emboldened rival LDP faction-leader Kato Koichi to announce his own plans to support the opposition parties' no-confidence resolution against Mori. Things again looked bad for the Prime Minister, but on November 20 Kato's insurgency also fizzled and he backed-down.

Mori survived, but the impact on U.S.-Japan security relations of this high-wire survival act was not good. The coalition held together because the real power behind the throne, LDP strongman Nonaka Hiromu, skillfully dissected the prime minister's opponents with a combination of threats, promises, and charm (well...threats and promises). Nonaka himself is a minimalist on security policy and, more important, is determined to keep the pacifist-leaning Komeito Party in the coalition. And that means avoiding high-profile actions on security policy. The only real movement in the alliance agenda this quarter was at the lower and mid-levels of the bureaucracy.

The exceptions proved the rule. The Diet passage of a watered-down law on November 30 giving the Japanese Maritime Self Defense Forces the authority to stop and search non-military vessels was a case in point. Such “Maritime Interdiction Operations” (MIO) were the most conspicuous piece of the new 1997 Defense Guidelines that did not make it into law, but under the new law Japanese ships can only act under UN sanction or with the consent of the ship being boarded. On November 19, the Diet also passed the new five-year Host Nation Support Agreement for U.S. bases, which was settled back in September. The agreement takes effect next April 1 and cuts Japanese spending by about \$1.35 billion for FY 2001. That was a relief, though all the political heavy-lifting had already been done.

Still, some hope did emerge for more movement on both Japanese security and economic reform policy. Having survived numerous threats to his rule, Mr. Mori was finally free in December to form a new cabinet. His previous cabinet had been set-up as a temporary arrangement and therefore each faction forwarded their back-benchers so they could have their tickets punched in government. With the reshuffling announcement on December 5, Mori was able to put some heavyweights back into the cabinet. These include former Prime Minister Hashimoto Ryutaro as a special minister in charge of Okinawa and the Northern Territories issue with Russia and former Prime Minister Miyazawa Kiichi back at Finance. Mr. Mori’s approval rating inched-up only slightly with this stronger team, but that was enough to increase his odds of surviving until the scheduled Upper House elections this summer--where a defeat would force him out (and defeat seems likely given the state of the economy). Whether or not the new team will take bolder steps on security policy remains to be seen, since the LDP still depends on the Komeito to stay in power. But Hashimoto did get off to an energetic start on the Okinawa problem. Meanwhile, changes of leadership in Washington suggest that Tokyo will be asked to do more.

Washington’s New Team Gets Ready to Reassert “the Most Important Alliance”

Prime Minister Mori said he was “heartened” after Bush officially won on December 13. Early cabinet appointments in Washington were also reassuring to Tokyo. Secretary of State-designate Colin Powell highlighted the need to strengthen U.S. alliances in his comments after being named to the post. Secretary of Defense-designate Donald Rumsfeld worked closely with Japanese defense officials when he was in that job for President Gerald Ford. Still, Tokyo watched carefully to see what other positions would be filled below the cabinet level--and how ambitious the new administration would, in fact, become on the twin issues of bases and defense cooperation.

On October 11, the Institute for National Strategic Studies at the National Defense University in Washington published a report that gave the outlines of what a more activist U.S. security policy with Japan might look like. The report was drafted by a bipartisan team of experts led by Republican Richard Armitage and Democrat Joseph Nye (and--for purposes of full disclosure--included this correspondent). Though bipartisan, the report was interpreted in Tokyo as a “Republican” plan and generated considerable debate on the airwaves and in the newspapers--particularly after it appeared evident Governor Bush

would win. The report called for “excellence without arrogance” from the United States, suggesting a more open door in Washington for Japanese ideas and initiatives, while at the same time encouraging Tokyo to expand its security and diplomatic responsibilities in Asia. The most controversial aspect of the report was the observation that Japan’s decision not to exercise the right of collective defense is an obstacle to alliance cooperation. This was interpreted by many in Tokyo as a subtle endorsement of Constitutional revision, which is now under study in the Diet. However, the report was careful to emphasize that decisions on the Constitution must be thoroughly considered by the Japanese people themselves. For the most part, the report was well received in Japan, though many questioned whether the Japanese political system was up to the task. Foreign Minister Kono Yohei was asked in the Diet how Japan would respond to specific U.S. requests that touch on the Constitution. Kono, who is considered dovish, answered that “this would touch on a very fundamental part of Japan and we would have to make it clear what our position is.”

JDA Completes Two Important Reports

While not an alliance issue *per se*, it was significant that the Japanese Cabinet approved a new five-year, 25 trillion yen Mid-Term Defense Program (2001-2005) on December 15. The new program included several new systems that give Japan more “reach” in the region. These include two 13,500 ton destroyers with flat-tops for helicopter operations, four aerial refueling tankers, and indigenous programs for maritime patrol and transport aircraft. Actual defense spending will only increase at about 0.7% per year, however, so this is hardly the beginning of an arms race. Some critics noted that the program is too ambitious--particularly the plans for two indigenous aircraft programs--and that eventually something must go.

The Japan Defense Agency (JDA) also released an important report on the Revolution in Military Affairs (RMA) at the end of September and completed an advisory panel report on the technology and industrial base in November. Both suggested a growing interest in the impact of information technology on military policy and a recognition of the opportunities and challenges Japan will face keeping abreast of the United States in the years ahead. Defense requirement planning and the impact of the RMA are both areas that are likely to feature more prominently as alliance cooperation issues in the months and years ahead.

Okinawan Base Discussions Bump Along without Crashing or Landing

On October 23, the U.S. and Japanese governments took another serious crack at solving the impasse over how to move the U.S. Marine Corps Air Station from crowded Futenma, Okinawa to a new offshore facility near the quieter town of Nago in the northern part of the island. The meeting of the U.S.-Japan Futenma Implementation Group could not resolve the Okinawan demand that there be a 15-year time limit on the use of the new base. On November 29, the Japanese government briefed Okinawan Governor Inamine Keiichi and Nago mayor Kishimoto Tateo on the options for the new structure when they visited Prime Minister Mori in Tokyo. Again, however, the 15-year

problem was not resolved. The good news is that Inamine and Kishimoto are still meeting with the Japanese government and searching for progress. In addition, there does not appear to be increased political pressure in Okinawa. One good sign for Tokyo was the easy victory of a conservative candidate in the mayoral election in the capital city of Naha in mid-November. In fact, Naha had been controlled by anti-base mayors for 32 years before that and the new mayor is refreshingly pragmatic about the base problem. Moreover, the appointment of Hashimoto as the senior cabinet official responsible for Okinawa also increased the prospects for a breakthrough. Even though the U.S. government is waiting for Tokyo to solve the various political obstacles to promised base realignment in Okinawa, the fact is that all players are waiting to see what the new Bush administration will do.

Sleeping Dogs Still Lie as the Trade Deficit Increases

The past year has been eerily quiet on the U.S.-Japan trade front. A long New Year's article in the *Washington Post* on the new administration's trade challenges did not even mention Japan--imagine that ten years ago! But veteran observers of the U.S.-Japan alliance did watch with keen interest the slowing U.S. economy and the news that the U.S. trade deficit is running at an annual rate of \$363 billion, far above the 1999 record of \$265 billion. The trade deficit with Japan jumped \$8.42 billion in October, a 38.1% increase from the year before. None of this has woken sleeping dogs in the Congress, but with a more sharply divided House and Senate, it could.

The Clinton administration came away from trade negotiations with Japan this quarter with a half-empty basket. Talks to restart a bilateral auto agreement broke down, and aviation talks in mid-November yielded no agreements. The Ministry of International Trade and Industry (MITI) did reach some agreements on the deregulation initiative in talks in late October, with progress on information technology and Japan's commercial code most satisfying for the U.S. side.

Despite limited progress in these areas and the growing trade deficit, there has been little speculation that the new Bush administration will set a tough tone on trade. In fact, Bush's top economic advisor, Larry Lindsey, argued in an address at the American Enterprise Institute on December 1 that Washington should tolerate trade deficits if they buy Japan time for restructuring.

Tokyo also attempted to initiate a new tone in economic relations this quarter. MITI Minister Hiranuma Takeo proposed a new bilateral forum on "the New Economy" in late November. MITI officials had been taken by proposals for free trade agreements (FTA) that would parallel the proliferation of such dialogues between Japan and Singapore, Mexico, and South Korea. But the obstacle of agricultural liberalization (which would be required under a real FTA), led MITI to the simpler idea of a bilateral forum. Whether or not that forward-looking idea can withstand the political winds of growing trade deficits remains to be seen.

Tokyo and Washington Each Grow a Bit Nervous about the Other's "Foreign Affairs"

On the diplomatic front the U.S. and Japanese governments watched each other with some apprehension as new friendships blossomed with old enemies. Tokyo officially supported Secretary of State Madeline Albright's visit to North Korea in late October, but privately there was deep apprehension that a deal might be cut with Pyongyang on missiles that left Japan out. There was a collective sigh of relief in Japan when President Clinton announced at the end of the year that he would not go to North Korea himself. Tokyo also raised eyebrows in Washington as Japanese ties warmed with Iran this quarter. Iranian President Khatami visited Tokyo October 31-November 3. The warmer relationship was cemented with 60 billion yen in trade insurance from Japan and a negotiating preference for Japanese firms on the new Azadegan oil field. Japanese business leaders and MITI officials also made quiet moves to begin distancing themselves from the United States and Britain in policy toward Iraq. None of these developments created a crisis in U.S.-Japan relations, but they highlighted the challenges of coordinating diplomacy for the new teams in Tokyo and Washington.

Chronology of U.S.-Japan Relations October-December 2000

Oct. 2, 2000: U.S., Japan, ROK, and Singapore begin 13-day Pacific Reach combined submarine rescue exercise.

Oct. 7, 2000: Trilateral Coordination and Oversight Group (TCOG) meets in Washington in preparation for DPRK envoy's U.S. visit.

Oct. 11, 2000: Institute for National Strategic Studies Armitage-Nye report is released, sparking debate in Tokyo.

Oct. 23, 2000: Bilateral Futenma Implementation Group meets.

Oct. 24, 2000: Okinawan Mayor of Urasoe City withdraws his offer to let the U.S. Navy use his town as a home port.

Oct. 25, 2000: Foreign Ministers from the U.S., Japan, and South Korea meet in Seoul and pledge to "strengthen teamwork" in dealing with North Korea immediately following U.S. State Secretary's trip to Pyongyang.

Oct. 26, 2000: Chief Cabinet Secretary Nakagawa Hideo resigns.

Oct. 27-28, 2000: TCOG meets in Nara, Japan.

Oct. 31-Nov. 3, 2000: Iranian President Khatami visits Tokyo.

Nov. 3, 2000: U.S. and Japan begin 17-day large-scale military maneuvers near Japan.

Nov. 6, 2000: Japan files a formal WTO complaint over U.S. anti-dumping legislation.

Nov. 6, 2000: Polls show Prime Minister Mori's disapproval rating at 71.5%.

Nov. 15, 2000: Clinton and Mori meet on the sidelines of the APEC Leaders' Meeting in Brunei.

Nov. 19, 2000: Japanese Diet approves new U.S. Host Nation Support budget.

Nov. 20, 2000: Kato Koichi's rebellion against Mori fizzles-out.

Nov. 29, 2000: Okinawan Governor Inamine and Nago Mayor Kishimoto meet with Prime Minister Mori to discuss Futenma base relocation.

Nov. 30, 2000: Japanese Diet passes maritime interdiction law to complete a gap in the U.S.-Japan Defense Guidelines, but the law is almost toothless.

Dec. 1, 2000: Hiromu Nonaka, secretary-general of ruling Liberal Democratic Party in Japan, resigns.

Dec. 1, 2000: President-elect Bush's top economic advisor, Larry Lindsey, argues in an address at the American Enterprise Institute that Washington should tolerate trade deficits if it buys Japan time for restructuring.

Dec. 5, 2000: Prime Minister Mori announces new Japanese cabinet, former Prime Minister Hashimoto is appointed as special minister in charge of Okinawa.

Dec. 14, 2000: Prime Minister Mori is "heartened" at Bush victory.

Dec. 15, 2000: Japanese Cabinet approves new Mid-term Defense Plan.

U.S.-China Relations:

Bilateral Relations on Reasonably Sound Footing as 2000 and the Clinton Administration Come to a Close

**by Bonnie S. Glaser
Consultant on Asian Affairs**

The U.S. and China wrapped up the year 2000 with some small but important accomplishments, leaving the bilateral relationship on reasonably sound footing for the transition to the Bush administration. Presidents Jiang Zemin and Bill Clinton held their final summit in Brunei on the sidelines of the Asia Pacific Economic Cooperation (APEC) Leaders' Meeting and agreed "in principle" to resume the bilateral human rights dialogue. The two sides cut a deal that holds out the promise of tighter controls on Chinese exports of missile-related items in exchange for a waiver of U.S. economic sanctions and resumption of commercial space cooperation between American and Chinese companies. Progress toward securing China's entry into the World Trade Organization (WTO) continued, but agreement on a multilateral accord among the working party members in Geneva was unattainable, despite concerted efforts by U.S. officials to conclude the pact by year's end. High-level military delegations were exchanged and the U.S. and China held the fourth round of Defense Consultative Talks at which they mapped out plans for military exchanges and cooperation next year that include high-level military and professional visits, confidence building measures, and Chinese participation in multinational events.

Snags in Geneva on China's WTO Entry

Progress toward China's entry into the WTO continued in the final quarter of 2000, but an agreement remained beyond reach. After signing into law the bill granting China permanent trading rights on October 10, President Clinton dispatched U.S. Trade Representative Charlene Barshefsky to Beijing to iron out remaining differences between China and the WTO working committee in Geneva so that China's accession could be finalized prior to Clinton's departure from office. Negotiations at the WTO's Geneva headquarters had stalled after three weeks of discussions in which Chinese negotiators appeared to be backpedaling on agreements made with the United States and other nations. Some reports put blame on Western officials for seeking to pry 11th hour concessions from China, but U.S. officials refuted the allegation. Chinese Premier Zhu Rongji assured Barshefsky that Beijing's commitment to the market-opening trade deals remained firm. "He made absolutely crystal clear, emphatically and with animation, that China would not back away from any agreement, absolutely," said Barshefsky, speaking at a press briefing after meeting Zhu.

Nevertheless, the last round of talks in 2000 of the China Working Party tasked with preparing a final pact on China's WTO entry ended on December 8 without the "agreement in principle" that the U.S. and other negotiators had hoped for. Forward

movement was sustained with progress in non-tariff measures, licensing and transparency in services, and China's commitment to protecting intellectual property rights, but differences remained in key areas such as China's industrial subsidies and special safeguard measures. Diplomats anticipated that more than one session would be needed to wrap up the working party report, a prerequisite for approval of China's accession into the 140-member world trade body. The next round of talks is set for January 10-17, 2001. After a final agreement at the working party is reached, China's accession will be approved at the General Council, the WTO's second highest decision-making body. Beijing then must ratify the necessary documents for accession and will become a member 30 days after depositing the documents with the WTO secretariat.

At a press conference after the China Working Party talks ended, Chinese negotiator Long Yongtu was upbeat, but displayed no sense of urgency about completing the process of China's WTO entry. He described the round of talks as "constructive" and "cordial," but declined to speculate on when a final agreement might be reached. U.S. officials continued to hold out hope that the multilateral negotiations on the protocol would be wrapped up before January 20, however, allowing President Clinton to certify that the multilateral accord is at least as good as the bilateral deal before he leaves office.

A Final Summit Meeting in Brunei

In the last summit meeting of his term in office, President Clinton met with Chinese President Jiang Zemin in Brunei in mid-November after the conclusion of the APEC Leaders' Meeting. The meeting was brief, lasting only 35 minutes, and the two leaders spent much of the session recounting their joint accomplishments over the past eight years. According to the Chinese press, Jiang expressed gratitude to Clinton "for making positive efforts to improve and develop Sino-U.S. relations during his administration." Clinton thanked President Jiang for his cooperation and stated his hope that "the future of Sino-U.S. relations is a future of cooperation, not a future of conflict; a future of promoting each other, not a future of containing each other." Foreign Minister Tang Jiaxuan described the final Clinton-Jiang session as "quite emotional" with both men mindful of the fact that Mr. Clinton's two terms in office would soon come to a close.

The Chinese president emphasized that the history of Sino-U.S. bilateral ties for more than 20 years, including Clinton's eight-year term, has repeatedly proved that the Taiwan question is a major issue that "can shake the basis of Sino-U.S. relations." He called on the U.S. government to strictly abide by its commitments and explicitly support China's peaceful reunification. Clinton reiterated that the United States continues to observe a one-China policy and urged Jiang to resume dialogue with Taipei as soon as possible.

In addition to discussing Taiwan, the two leaders briefly exchanged views on the Korean Peninsula, non-proliferation of nuclear weapons, China's entry into the WTO, Tibet, religious freedom, and bilateral U.S.-Chinese relations. Progress was made toward curtailing Beijing missile exports as the two presidents reviewed a deal worked out between U.S. and Chinese experts. Clinton pressed Jiang to resume the bilateral human rights dialogue, which Beijing had broken off in response to the accidental NATO

bombing of the Chinese Embassy in Belgrade in May 1999. Jiang apparently agreed, saying “dialogue would be a useful way to go,” according to Assistant Secretary of State Stanley Roth. A specific date was not set for resumption of the human rights talks, however, and it was uncertain whether the dialogue would be restored under Clinton’s presidency. If postponed until the Bush administration, prospects for reconvening the talks will no doubt rest on the U.S. approach to censuring China’s human rights abuses at the UN Human Rights Commission in Geneva next spring.

High-Level Military Exchanges Cap Year End

Several important high-level visits took place in the military sphere of Sino-U.S. relations in the final months of 2000. Chairman of the Joint Chiefs of Staff General Henry H. Shelton visited Beijing in late October where he met with senior military leaders and delivered an address at China’s National Defense University. Shelton’s host, People’s Liberation Army (PLA) Chief of the General Staff Fu Quanyou, endorsed the further development of Sino-U.S. relations, but criticized U.S. arms sales to Taiwan as “sending a wrong signal” to Taipei and contributing to cross-Strait instability. Fu also insisted that the PLA resolutely supports the Chinese government’s basic principle of peaceful reunification, and one country and two systems, but would never relinquish its right to use force against the island.

In Nanjing, General Shelton observed military exercises involving thousands of Chinese troops in live fire, combined arms warfare drills, marking the first time a senior U.S. general has been permitted to view a large-scale war game. He also met with General Chu Wenquan, chief of staff of Nanjing military forces and China’s top expert on computer and information warfare. Chinese television reported on Shelton’s visit to the Nanjing Military Region and showed video of Shelton conversing with Chinese officers and soldiers following the exercise.

A month after his return from China, General Shelton raised the subject of U.S. policy toward China in remarks he delivered at the Asia Society. Shelton called for “all elements of U.S. power and diplomacy” to be focused on “ensuring that China does not become the 21st century version of the Soviet bear.” Washington must convince Beijing that a peaceful resolution on the Taiwan issue “is the only way ahead,” he added. Noting the contradiction inherent in Chinese leaders’ efforts to expand China’s increasingly capitalist economy while preserving a Communist political system, Shelton raised the prospect of internal instability in China that could threaten regional peace and prosperity. He also acknowledged that Beijing is mistrustful of U.S. intentions toward China and asserted that the Chinese are “aggressively modernizing their military forces, both conventional as well as nuclear.”

General Yu Yongbo, the PLA’s top political commissar and the highest-ranking Chinese military official to visit the U.S. this year, headed a delegation for an 11-day tour of U.S. military bases in late November and early December. As director of the PLA general political department, Yu Yongbo is responsible for political education, welfare, and morale of PLA officers and troops. His portfolio also includes civil-military relations,

the PLA military legal system, and a large portion of the PLA's educational institutions. At the Pentagon, General Yu called on Secretary of Defense William Cohen, where the two men discussed Asia Pacific security matters and the bilateral military relationship. Cohen reportedly reiterated the U.S. commitment to maintaining a forward deployed military presence in the region and stressed the need for increased transparency and better understanding between the Chinese and U.S. militaries. General Yu got a glimpse of life in the services on visits to West Point, New York; Bolling Air Force Base in Washington, D.C.; Fort Jackson, S.C.; and Patrick Air Force Base in Florida before making a final stop at the U.S. Pacific Command in Hawaii.

Also at the end of November, Mr. Walter B. Slocombe, under secretary of defense for policy, traveled to Beijing to co-host the fourth round of the U.S.-China Defense Consultative Talks. He and his Chinese co-chair, Deputy Chief of Staff General Xiong Guangkai, discussed a broad range of subjects including global, regional, and bilateral issues. They held a heated exchange on China's White Paper on National Defense, which had been released in mid-October. Slocombe welcomed the increased detail on China's defense policies and activities, but criticized references in the White Paper to the United States as a hegemon in the Asia Pacific region--as well as charges that the U.S. is pursuing neo-interventionism, neo-gunboat policy, and neo-economic colonialism--as "without foundation and unhelpful in building a positive relationship." Slocombe denied that it is U.S. policy to regard China as an enemy and reassured Chinese military officials that the U.S. does not follow a policy of containment, although it would defend U.S. interests and those of its allies in the region.

General Xiong related Chinese concerns about U.S. plans to develop and deploy theater and national missile defense systems and laid down markers on Taiwan, including warnings that grave consequences would follow a U.S. decision to transfer PAC-3 missile defense batteries or Aegis battle management systems to Taipei. The discussions also included issues on which the two sides hold considerable common interests and approaches, including developments on the Korean Peninsula and transnational threats such as proliferation of weapons of mass destruction, terrorism, drug trafficking, and environmental degradation. Both sides mapped out plans, subject to final approval, for more high-level visits between the Chinese and American militaries next year, China's participation in international defense forums, and discussions on the role of the military in disaster relief. In a statement delivered to the press in Beijing, Slocombe described the talks as "cordial and professional." He asserted that the Clinton administration leaves U.S.-China relations "both generally and in the military field on a solid basis." In addition to the formal consultations with General Xiong, Slocombe met with Minister of National Defense General Chi Haotian, Chief of the General Staff Department General Fu Quanyou, and Vice Minister of Foreign Affairs Yang Jiechi.

Non-Proliferation Cooperation Advances with Missile Deal

After years of internal squabbling in the U.S. government about whether sanctions should be imposed on China for supplying several dozen M-11 missiles to Pakistan in the early 1990s and other transgressions of the Missile Technology Control Regime (MTCR),

Washington and Beijing reached a deal that averts sanctions and holds out the promise of curbing Chinese proliferation of missiles and missile technology. The deal, announced on November 21, involves a commitment by China not to export nuclear-capable missiles or their technologies and strengthen export controls on missile-related items. In return, the U.S. will waive the economic sanctions required under U.S. law due to past assistance by China to missile programs in Pakistan and Iran. Washington also agreed to resume the processing of licenses necessary for U.S. and Chinese companies to engage in commercial space cooperation.

Following an agreement in principle between the two presidents at their New York summit meeting last September to attempt to resolve the niggling missile proliferation matter, experts on both sides held talks in September and November. The accord that was reached was not as airtight as Washington had hoped, but it was the best that the U.S. could get with little leverage over China given the looming sanctions deadline and the few remaining months in the Clinton administration. In 1998, the two sides had begun to explore the possibility of China joining the MTCR, but after the Belgrade bombing incident, the Chinese were no longer interested in becoming MTCR members. U.S. officials had also tried to persuade Beijing to end all cooperation with Pakistan and Iran in the missile area, but China balked at singling out specific countries for separate, more restrictive treatment.

The most significant element of the deal is Beijing's pledge for the first time to publish "at an early date" a "comprehensive" list of missile-related and dual-use items whose export will require a government license. In issuing those licenses, according to a statement released by the Chinese Foreign Ministry, the Chinese government will consider the items' end-user and whether they might be used to develop missiles capable of carrying nuclear weapons. The statement also says that China will "exercise special scrutiny and caution, even for those items not specifically contained on the control list." It remains uncertain how closely China's list will match that of the MTCR, but the Foreign Ministry statement said that China would "take into account the relevant practices of other countries," and the range and payload guidelines specified by Beijing mirror those in the MTCR (missiles capable of delivering a payload of at least 500 kilograms to a distance of at least 300 kilometers).

Republican critics of the missile accord were angered that China had been let off the hook for past offenses in return for new promises of future good behavior. State Department officials admitted that the value of Beijing's commitments would depend on them being implemented "fully and conscientiously." The Department's spokesman Richard Boucher emphasized that while the U.S. is waiving sanctions that would otherwise be imposed for past transfers to missile programs in Pakistan and Iran, the waiver does not apply to any transfers that might occur in the future. A major uncertainty about the new accord centers on the extent to which the Chinese Foreign Ministry wields influence over the missile-parts factories, which are run by the Chinese military. Another question is whether China will drag its heels in developing and publishing its new export control list to signal its unhappiness with U.S. policies toward Taiwan or on missile defense. Even if Beijing makes a good faith effort, there will likely be disagreements

over the monitoring of end-users, which China still refuses to insist upon as a condition for the export of sensitive technology.

Stable Bilateral Relations Remain a Priority for Beijing

That Beijing agreed to proceed with the missile deal is noteworthy given Chinese misgivings about growing U.S. “hegemonism and power politics;” pending decisions on deployment of a U.S. national missile defense system (NMD); and continuing U.S. arms sales to Taiwan, along with Washington’s refusal to rule out further upgrading of Taiwan’s theater missile defense capabilities. Increased Chinese cooperation with the U.S. on non-proliferation matters, however, fits neatly into a pattern of Chinese diplomacy this year that suggests the Chinese leadership continues to attach high priority to preserving a stable relationship with Washington. China’s concessions to the U.S. to accede to the World Trade Organization, its agreement in principle to resume the bilateral human rights dialogue, and its pledge to tighten controls on exports of missile technology are all evidence of Beijing’s efforts to put bilateral relations on a firm footing in preparation for the transition to a new U.S. president.

On the eve of George W. Bush’s inauguration as the 43rd president of the United States, there is a degree of anxiety in Beijing about keeping bilateral relations on an even keel. Bush’s labeling of China as a “strategic competitor” during his campaign has left the Chinese uneasy. Beijing also is worried about closer U.S.-Taiwan relations and is bracing for a major political confrontation over U.S. arms sales to Taiwan next spring that could be triggered by Bush administration approval of the Aegis system or other advanced weapons. A decision by Bush to proceed with deployment of a robust NMD system would also complicate bilateral cooperation on security matters. Early signals from Bush’s cabinet members suggest, however, that although the new administration may strike a tough posture on some issues, it will continue to engage China and promote an overall cooperative relationship. Referring to relations with China and Russia, Secretary of State-designate General Colin Powell stated, “We will work with them not as potential enemies and not as adversaries, but not yet as strategic partners, but as nations that are seeking their way.”

Chronology of U.S.-China Relations October-December 2000

Oct. 3, 2000: The U.S. House of Representatives passes legislation that would prohibit the U.S. from providing debt relief for Moscow unless Russia agrees to stop all sales of SSN-22 Sunburn missiles to China.

Oct. 10, 2000: President Clinton signs into law H.R. 4444, granting China permanent normal trade relations with the United States.

Oct. 11, 2000: Secretary of the Navy Richard Danzig arrives in China to promote closer naval ties. He is the first U.S. Secretary of the Navy to make a trip to Beijing.

Oct. 12, 2000: U.S. Trade Representative Charlene Barshefsky meets with Chinese Premier Zhu Rongji in Beijing in an effort to iron out 11th hour differences between China and the WTO working committee in Geneva.

Oct. 16, 2000: The Information Office of China's State Council releases a white paper entitled "China's National Defense in 2000."

Oct. 23-24, 2000: Chinese Vice Foreign Minister Yang Jiechi holds vice ministerial-level consultations in Washington, D.C.

Oct. 25-Nov. 4, 2000: General Yu Yongbo, director of the Chinese army's General Political Department and a member of the Central Military Commission, heads a delegation to visit ordinary U.S. military bases to examine the support structure for health, welfare, morale, legal, entertainment, and religious services. He is the highest-ranking PLA official to visit the United States this year.

Oct. 26, 2000: Treasury Secretary Lawrence Summers and his Chinese counterpart, Finance Minister Xiang Huaicheng, co-chair the opening of the 13th session of the China-U.S. Joint Economic Committee in Washington, D.C.

Nov. 1, 2000: U.S. Ambassador Joseph Prueher and Chinese Assistant Foreign Minister Zhou Tianshun sign a memorandum of understanding furnishing each other with space for new embassies in their capitals.

Nov. 1-5, 2000: General Henry H. Shelton, Chairman of the Joint Chiefs of Staff, visits China as a guest of General Fu Quanyou, PLA Chief of the General Staff. He observes military exercises in Nanjing involving thousands of Chinese troops in live fire, combined arms warfare drills.

Nov. 6, 2000: Robert Einhorn, assistant secretary of state for non-proliferation, and Gary Samore, special assistant to the president for non-proliferation and export controls, visit Beijing in a quiet effort to negotiate an arms control agreement that would curb Chinese exports of missile technology.

Nov. 10, 2000: President Clinton signs into law the Foreign Operations, Export Financing, and Related Programs Appropriation Act of 2001 which authorized funds to support non-governmental organizations that seek democracy in the PRC and to buy land for Tibetan refugees living in northern India. It also requires the U.S. administration to consult with Congress on the sale of weapons to Taiwan.

Nov. 15, 2000: Secretary of State Madeleine Albright meets with Chinese Foreign Minister Tang Jiaxuan on the sidelines of a two-day APEC Leaders' Meeting in Brunei.

Nov. 16, 2000: President Jiang Zemin meets with President Bill Clinton at the APEC Leaders' Meeting and the two agree in principle to re-open the bilateral human rights

dialogue. Separately, State Council Vice Premier Qian Qichen meets with Secretary Albright and NSC advisor Samuel Berger.

Nov. 21, 2000: U.S. and China announce a deal in which Beijing will strengthen its export controls on missile technology and the U.S. waives economic sanctions against China. Washington also agrees to resume the normal processing of commercial space licenses involving China and to re-start talks on extending a 1995 accord on international trade and commercial launch services.

Nov. 30, 2000: Under Secretary of Defense for Policy Walter B. Slocombe and Deputy Chief of the PLA General Staff General Xiong Guangkai hold the fourth round of Defense Consultative Talks in Beijing and including Chinese participation in multinational events.

Dec. 6, 2000: Units from the Hong Kong Garrison of the PLA join forces with U.S. military specialists in an annual search and rescue exercise to provide training and familiarization to air traffic controllers, air crew, and other units likely to be involved in such operations.

Dec. 14, 2000: President Jiang Zemin sends a message of congratulations to George W. Bush for his election as the U.S. President.

Dec. 18, 2000: The Department of Defense releases the unclassified "Report to Congress on Implementation of the Taiwan Relations Act."

Dec. 19, 2000: The U.S. Department of State's Bureau of Educational and Cultural Affairs launches its first exchange program between secondary school students and teachers in the United States and China.

U.S.-Korea Relations: Progress on All Fronts

by Donald G. Gross,
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This past quarter began with the signing of a U.S.-ROK missile deal and ended with a new Status of Forces Agreement (SOFA), effectively resolving two highly contentious alliance issues. The U.S. and North Korea also achieved a major diplomatic breakthrough with an exchange of high-level visits. An ultimate agreement on missiles nevertheless eluded U.S. and North Korean negotiators, as the Clinton administration drew to a close. Meanwhile, despite doubts about the sustainability of détente between South and North Korea following the June 15 summit, Seoul and Pyongyang made significant progress during the past three months on diplomatic, economic, and military issues. Looking ahead, the main question remains President-elect Bush's Korea policy: will the new administration attempt to finalize an agreement on missiles with the DPRK and support the inter-Korean dialogue or take a harder line policy approach toward North Korea?

U.S.-South Korea Relations

Two highly contentious alliance issues--an agreement on extending the range of ROK missiles and a new U.S.-ROK Status of Forces Agreement--were settled during the past quarter. Some progress was also made in defusing sensitive ROK-U.S. differences over what transpired at Nogun-ri a half century ago. Meanwhile, bilateral trade relations remained relatively stable.

U.S.-ROK Missile Talks. After several years of difficult negotiations, the U.S. and South Korea reached agreement in mid-October on extending the range and payload of South Korea's missiles. Previously, by agreement, the U.S. had limited the range of South Korean missiles to 180 km. The new pact set the ceiling at a range of 300 km with a payload of 500 kg. The new agreement also carried with it U.S. support for South Korea's entry into the Missile Technology Control Regime, which will allow greater access to missile technology in the future.

Status of Forces Agreement. At the end of December, the U.S. and South Korea reached final agreement on revisions to the U.S. SOFA governing U.S. forces in the ROK. Under the old 1991 accord, U.S. soldiers accused of a crime remained in U.S. military custody until the completion of the Korean judicial process. The new accord provides that U.S. soldiers who are accused of serious crimes (such as murder, rape, and drug trafficking) will be placed in South Korean legal custody after indictment. The South Korean government, in turn, agreed to strengthen the rights of accused soldiers to question witnesses or their accusers face-to-face. The revised SOFA agreement also includes a

new provision calling for U.S. military facilities to respect ROK environmental regulations.

Nogun-ri. Separate U.S. and South Korean investigating teams spent the last year gathering evidence and analyzing the events that occurred a month after the Korean War broke out at Nogun-ri in central South Korea. The U.S. Army team concluded that panicked soldiers shot and killed a number of civilians, but discerned no conclusive proof that they acted under orders. The Korean investigators, on the other hand, believed the testimony of witnesses that an army headquarters unit ordered the soldiers to fire on civilians (among whom were believed to be North Korean soldiers and sympathizers).

At meetings during this quarter, the two sides found it difficult to agree on a single version of events. Neither could they find common ground on demands by victims and their families for U.S. compensation. Nevertheless, at the strong request of the South Korean government, President Clinton was reported to be planning an official statement of regret for the actions of U.S. soldiers at Nogun-ri. This action would help to mollify Korean public opinion--and impede growing anti-Americanism--while not giving ground on the basic facts in dispute.

U.S.-ROK Trade Relations. Bilateral trade relations were relatively stable during the quarter. In December, South Korea revised its law on the protection of computer software, incorporating many demands from U.S. industry. Nevertheless, the U.S. continued to express dissatisfaction over South Korea's inadequate enforcement of laws protecting intellectual property, especially in the computer sector.

Automobiles continued to be a point of friction, largely because of the overwhelming trade disparity: in 2000, South Korea exported approximately 500,000 autos to the U.S., while U.S. auto-makers sold approximately 1,500 cars in Korea during the same period. With the U.S. automobile sector undergoing a slowdown, it appeared that industry might push for a harder line U.S. approach to market opening in the new Bush administration.

At the end of the quarter, U.S. Trade Representative Charlene Barshefsky positively appraised the overall U.S.-South Korea trade relationship: "today, we see a Korean market that is more open than it was eight years ago, and a trade relationship that is larger and in many ways healthier." She noted, in particular, that Korean tariffs on average have dropped by fifty percent, and have been eliminated entirely on semiconductors, computers, and other IT products.

U.S.-North Korea Relations

There has also been a decided upswing in U.S.-North Korea relations during the last quarter. October 9-12, North Korea's leading military official, General Jo Myong-rok, visited Washington for talks that included both Secretary of State Albright and President Clinton. The choice of General Jo to head the North Korean delegation significantly impressed administration foreign policy officials, since it indicated a serious North Korean willingness to address critical military issues.

In Washington, the two governments issued a joint communiqué stressing “no hostile intent” and a desire to reduce tensions on the Korean Peninsula. This communiqué had actually been negotiated some time earlier, since a high-level visit by North Korean officials--in response to former Defense Secretary Perry’s May 1999 trip to Pyongyang--was sought and expected by the U.S. for over a year.

During the talks with General Jo, Washington underscored its eagerness to end the medium and long-range missile threat posed by North Korea to Japan and the U.S. North Korea had its own demands, however; General Jo said North Korea desired security assurances from the United States guaranteeing North Korea’s territorial integrity and protection against military attack.

Shortly after General Jo’s visit improved the atmospherics between Pyongyang and Washington, Secretary of State Albright traveled to North Korea in late October, the highest level official visit by a U.S. official to that country. Albright engaged in serious discussions of security issues with North Korean leader Kim Jong-il and later said she was impressed by his seriousness as an interlocutor. The only apparent shortcoming of the Albright trip occurred when Albright attended a celebration commemorating the 55th anniversary of the Korean Workers’ Party in Pyongyang as Kim Jong-il’s guest. U.S. media subsequently criticized her for falling prey to a North Korean propaganda ploy.

Albright’s visit--with the ostensible goal of preparing for a trip to North Korea by President Clinton--was followed-up ten days later by a meeting of U.S. and North Korean missile non-proliferation experts in Kuala Lumpur, Malaysia. The U.S. side, led by Assistant Secretary of State Robert Einhorn, attempted to negotiate an end to North Korea’s development of medium and long-range missiles, as well as a ban on all North Korean missile exports. For its part, North Korea sought financial compensation for the costs it claimed such actions would entail. From a public standpoint, it appeared that the talks ended inconclusively. Later reports made clear, however, that North Korea gave a serious offer to curtail its missile programs in seeking the U.S. president’s visit to Pyongyang.

The critical and perhaps last question on North Korea for the Clinton administration was whether to close a deal on missiles in return for the President’s visit. In mid-December, Republican congressional leaders wrote a letter strongly opposing the move, although President-elect Bush himself said he would “not oppose” a trip if Clinton decided to go ahead.

A number of factors appear to have influenced the president’s decision not to travel to Pyongyang. Among them were insufficient time to finalize provisions in a new “agreed framework” on missiles regarding verification and destruction of existing stocks, Bush’s non-committal stance on supporting a new agreement, difficulty in reaching closure with Pyongyang because of mutual distrust and suspicion, and competing demands on presidential time from the Middle East peace negotiations.

North-South Relations

Entering this quarter, the most significant issue on the Peninsula was whether the momentum in North-South reconciliation could be maintained. The defense ministers of both Koreas met on Cheju Island during late September where they publicly called for easing tensions and making new efforts to eliminate the risk of war. Besides providing the compelling symbolism of jointly planning for peace, the ministers agreed to create a working-level military commission to facilitate the new rail and highway project through the DMZ.

North and South Korea also agreed in late September to establish a new joint consultative body to address pressing economic issues. Among the subjects for the committee were legal guarantees of the safety of investments, protection against double taxation, and establishing a dispute settlement mechanism for investors. Without agreement on such measures, the likelihood of attracting any significant degree of foreign investment to North Korea would be low.

President Kim Dae-jung's policy of reconciliation toward North Korea achieved the highest international endorsement in mid-October when he was awarded the Nobel Peace Prize. The awarding committee not only highlighted Kim's "Sunshine Policy" which culminated in the June 15 North-South summit, but also underscored his longtime support for democracy in Korea and the personal suffering he had endured in asserting his political views.

The president's increased international prestige was in evidence at the ASEM (Asia-Europe Meeting) during October in Seoul, which served to underscore the importance of North Korea joining the international community. During this conference that brought an unprecedented number of European and Asian leaders to South Korea, several countries--including Britain, Germany, the Netherlands, and Spain--announced that they would establish diplomatic relations with North Korea. On its last day, ASEM passed a resolution that expressed general support for the improvement in North-South relations.

Despite these expressions of international support for President Kim's policies, he ran into increased resistance at home from the conservative opposition party. Critics claimed that President Kim used the government-owned media to manipulate public opinion and squelch expressions of opposition to his Sunshine Policy. They argued that while he advocated democracy in theory, he acted in an authoritarian manner as a matter of personal political style.

Traditional animosity toward South Korea's "left-wing" and deep suspicion of North Korea in general underlay many of these opposition views. Critics also drew strength from increasing public concerns about the state of South Korea's economy and the growing perception that President Kim was pursuing his own vision of Korean reconciliation, whether it garnered sufficient public support or not.

In the latter half of October, these expressions of opposition coincided with what appeared to be the first real slowdown in North-South talks since the June 15 summit. North Korea either canceled or delayed several scheduled meetings and commentators wondered whether inter-Korean “reconciliation” would fall victim to underlying distrust, as it had done so often in the past. Increasing calls from South Korea’s conservatives for greater “reciprocity” by North Korea toward the South dramatized a possible breakdown in North-South talks. The actual reason that North Korea attempted to slow down the North-South talks at this time may never be known. The more important point is that North-South meetings resumed their fast pace at the end of October and have kept to a demanding schedule since that time.

In mid-November, negotiators reached agreement on legal principles to ensure the protection of foreign investment in North Korea. During November and December, North and South military officials held three rounds of working-level talks (the first since 1992) under the auspices of their new military commission. They mainly discussed mine-clearance and avoidance of military confrontation in the area of the DMZ devoted to new rail and highway links between the two countries. In late November, a second round of emotional reunions between separated family members in the North and South occurred. Finally, in December, high-level economic talks took place where top officials discussed, but did not resolve, issues concerning South Korea’s supply of electricity to the North as well as joint development projects such as the Kaesong industrial zone and joint flood prevention.

At the end of this quarter, one must assess that progress “on the ground” in achieving inter-Korean reconciliation *has* taken place. This progress demonstrates that the June 15 summit was not simply a “flash in the pan” but rather the beginning of a sustained diplomatic effort by the current North and South Korean governments to overcome past animosities.

ROK Economic Issues

South Korea entered this quarter with unfinished business regarding corporate restructuring. Economists and government officials alike were well aware that foreign investors, and the international financial community, would only view the South Korean economy with confidence if the ROK carried out sometimes painful restructuring and downsizing efforts. Through various means, the Financial Supervisory Commission put pressure on banks to liquidate or force restructuring of poorly performing companies. The Kim administration set the end of the year as a guideline to force such actions to occur.

By early November, the urgency of the situation increased. Economic data showed a sharp drop in South Korea’s industrial output and a reduction in the projection for economic growth in 2001. The most pessimistic projections indicated that economic growth could go from nine percent in 2000 to approximately four percent in 2001.

Although high worldwide oil prices contributed to the problem, many domestic critics blamed the government for not taking the negative economic developments seriously enough. Reinforced by a fallen stock market, the public feared another “IMF crisis” and prolonged recession would appear. Political opponents of President Kim Dae-jung used the perception of a coming economic crisis to bitterly criticize the president for his undue “obsession” with North Korea and lack of attention to economic issues. In this context, the president’s popularity reached a new low in public opinion polls.

When Daewoo Motors filed for corporate reorganization in mid-November, and Hyundai Engineering struggled to stay out of bankruptcy court at the same, domestic observers found new reasons to voice anxieties about the ROK’s economic future. Shrinking consumption and consumer confidence added to the concern.

The government responded to this situation--and kept to its own end-of-the-year timetable--by announcing in mid-December that it would force the restructuring of six “non-viable” banks. The preeminent goal was to inculcate greater financial discipline and efficiency throughout the economy. In so doing, the government sought to raise South Korea’s international credit rating in general and retain the confidence of foreign investors, in particular. Instead of accolades for its efforts, however, the government was rewarded with a labor strike by workers at two affected banks. Despite causing short-term disruption, the strike failed after police broke up a demonstration and other bank unions refused to support the labor action.

While most foreign economists and financial analysts strongly underscored the importance of corporate restructuring, they were not nearly as pessimistic about South Korea’s economic prospects as prevailing Korean public opinion. As the year drew to a close, new data indicated that more foreign investment flowed into the ROK in 2000 than any time in the past, as a number of foreign investors sought to purchase Korean corporations whose stock prices were depressed.

Future Prospects

As this quarter comes to a close, both inter-Korean relations and U.S.-North Korea relations are in better shape than they have been for a decade. But the warming trend, which began in earnest after the North-South summit, does not yet appear “irreversible.” For that to happen, North Korea’s leader Kim Jong-il will have to pay a return visit to Seoul to sign new agreements on political relations and military threat reduction. In addition, the U.S. and North Korea will have to reach closure on a deal limiting North Korea’s missile development and missile exports.

Perhaps the biggest wild-card is the Bush administration’s policy toward North Korea. While Republican moderates stress the value of pursuing a diplomatic deal with North Korea, Republican conservatives are not nearly as sanguine. They publicly disparage any accommodation with North Korea as a form of “appeasement” and consider North Korea a “rogue state” that deserves harsh treatment. Only time will tell which faction will wield

the greatest degree of influence over President Bush's Korea policy--and in so doing, shape the evolution of events on the Korean Peninsula.

Chronology of U.S.-Korea Relations October-December 2000

Oct. 1, 2000: North and South officials call for an inter-Korean economic cooperative committee and for accelerating family reunions.

Oct. 2, 2000: President Kim Dae-jung reiterates call for new Korean peace mechanism among the two Koreas, the U.S., and China.

Oct. 3, 2000: ROK Financial Supervisory Commission states that large companies with poor debt ratings are subject to "bank screening" for liquidation.

Oct. 4, 2000: At emergency meeting with President Kim, top economic officials in South Korea reaffirm plan to liquidate nonviable companies by end of year.

Oct. 9-12, 2000: North Korean Special Envoy, General Jo Myong-rok, meets with Secretary Albright and President Clinton in Washington.

Oct. 12, 2000: U.S. and DPRK release joint statement vowing an end to hostility.

Oct. 13, 2000: President Kim Dae-jung receives Nobel Peace Prize.

Oct. 17, 2000: U.S. and ROK reach agreement on extending the permissible range and payload of South Korean missiles.

Oct. 20, 2000: Britain, Germany, the Netherlands, and Spain announce that each will re-establish diplomatic ties with North Korea.

Oct. 21, 2000: ASEM summit in Seoul issues declaration of support for improvement in North-South relations.

Oct. 23-24, 2000: Secretary Albright meets with Kim Jong-il during historic two-day visit to Pyongyang.

Oct. 25, 2000: Foreign ministers of U.S., Japan, and South Korea meet in Seoul and pledge to "strengthen teamwork" in dealing with North Korea.

Oct. 26, 2000: Two U.S. fighter jets accidentally enter North Korean airspace and return without incident, drawing a protest from North Korea.

Oct. 27, 2000: After two weeks of slow-down in North-South talks, North Korea offers timetable for new family reunions and working-level economic talks.

Nov. 1, 2000: New economic figures indicate a sharp drop in South Korea's recent industrial output as well as a drop in projected economic growth to 6.2% for 2001 from 9% in 2000.

Nov. 3, 2000: U.S. and North Korea end three days of missile talks in Kuala Lumpur without an agreement but after reportedly making "progress."

Nov. 10, 2000: Daewoo Motor Company files for bankruptcy protection to reorganize its operations, after labor and management fail to reach compromise.

Nov. 14, 2000: North and South Korean negotiators reach agreement on legal principles to protect foreign investment in North Korea, including no double-taxation.

Nov. 15, 2000: President Kim Dae-jung urges President Clinton to visit North Korea during the mini-summit on the sidelines of the APEC Leaders' Meeting.

Nov. 12, 2000: United Nations Command and North Korea sign an agreement to open a corridor through the DMZ for mine-clearance prior to rebuilding a rail link.

Nov. 20, 2000: Hyundai Group says it will raise \$1.14 billion to bail out Hyundai Engineering and Construction as part of self-rescue plan.

Nov. 28, 2000: North and South Korean military officials hold the first working-level talks since 1992 and report progress on construction of rail link through DMZ.

Nov. 29, 2000: U.S. and ROK begin nine days of SOFA negotiations.

Nov. 30-Dec. 2, 2000: North and South Korea hold the second reunion of separated families.

Dec. 7, 2000: American army investigators and South Korean officials fail to reach agreement on whether U.S. soldiers at Nogun-ri acted under orders in shooting civilians.

Dec. 12, 2000: Britain and North Korea establish diplomatic relations.

Dec. 18, 2000: South Korea's Financial Supervisory Commission announces financial restructuring of six nonviable banks.

Dec. 26, 2000: Approximately 10,000 unionized workers strike the Kookmin Bank and Housing and Commercial Bank, protesting restructuring plans.

Dec. 28, 2000: President Clinton indicates he will not travel to North Korea because of insufficient time to complete an agreement before the end of his term.

Dec. 28, 2000: U.S. and South Korea reach agreement on SOFA.

Dec. 30, 2000: At economic talks, North and South officials discuss joint development projects, joint flood protection, and supplying North Korea with electricity.

U.S.-Russia Relations: Return to Realism; Fewer Bear-hugs Expected

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What a difference a year makes. As the year 1999 turned over into 2000, the question being asked in the United States was: who is Mr. Putin? Now, as 2000 rolls over into 2001, many in Russia are asking the question: who is Mr. Bush? Specifically, what does a Bush administration mean for Russia? A Bush administration will most likely entail a return to a pragmatic policy based on realism and on the national interests of the United States. The relationship will no longer be based on the chummy relationship of Bill Clinton and Boris Yeltsin; as one analyst wrote, "there will be fewer bear-hugs." Bush's new foreign policy team has already suggested that there will be a fundamental change in the way the U.S. formulates Russia policy. Coincidentally, when Putin became president a year ago, he also outlined a foreign policy based on the "real national interests" of Russia. This could herald an era of increased strain between the two nations. However, a clear enunciation of policy by both sides could also enhance the possibility of progress in arms control and in economic relations. Much of this depends on the new policymakers in Moscow and Washington. Quadrilateral relations in East Asia (including China and Japan) could also be in for a big change under the Bush administration.

Bush's New Foreign Policy Team: Good or Bad for Russia?

Two of the first nominees for the Bush shadow cabinet were for the foreign policy team, and they came as no surprise. The nomination of Colin Powell as Secretary of State was forecasted more than a year ago. Powell represents a return to the realist-minded foreign policy of the Reagan years. Shortly after his nomination, Powell announced that Russia and China were foremost on the national security agenda, and though they were not to be treated as competitors, they were also not to be considered "strategic partners," a deliberate jibe at the Clinton administration's policy of the last several years. Of more interest to Russian observers was the nomination of Condoleezza Rice as Bush's National Security Advisor. Known in Moscow as a hard-liner, Rice made clear her views on Russia early in the campaign. She stated that U.S. policy toward Russia under a Bush administration would be much tougher in the areas of economic assistance and arms control, but that this policy would be pragmatic and in the interests of both nations. President-elect Bush also put forward Donald Rumsfeld, Secretary of Defense under Gerald Ford, as his candidate to head the Pentagon. Rumsfeld is seen as a strong supporter of the development of a national missile defense (NMD) system. In the last months of the Clinton administration, the "Forget Russia" school seemed on the ascendency in Washington. The daily *Nezavisimaya Gazeta* suggests that with a

Republican administration, Russia will no longer remain on the periphery of U.S. interests. "Is this good or bad for Russia?" it asks.

Many politicians in Moscow, including Vladimir Putin, consider a Republican administration in Washington a better deal for Russia. "We have always been able to find a common language with the Republicans," stated Putin in a recent television interview. Many politicians in both countries point to the fact that most of the major arms control agreements were initiated and signed by Republican presidents. "Our relations will become more clear now. The Democrats left much shrouded in fog. Sometimes Russia was a friend, sometimes it represented a threat," stated Gennady Seleznyov, the Communist speaker of the Duma. Ironically, some economic reformers (including President Putin's economic advisor Andrei Illarionov) also commend a Bush triumph, because less aid from the West means that Russia will be forced to deal with its economic fundamentals, which are still in shambles in spite of the seven percent GDP growth rate expected for 2000. Even many hard-liners in Moscow favor a Republican administration because Republicans are seen as less prone to interfere in Russia's internal affairs. This has become significant in the last year, particularly regarding the conflict in Chechnya, and could become even more so given Putin's crackdown on independent media in Russia. An article on *Strana.ru*, a quasi-official Kremlin mouthpiece, applauded Rice's talk of Russia getting its own economic house in order before it can expect significant aid. "This is what President Putin is doing right now," the article added.

However, other observers in Russia suggest that Russia should not begin celebrating a Bush victory too soon. First and foremost will be the issue of an NMD system, the development of which President-elect Bush says he strongly supports. Even if the Bush administration puts NMD development on hold, theater missile defense (TMD) could be the next option. This could have a tremendous impact in East Asia, where Japan is expected to contribute to the development of such a regional missile defense system. U.S. relations with China will become aggravated, which will force both Russia and Japan to make some difficult decisions.

Arms sales in East Asia, South Asia, and the Middle East will also be an issue of contention between Moscow and Washington. The Russian Foreign Ministry recently announced its intention to back out of the secret "Gore-Chernomyrdin" deal of 1995, and to continue selling arms to Iran. This decision was severely criticized in Washington, particularly by Republicans on Capitol Hill. The harsh rhetoric coming from Washington has stung many in Moscow. In an interview on the radio station Echo Moscow, Deputy Speaker of the Duma (from the liberal Yabloko faction) and former ambassador to Washington, Vladimir Lukin, strongly criticized the U.S. position. He argued that now that the U.S. has cornered a big majority of the international arms market, it does not want Russia to trade with the countries where Moscow has established clientele--such as in the Middle East (which is now awash in petro-dollars). Further qualitative arms sales to China (to whom Russia hopes to send a version of an AWACS system) could also escalate tensions between Moscow and Washington. Putin's recent penchant for reaching out to "states of concern" (Cuba, Iran, Iraq, Libya, North Korea) has not won high marks in Washington either. Even the Nunn-Lugar program, the one area of bilateral

cooperation that seems an unqualified success in both capitals, has had its recent setbacks and its future is by no means assured, as it apparently has its enemies in Congress. NATO expansion is also purportedly high on the agenda of many in Bush's shadow cabinet. NMD and NATO expansion can be expected to be the locus of disagreements between the two sides, and could threaten to irreparably damage relations if policymakers on both sides are not careful.

Putin's Priorities

Putin's agenda for his first year focused on economic and political reform at home. Putin wants to centralize power, heel in the regions, quiet political opposition, emasculate the oligarchs (at least those with whom he does not see eye-to-eye), and carry out economic reform so as to attract foreign investment. So far the report card is mixed. The only area he seems to have had success in is quieting opposition. His support ratings continue to hover between 60% and 70%, in spite of the fact that real economic reform still exists only on paper. The success of the trumpeted tax reform will only be known when taxes are collected, and the high GDP growth rate is more a by-product of uncontrollable macro-economic factors (the weak ruble and the high price of oil). Admittedly the passing of comprehensive legislation on production-sharing agreements (PSA) is a step in the right direction, but this concerns resource development, and Russia has never had a problem attracting foreign investment for resource extraction. Russia's economy is still a long way from being healthy. Realizing that economic reform will take years, Putin wants to maintain the appearance (either to his countrymen or to himself) that he is keeping busy. As such, he has had a travel schedule that has taken him to North America, Latin America, East Asia, Southeast Asia, South Asia, Central Asia, and all over Western Europe.

There is a coherency to his itinerary, and it seems calculated to make a statement. Putin has studiously avoided travelling to nations that strongly criticize Russia's actions in Chechnya--he did recently travel to France but only because it was the rotating head of the European Union for 2000. Putin also pointedly bypassed the U.S. on his recent North American tour (though admittedly the press in Russia made more of this than was warranted). In his speeches in both Cuba and Canada, Putin lashed out at NMD and at the U.S. penchant for "unilateralism." Putin has also made efforts to establish rapport with leaders of nations he feels he can count on for economic assistance (Germany, Great Britain, Japan). He also has reached out to nations to whom he hopes Russia can sell weapons (China, India, Iran, Iraq, and selected ASEAN states).

This fits in well with his plan for economic reform (based on increased foreign aid and investment, and on a renaissance of Russia's high-tech military-industrial complex), and minimal opposition (at home or abroad) to his policies, however heavy-handed they may be.

Energy and the Near-Abroad

An area of contention between the U.S. and Russia over the past several years has been the policy of the Clinton administration to support the nascent countries of the Caucasus and Central Asia. But events of the last several months have put this situation in an entirely new light. Putin has forcefully made it known that he plans on keeping the former Soviet republics in Moscow's orbit. He has traveled frequently in the region and supports a strong Russian political and military presence. Also, the increasingly apparent dictatorial nature of these regimes has deflated romantic notions in the U.S. State Department of building a network of liberal democracies on Russia's periphery. The recent presidential election in Kirghizstan, once the democratic poster-boy of Central Asia, was as big of a farce as past elections in the other "republics." Furthermore, as the major Western and American oil companies continue to question the feasibility of the Baku-Ceyhan pipeline route and as Iran continues to improve its image abroad, the whole foundation of the recent U.S. policy in the region is thrown into doubt. The ideas of keeping Russia and Iran out, and of building democracies alongside an east-west pipeline, are now up for debate. Russian analysts are speculating that the Bush administration is less keen on the Baku-Ceyhan route and will be no friend of Central Asia's republics.

One area of Russia's southern periphery where Washington and Moscow's interests do seem to overlap is in Afghanistan. Both nations see Afghanistan as one of the principle training grounds of the world's terrorists. There was even speculation this fall in the Russian press of U.S.-Russian military cooperation in carrying out air strikes against terrorist training camps in Afghanistan. The recent UN resolution (December 19) to enact economic sanctions against the Taliban regime was co-sponsored by Moscow and Washington. It will be worth watching how the Bush administration deals with Central Asia, and whether this region will turn from an area of competition to an area of cooperation between the U.S. and Russia.

East Asia, the United States, and Putin's Russia

Vladimir Putin is actively seeking a new place for Russia in the East Asian region. Russia has been seriously weakened in the region over the past ten years. Russia's marginalization has become even more apparent in the face of the continued geo-political dominance of the U.S. Russia has also had to witness the rise of the economic and military power of its once junior partner, China. Former Russian President Yeltsin hoped to ameliorate Russia's position by forging close military ties with China, and by agreeing to improve relations with Japan, from which he hoped Russia could obtain significant economic largesse. However, weapons sales to China only seemed to make Beijing more capable, and Japanese economic largesse actually seems more tied to economic fundamentals in Russia than to political or territorial issues.

Putin seemed to find the answer in the most unlikely of places, North Korea. By travelling to Pyongyang this summer he hoped to restore DPRK-Russian relations and

show that Russia deserved a place at the negotiating table on the Korean Peninsula's future. Putin's visit turned out to be premature, as Russia has little to offer North Korea. Nevertheless, it demonstrated Russia's ardent desire to become a player again in Northeast Asia. Putin hopes that by neutralizing the North Korean missile threat, the primary *raison d'être* for an East Asian TMD system will vanish. Putin is also seeking to increase contacts with the nations of Southeast Asia, and he held a series of bilateral meetings with leaders of ASEAN nations during the Asia Pacific Economic Cooperation (APEC) Leaders' Meeting in Brunei in November.

Putin also plans on continuing to build on links with both China and Japan. Consequently, Russia could find itself in a difficult position if the Bush administration pushes for the development of an East Asian TMD system. Japanese cooperation is deemed indispensable in Washington, and the Japanese themselves are extremely interested. Thus far, Russia has supported China's denunciation of a TMD system in Northeast Asia. However, many analysts in Moscow say that Russia's position is *pro-forma* and that it is not strongly opposed to an Asian-based system. But China's opposition could cause serious friction in the Beijing-Tokyo-Washington triangle, which would have ramifications for Russia in East Asia. Taiwan is another issue that threatens to further complicate quadrilateral relations. If Russia strongly backs China on TMD and Taiwan, we could see the beginnings of a new Cold War system in East Asia, reminiscent of the 1950s, if tensions grow. In such a case, U.S.-Russian regional cooperation in East Asia would come to a halt, and Russian-Japanese relations would be pushed back into a deep-freeze (as would perhaps a timetable on Korean reunification). Russia would have to forget about significant Japanese or South Korean economic assistance. Japan would be expected to increase its share of the regional defense burden in line with the United States, and normalization with Moscow would lose its priority status in Tokyo. But if Russia decides to sit on the sidelines, relations with China would suffer, and one of its biggest arms clients might look elsewhere.

How Vladimir Putin responds to such a situation could tell us a lot about his vision of Russia's future, not only in East Asia, but in Europe, North America, and at home as well. Much will also depend on how Russia's relations with the incoming Bush administration evolve.

Chronology of U.S.-Russia Relations

October-December 2000

Oct. 16, 2000: Russia, formally a co-sponsor with the United States of Middle East peace talks, is conspicuously absent from Middle East Peace Conference at Sharm el-Sheik. Many in Moscow consider this a blatant snub

Oct. 16, 2000: Trial of U.S. businessman Edmond Pope, convicted of espionage, begins in Moscow. Analysts view it as both an internal and external political tactic by the Kremlin.

Oct. 16, 2000: Russian Foreign Minister Igor Ivanov travels to Teheran to meet with Iranian officials.

Oct. 24, 2000: Eleven former high-ranking presidential advisors publish a letter criticizing Vice President Albert Gore's "secret deal" of 1995 with then-current Russian Prime Minister Viktor Chernomyrdin that allowed Russian arms exports to Iran to continue until 1999.

Oct. 31, 2000: Two Russian cosmonauts and one American astronaut are launched into space from Russia's Star City, Baikonur, to open up the International Space Station.

Nov. 2, 2000: Japanese Foreign Minister Kono Yohei arrives in Moscow in a last-ditch attempt to solve the territorial issue and sign a peace treaty before the arrival of the self-imposed deadline of Dec. 31, 2000. He comes away empty-handed.

Nov. 3-4, 2000: Russian Prime Minister Mikhail Kasyanov visits Beijing. China expresses interest in Russian-version AWACS.

Nov. 7, 2000: The U.S. presidential election ends in a dead heat. No winner is declared.

Nov. 14, 2000: It is publicly acknowledged that two Russian warplanes buzzed and photographed the U.S. carrier *Kitty Hawk* while on maneuvers in the Sea of Japan a month before.

Nov. 14-15, 2000: U.S. President Bill Clinton and Russian President Vladimir Putin meet on the sidelines of the APEC Leaders' Meeting in Brunei. In marked contrast to Clinton-Yeltsin, both presidents were cordial, but stiff.

Nov. 15, 2000: A senior official at the Russian Ministry of Foreign Affairs denies that Moscow has softened its opposition to a proposed U.S. national missile shield.

Nov. 15, 2000: Putin calls for a bilateral U.S.-Russian reduction in nuclear weapons to the 1,500-warhead level by the year 2008.

Nov. 23, 2000: Russia announces plans to withdraw from the 1995 Gore-Chernomyrdin agreement and to resume military-technical cooperation with Iran.

Nov. 23-24, 2000: Several Russian newspapers report that the United States has asked several Central Asian states (with Russian knowledge) to host U.S. warplanes so that they may carry out air raids against terrorist training camps in Afghanistan.

Nov. 30, 2000: The Pentagon announces that the Russian air force has moved bombers to air bases in northern Siberia and may be planning to fly maneuvers close to U.S. airspace off Alaska.

Dec. 5, 2000: A Russian parliamentary delegation said at a meeting of Franco-German-Russian legislators in Berlin that Russia would “immediately” withdraw from the START II Treaty if the United States renounces the Anti-Ballistic Missile Treaty.

Dec. 10-19, 2000: Putin visits Cuba and Canada.

Dec. 11-13, 2000: U.S. Chairman of the Joint Chiefs of Staff Henry H. Shelton meets with his Russian counterpart, Anatoly Kvashin in Moscow to address issues such as NATO expansion and national missile defense (NMD).

Dec. 13, 2000: U.S. Vice President Albert Gore concedes the presidential election to George W. Bush. President Putin, on his way to Cuba and Canada, immediately sends his congratulations to Bush.

Dec. 14, 2000: Putin, in Cuba, announces a presidential pardon of Edmond Pope, the U.S. businessman who had been tried and convicted of espionage in early December. Move seen as a political gesture to President-elect George Bush.

Dec. 18, 2000: President-elect Bush declares his candidates for the posts of Secretary of State (Colin Powell) and National Security Advisor (Condelezza Rice).

Dec. 19, 2000: Washington and Moscow co-sponsor UN resolution calling for sanctions against Afghanistan’s Taliban regime.

Dec. 21, 2000: In Brussels, U.S. Secretary of State Madeline Albright and Russian Foreign Minister Igor Ivanov sign a memorandum on the early notification of rocket launches, strengthening further an agreement signed in 1998 by Clinton and Yeltsin.

Dec. 26, 2000: Russian Defense Minister Igor Sergeyev begins a three-day visit to Iran.

Dec. 28, 2000: President-elect Bush announces Donald Rumsfeld Secretary of Defense-designate.

U.S.-ASEAN Relations:

The United States and Southeast Asia: Blowing Hot and Cold

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In his November valedictory visit to Southeast Asia, U.S. President Bill Clinton was enthusiastically welcomed by the people of Vietnam. Clinton's message was that economic growth and political liberalization are inextricably linked. The Vietnam communist party and government leaders had a more jaundiced view, reminding their people of the history of "American imperialism" in Indochina and warning against the political subversion of party authority. Indonesia's continued political and economic turmoil enveloped the U.S. diplomatic presence as U.S. Ambassador Gelbard's criticism of Jakarta's inaction in disarming West Timor's militias led to allegations of American interference in Indonesian affairs. The United States seemed to become a whipping boy for political infighting among contending Indonesian elite. Meanwhile, ASEAN defense chiefs took a tentative step toward greater cooperation with U.S. Pacific Command endorsement.

Clinton in Vietnam: Business, Freedom, and MIAs

In the first trip of an American president to Vietnam since Richard Nixon visited U.S. troops in 1969, President Clinton was greeted by enthusiastic crowds in both Hanoi and Ho Chi Minh City (Saigon) from November 17-19 despite Vietnamese official efforts to downplay his presence. "Vietnam is a country, not a war" was the unofficial theme of a visit that sought to spotlight business opportunities for U.S. companies. To that end, more than 50 U.S. executives accompanied Clinton, from such giants as Boeing, Coca-Cola, Nike, and General Electric. The only remnant of the Vietnam War on the president's agenda was the continuation of joint U.S.-Vietnamese search efforts for 1,902 still unaccounted for U.S. personnel dating back to the Vietnam War. According to Carl Thayer, a Vietnam expert at the Asia-Pacific Center for Security Studies in Honolulu, as long as the MIA (missing in action) issue dominates the U.S. agenda, fully normal relations with Vietnam will not occur.

Mr. Clinton lifted the U.S. trade embargo from Vietnam in 1994, and for the first few years thereafter U.S. investment pledges reached \$8 billion. However, red tape, corruption, a primitive and arbitrary legal system, and a retreat from economic reforms by the party leadership caused many of these businesses to withdraw. By 1999, foreign investment was at a seven-year low of \$800 million.

Hopes for a business revival hinge on the July 2000 U.S. trade agreement signed with Vietnam. [See Samantha Ravich, "Tragedy and Uncertainty for Some, Potential Benefits for Others," *Comparative Connections*, Vol. 2, No. 2.] While the United States has been the engine of growth for other Asian exporters, it is only the tenth largest investor in Vietnam with two-way trade in 1999 at less than \$1 billion. In theory, under the July trade accord, Vietnam has agreed to the reduction or elimination of a large number of trade barriers as well as protection for U.S. investment and intellectual property rights. However, its implementation is to occur only gradually over seven years, a slow pace that has discouraged many prospective new investors. Nevertheless, the World Bank estimates that once the trade agreement takes effect, Vietnam's exports to the United States will increase by more than 50 percent.

Hanoi's officially restrained treatment of the U.S. president's visit reflects a fierce division within the government over whether prospects for foreign investment-led economic development outweigh the threat to communist party rule. Party leader Le Kha Phieu warned in February 2000 that the Americans "continue to seek ways to completely wipe out the remaining socialist countries...We should never relax our vigilance for a minute."

To counter these suspicions, in his November 17 state dinner speech, Mr. Clinton called for more openness in Vietnamese society, but also declared that "we do not seek to impose these ideals, nor could we." In a private meeting with the U.S. president, Prime Minister Phan Van Khai pointedly remarked that "we may have different definitions of human rights." For Vietnam, the right to eat and get an education took precedence over the U.S. agenda.

Televised nationwide and translated by a Vietnamese government interpreter, President Clinton plowed familiar ground in his speech to the National University in Hanoi, stressing the mutual dependence fostered by globalization. He told the student elite of the country that "your next job may well depend on foreign trade and investment...Only you can decide how to weave individual liberties and human rights into the rich and strong fabric of Vietnamese national identity." The national press carried none of these remarks the next day, however.

The U.S. president repeated his praise for "entrepreneurship, innovation, and competition" in Ho Chi Minh City and risked further irritating party officials when he made an unannounced visit to the city's Roman Catholic archbishop. Prime Minister Phieu irritably noted that while Vietnam respects "the political systems of other countries, we in turn demand that other nations respect our people's choices." The subtext of these exchanges included the Vietnam communist party's fear of the subversive effects of a free market on the party's political control of the society--a prospect both Chinese and Vietnamese authorities derisively condemn as "peaceful evolution."

While Mr. Clinton ostensibly celebrated reconciliation in Vietnam, he also insisted that its government could not overcome the forces of global economic integration. If Vietnam was to enjoy the benefits of the global economy, it must create a fair and transparent legal system, allow free travel, open access to the internet, and ultimately liberalize the political system. Mr. Phieu's response was that Vietnam had no intention of abandoning socialism and that the state sector would remain dominant with political sensitive technologies under state control. By contrast, the "mayor" of Ho Chi Minh City spoke proudly to Mr. Clinton about the dynamic private sector in his city and how its economic growth had reduced the city's poverty.

Finally, it should be noted that although the United States provides Vietnam with about \$12 million per year in aid for education and AIDS treatment, Hanoi actually returns \$15 million a year to the United States in debt servicing it agreed to assume for the former South Vietnam government. Further, the U.S. has yet to agree to help clean up the environment polluted during the war by the use of herbicides, though Washington is cooperating with the Vietnamese on scientific studies.

Indonesian Unrest Embroils the United States

Separatist violence and religious strife continue to plague Indonesia and weaken President Abdurrahman Wahid's government. In Aceh, the Moluccas, West Timor, and West Kalimantan, the government appears unable to maintain order or protect human rights. Indeed, soldiers and police are frequently among the perpetrators of abuse. In Aceh and West Timor particularly, the situation is so chaotic that international aid agencies have withdrawn their personnel in fear for their safety. Human rights groups estimate that more than 3,000 Indonesians have died this year in regional violence and tens of thousands have become internal refugees. Although the international community regularly endorses the maintenance of Indonesia's territorial integrity, the blatant human rights violations have also elicited a chorus of international condemnation.

The United States has warned Indonesia that it could lose vital aid if it does not disband military-backed militias that intimidate local populations. Yet, the fraying of the military chain of command from Jakarta suggests that local armed forces in such places as West Timor and Irian Jaya (Papua) are essentially autonomous. Instead of winding down, UN reports from West Timor state that the militias were increasingly well armed, trained, and supplied.

U.S. and World Bank threats to withhold aid may be hollow, however, given Indonesia's geopolitical importance for Southeast Asia. Indonesia owes the rest of the world more than \$60 billion so that almost two-thirds of the international donor group aid goes to service that debt while the rest will offset roughly 40 percent of the government's projected budget deficit for 2001. By late October, the World Bank-led Consultative Group on Indonesia came up with over \$5.3 billion in aid despite the belief of many that the government's ability to bring peace and order to the country was virtually nonexistent.

Western pressures on Indonesia have elicited countervailing attacks on the U.S. from both elements in the government and Islamic radicals. Radical Islamic youth groups, reacting to recent fighting between Israelis and Palestinians, staged protests in mid-October against Israel and the United States in Jakarta and other major cities across the archipelago. These general complaints about U.S. support for Israel escalated into threats against the U.S. Embassy in Jakarta in late October, leading to the suspension of consular services. Simultaneously, the Indonesian Foreign Minister, Alwi Shihab, announced that death threats had been directed against U.S. Ambassador Robert Gelbard. While the Foreign Minister attempted to reassure the U.S. ambassador, Indonesia's Defense Minister Mohammad Mahfud accused the ambassador of interfering in Indonesian army affairs by backing a reformist general for the army's top post. The embassy replied that it was "dismayed and perplexed" by Mahfud's "false charges."

In effect, the United States had become a lightning rod for conflicts within the Indonesian leadership. Ambassador Gelbard, recently U.S. special envoy to Bosnia, strongly criticized Indonesia for failing to bring the military under greater civilian control and to disarm militia gangs that were accused of killing three UN refugee workers in West Timor in September. Gelbard's outspokenness was considered a breach of etiquette in Java, where conflicts are typically settled in a non-confrontational style. Moreover, the verbal assaults on the ambassador seem to be an effort by Defense Minister Mahfud, who has no constituency in the boiling cauldron of Indonesian politics, to establish his *bona fides* with the military and to disrupt the reform movement within its ranks. Mahfud even threatened to have the U.S. ambassador expelled, a statement quickly repudiated by President Wahid who pointedly stated that Ambassador Gelbard should be treated with the honor accorded to a foreign envoy. Defense Minister Mahfud also claimed that the U.S. ambassador had intervened on behalf of an alleged U.S. spy, whom the Foreign Ministry later said was simply an American tourist.

Efforts by President Wahid and Foreign Minister Shihab to rein in Mr. Mahfud undoubtedly reflect the fact that the United States is Indonesia's biggest foreign investor and the ultimate source of much of the aid that flows to the country from multilateral lenders. Nonetheless, these high level allegations precipitated an attack by Muslim youths on the U.S. consulate in Surabaya in late October as well as a bizarre incident in the central Java city of Solo where over 100 Muslim youth searched the town's hotels for Americans to expel. (They found none.)

George W. Bush's election elicited an expression of hope from the Indonesian Foreign Minister that the United States would ease pressure on human rights and environmental issues and thus help to restore good relations.

USCINCPAC Cements Regional Ties

The United States increased military ties with the Philippines and Thailand in recent months. Defense officials from the Philippines and the U.S. are completing a joint study on Manila's military modernization needs. Subsequent to the signing of the 1999 Visiting Forces Agreement between the two countries, the United States is making \$2

million aid available, discussing the transfer of a C-130 cargo plane, has begun counterterrorism training for Philippine special forces, and has inaugurated a \$1.4 million International Military and Education Training (IMET) Program for Philippine officers in the United States.

The joint Philippine-U.S. defense assessment is a tooth-to-tail affair addressing three areas: strategy and missions, capabilities, and resource allocations. However, a U.S. official cautioned that this should not be seen as a pledge of U.S. assistance to reach plan goals. In fact, Philippine military modernization plans have been stalled since the onset of the 1997 Asian financial crisis. Up to the time that U.S. forces left the Philippine bases in 1992, Manila received nearly \$100 million annually in military grants. These ended when the U.S. forces left.

Meanwhile, the current Philippine political crisis centering on President Joseph Estrada's impeachment trial in the Senate has negatively affected international investment in the country. Even though the Philippines' overall economic performance was considered favorable in 2000, Islamic and communist terrorist actions in Mindanao and Luzon combined with the impeachment have worried the domestic and international business communities about the country's future stability. Many investment decisions have either been postponed or withdrawn.

In Thailand, at the end of September, U.S. Commander in Chief, Pacific (USCINCPAC) Admiral Dennis Blair met with the Thai Armed Forces Supreme Commander General Sampao Chusuri to work out a counternarcotics training program. This is aimed at enhancing Thai efforts to control the flow of methamphetamines into the country from illegal laboratories in Myanmar. Thailand is particularly interested in acquiring Blackhawk utility helicopters and night vision equipment.

In a gesture to Indonesia, the United States in late September lifted its spare parts embargo so that Jakarta's C-130s could fly again. Put in place in September 1999, the embargo was meant to pressure the Indonesian government to bring alleged perpetrators of human rights abuses in East Timor to justice. The partial lifting of the embargo acknowledges the trials taking place in Jakarta as well as the country's desperate need to provide logistics for far-flung parts of the archipelago.

A path-breaking late November meeting in Thailand of top commanders of the ASEAN states led to an agreement to collaborate on disaster and humanitarian relief missions. While the ASEAN Regional Forum regularly looks at security issues, the November meeting was the first time ASEAN military commanders assembled to discuss cooperative security. U.S. Army Chief of Staff General Eric Shinseki addressed the meeting but did not take part in its deliberations. The meeting was initiated by Thai Armed Forces Commander General Surayud Chulanont. Another Thai participant noted that General Surayud was inspired, in part, by Admiral Blair's call for increased multilateral cooperation in the Asia Pacific region. According to the U.S. Pacific Command's public affairs chief, Admiral Blair wants to emphasize the importance of multilateral exercises and focus less on military threats than on "shared interests in

peaceful development” and on “common security challenges” posed by drug trafficking, piracy, terrorism, international crime, and natural disasters. With this in mind, three annual bilateral exercises--”Tandem Thrust” with Australia in May, “Cobra Gold” with Thailand in May-June, and “Balikatan” with the Philippines in June--will for the first time be linked under the rubric “Team Challenge.” These exercises will involve humanitarian assistance and disaster relief scenarios to which China has for the first time been invited to send military observers. To date, no reply has been received from Beijing.

Future Challenges

There are clouds on Southeast Asia’s economic and political horizon. While the region has substantially rebounded from the 1997-98 financial crisis, bank debt remains high in most countries, economic reforms are incomplete, and a slowing U.S. economy threatens the continuation of Southeast Asia’s export-led recovery. Politically, turmoil in Indonesia has not abated. President Wahid’s future is problematic as is his promotion of religious and ethnic pluralism; separatist movements persist; and the economy shows little vitality.

In addition, the Philippine impeachment crisis has raised fears of military intervention if President Estrada is acquitted in the Senate. Should military intervention occur--and this author believes the probability is relatively slight--it is unlikely to lead to a military regime but rather support for Vice President Gloria Macapagal-Arroyo’s accession.

Chronology of U.S.-ASEAN Relations October-December 2000

Oct. 2000: U.S. announces that Vietnam, Brunei, Indonesia, Malaysia, and Singapore will be invited to the first “Team Challenge” joint military exercise scheduled for the second quarter of 2001.

Oct. 4, 2000: The U.S. and the World Bank warn Indonesia it could lose vital aid if it does not disband the militias still active in West Timor.

Oct. 11, 2000: Under the U.S. Foreign Military Sales Program, the Department of Defense approves Singapore’s purchase of 100 Advanced Medium-Range Air-to-Air missiles. The U.S. also donates \$1.8 million worth of mine clearance equipment to the Vietnam Peoples Army. The Vietnam Veterans of America is given \$1.4 million to search for unexploded ordnance in Vietnam.

Oct. 14, 2000: In the U.S.-led “Pacific Reach” exercise, Japan participates with a Southeast Asian navy (Singapore) for the first time in search and rescue operations.

Oct. 14, 2000: Thousands of anti-Israeli Muslim protesters in Jakarta accuse the U.S. of backing Israel and desecrate Israeli and American flags.

Oct. 16, 2000: Indonesian Defense Minister Mahfud claims the U.S. sought to influence the selection of Indonesia's new army chief. The accusation is vigorously denied by the U.S. Embassy.

Oct. 2000: After a late September meeting in Bangkok, USCINCPAC Admiral Dennis Blair promises to provide the Thai military with counternarcotics training and possibly equipment.

Oct. 19, 2000: Indonesia's biggest foreign donors, including the U.S., agree to extend \$4.8 billion to the country to help offset Jakarta's 2001 deficit. They also add \$530 million in technical assistance, a sign that Indonesia is too important to permit an economic collapse.

Oct. 24, 2000: The U.S. Embassy in Jakarta denies charges by Defense Minister that an American tourist arrested in Irian Jaya was spying. The American is later freed without being charged.

Oct. 24, 2000: Minister Mahfud hints that Indonesia might seek new military ties with China, India, South Korea, and Japan if the United States and Great Britain continue their arms embargo.

Oct. 25, 2000: The U.S. Embassy in Jakarta is closed because of threats to the compound.

Oct. 29, 2000: Militant Muslim youth groups in Solo unsuccessfully search for U.S. citizens to expel from the country, claiming that Washington is fueling Indonesia's unrest and backing Israeli violence against Palestinians.

Nov. 1, 2000: Minister Mahfud insists that U.S. Ambassador Gelbard "mend his ways" or face expulsion--the action is rejected by President Wahid.

Nov. 3, 2000: Malaysian Prime Minister Mahathir denounces seven U.S. Congressmen who filed a pro-Anwar Ibrahim resolution as unfit to hold office.

Nov. 6, 2000: USCINCPAC announces that the Philippine military will receive training from the U.S. to develop an elite counter-terrorist force.

Nov. 7, 2000: Indonesian President Wahid prematurely welcomes the victory of Governor George W. Bush in the U.S. presidential race, stating that he was the better candidate because he is less likely to intervene in world affairs.

Nov. 15, 2000: Malaysia's Trade Minister Rafidah Aziz needled President Clinton at the Brunei APEC meeting on the disputed American election saying that perhaps the

“developing countries should send an election watch every time [the U.S.] has a presidential election.”

Nov. 16, 2000: Twenty-one APEC nations agree in Brunei to set an agenda for negotiating the elimination of trade barriers beginning in 2001--a victory for the Clinton administration’s free trade policy. However, developing countries posted their objections to any imposition of environmental or labor standards.

Nov. 17, 2000: President Clinton becomes the first U.S. president to visit Vietnam since Richard Nixon, conducts an unprecedented live broadcast.

Nov. 18, 2000: Vietnam Communist Party Secretary General Le Kha Phieu lectures President Clinton on American imperialism, a presentation one U.S. official in attendance called “outrageous.”

Nov. 21, 2000: ASEAN army chiefs hold a meeting in Thailand with U.S. Army Chief of Staff General Eric Shinseki in attendance.

Nov. 24, 2000: Hanoi instructs its ministries to draw up plans to conform to the requirements of a trade agreement signed with the U.S. last July. Neither side has yet ratified.

Nov. 25, 2000: Cambodian Prime Minister Hun Sen appeals to the U.S. and France to cooperate in tracking down terrorists who attacked government offices earlier in the week.

Nov. 26, 2000: Cambodian police arrest a Cambodian American said to be a leader of the anti-communist rebels who attacked government offices in Phnom Penh.

Nov. 27, 2000: Cambodian authorities assure U.S. Senator John Kerry that it will soon approve the creation of a tribunal, initially promised in July, to try former Khmer Rouge leaders for atrocities. However, there is no evidence that progress is being made to implement the July agreement.

Dec. 5, 2000: President Clinton awards the Presidential Medal of Freedom to Burmese Nobel Prize winner and opposition leader Aung San Suu Kyi.

Dec. 6, 2000: Japan, China, and South Korea are tapped to become observers in next year’s annual Thai-U.S. Cobra Gold exercise.

Dec. 6, 2000: Jakarta announces that its Air Force cargo planes will be back in service after the U.S. eases a spare parts embargo.

Dec. 6, 2000: An American veterans group begins a \$500,000 land mine and unexploded bomb removal program in central Vietnam.

Dec. 9, 2000: Indonesia releases five arrested separatist leaders on Irian Jaya after a U.S. State Department complaint that “detentions should have no place in today’s democratic Indonesia.”

Dec. 19, 2000: The Philippine military says it will not revive talks for the release of an American hostage with the Islamic separatist group, Abu Sayyaf, but will rescue him by force.

Dec. 21, 2000: After considering complaints from human rights organizations, the Pentagon announces it will stop importing clothing from Myanmar.

China-ASEAN Relations: ASEAN Ten Plus Three: An Evolving East Asian Community?

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During the third quarter, China's President Jiang Zemin made official state visits to Laos, Cambodia, and Brunei. China signed long-term cooperation agreements with Laos and Cambodia, thus completing bilateral framework agreements with all ten members of the ASEAN. President Jiang also attended the Asia Pacific Economic Cooperation (APEC) Leader's Meeting in Bandar Seri Begawan. In November, Premier Zhu Rongji attended the ASEAN Plus Three (China, Japan, and South Korea) and the ASEAN-China summits in Singapore. The quarter ended on a high note with the visit to Beijing by Vietnamese President Tran Duc Luong and the signing of an historic agreement demarcating maritime territory in the Gulf of Tonkin. Negotiations between China and ASEAN on a Code of Conduct for the South China Sea continued.

China's diplomatic drive in Southeast Asia is aimed at shoring up neglected bilateral relations, and, more important, dispelling regional concerns that China's impending membership in the World Trade Organization (WTO) would threaten regional economic interests. On the eve of the ASEAN Plus Three meeting, Chinese officials floated a proposal to create a free trade zone embracing ASEAN and China. ASEAN officials responded with a series of proposals to further enhance economic and political interaction between Southeast and Northeast Asia. These various proposals will be assigned to an expert study group that is expected to report back in a year's time. These developments suggest the gradual emergence of an East Asian community over the next decade.

Jiang's Three-Nation Visit

President Jiang's visit to Laos, Cambodia, and Brunei were his first visits as head of state and were designed to expand China's "peripheral diplomacy," according to *Wen Wei Po*. President Jiang's entourage included Vice Premier Qian Qichen.

Laos. In recent years, China has assiduously built up its influence in the Lao People's Democratic Republic (LPDR). In response to an economic crisis in 1999, China provided a package of interest-free loans that helped stabilize the *kip* and reduce inflation. Laos has also benefited from a growing volume of development aid and investments from Beijing. China funded the construction of the National Cultural Hall and its road engineers have been active in securing funding from the Asian Development Bank for infrastructure

^{*} The views expressed in this article are those of the author and do not reflect the official policy or position of the Asia-Pacific Center for Security Studies, Department of Defense, or the U.S. Government.

projects in northern Laos. China currently provides scholarships for 55 Lao students each year and in 2000, China provided training to nearly 100 high-level Lao officials.

President Jiang visited Laos November 11-13, the first visit by a Chinese head of state. On the eve of Jiang's arrival, a bomb blast at the national airport drew attention to continued political instability in that country. President Jiang met separately with President Khamtai Siphandon and Prime Minister Sisavat Keobounphan (among others). Both presidents reached "complete consensus" on all issues discussed, including the relevancy of socialism to the contemporary world. They also agreed to promote "comprehensive cooperation."

A Joint Declaration on Establishing a Framework for Bilateral Cooperation was signed by Vice Premier Qian Qichen and Deputy Prime Minister Somsavat Lengsavat. Both sides agreed to further cooperation in a number of areas including high-level political exchanges, foreign policy, economic matters, cross border trade, and environmental protection. Both sides agreed to enhance cooperation between their respective governments, armed forces, and non-government organizations, and to conduct regular consultations between foreign ministers.

The Joint Declaration also included provision for stepping up bilateral security cooperation by high-level visits and exchanges between defense institutions, armed forces, and defense experts. China and Laos pledged to intensify cooperation between their police and judiciary in an effort to crack down on transnational crimes (smuggling, drug trafficking, and illegal immigration).

Cambodia. President Jiang visited Cambodia November 13-14. President Jiang met separately with King Norodom Sihanouk, Prime Minister Hun Sen, National Assembly Chairman Norodom Ranariddh (also chairman of FUNCINPEC), and Senate Chairman Chea Sim (also chairman of the Cambodian People's Party). On the eve of Jiang's visit to Cambodia, a Hong Kong newspaper noted that "the two countries have virtually no problems that need to be resolved urgently." Cambodia is the recipient of one of China's largest aid packages. In 1999, China granted Cambodia \$18.3 million in foreign assistance and \$200 million in interest-free loans for infrastructure projects and military assistance (valued at \$2.7 million).

Vice Premier Qian Qichen and Cambodian Foreign Minister Hor Nam Hong signed a joint statement on strengthening bilateral cooperation, making Cambodia the tenth and last ASEAN member to reach such an accord with China. The joint statement highlighted four priority areas: agriculture, tourism, personnel training, and culture. This document also outlined a number of areas for future cooperation, including increased political and economic exchanges and continuing efforts to fight against transnational crimes.

Under the terms of the joint statement "the two sides also agreed to further strengthen the friendly exchanges and cooperation between their governmental institutions, parliaments, political parties, armed forces and non-governmental organizations." Seven other cooperation accords were signed, including an extension on preferential loans already

granted, a new loan package valued at \$12 million, an extradition treaty, disaster relief, welfare assistance, and technology. China's new loan will take the form of a line of credit to be used to finance road construction and technical assistance in agriculture. Further, the two sides agreed to set up a Joint Economic and Trade Cooperation Committee "at an appropriate time." The Ministers of Agriculture also signed a Memorandum of Understanding (MOU) dealing with Chinese technical assistance.

President Jiang's state visit was marred by public demonstrations led by students and intellectuals. They protested against past Chinese support for the Khmer Rouge and demanded both an apology and compensation for Chinese actions. Jiang did not address this issue, but reiterated China's support for Cambodia's policy of self-reliance and national reconciliation.

Brunei. President Jiang Zemin's visit to Brunei was the first visit by a Chinese head of state and was made in conjunction with the APEC Leaders' Meeting. President Jiang held discussions with Sultan Haji Hassanal Bolkiah. The two sides opened diplomatic relations in 1991 and subsequently reached cooperative arrangements in the fields of education, tourism, health, and civil aviation.

President Jiang's state visit resulted in a joint communiqué in which both parties agreed to further promote bilateral economic and trade cooperation. On November 17, three agreements were reached: investment protection, long-term contract on China's purchase of crude oil, and a MOU on tourism.

Eighth APEC Informal Summit

Prior to the APEC and ASEAN summit meetings there was heightened regional concern about the possible negative impact that China's membership in the WTO would have on ASEAN members, especially its developing economies. According to Thailand's Deputy Prime Minister and Minister of Commerce, Supachai Panitchpakdi, Southeast Asia was already experiencing a falloff in investment as China opened up its markets. "We looked at investment statistics, and we were disappointed," noting that AFTA (ASEAN Free Trade Area) had been reduced from the 60 percent portion of investment coming to Southeast Asia to approximately 20 percent. Quite clearly there had been a diversion of investment away from Southeast Asia to China.

There was also concern that inexpensive Chinese goods would flood the export market at the expense of ASEAN's less developed members. According to Supachai, "The addition of China into the World Trade Organization will increase the level of competitiveness, particularly for labor-intensive goods and electronics goods. For lower-income countries, the effects might be even stronger because they are competing head-on with more efficiently produced goods."

President Jiang Zemin delivered a major speech to APEC leaders on November 16 in which he discussed the costs and benefits of globalization. Jiang proposed enhanced cooperation between APEC's developed and developing countries to jointly develop

human resources, science and technology, and infrastructure with the aim of narrowing the gap between rich and poor countries. He also supported Brunei's proposal for formulating mid- and long-term strategies for human resource development in the Asia Pacific region. China is also scheduled to host the Ninth APEC Leaders' Meeting in Shanghai in October 2001.

ASEAN Plus Three

In October, ASEAN officials met in Chiang Mai and turned down a recommendation from their senior officials to consider enlarging AFTA to include Australia and New Zealand. After the Chiang Mai meeting, Singapore went out on its own and concluded a free trade agreement with New Zealand and opened negotiations with Mexico, the United States, Canada, Australia, and Japan. It is in this context, coupled with China's future membership in the WTO and the coming into force of AFTA in 2002, Beijing floated a proposal to link China with AFTA. On the eve of the ASEAN Plus Three summit, a Chinese foreign ministry spokesperson stated, "China stands ready to explore the possibility of setting up links with the ASEAN free-trade area or creating a free-trade zone between China and ASEAN."

The ASEAN heads of government met separately on November 24 in advance of the ASEAN Plus Three summit. ASEAN leaders agreed to study whether to turn their informal consultations with China, Japan, and South Korea into a formal East Asian Summit and to set up a working group to examine the merits of an East Asian free trade and investment zone. ASEAN leaders also adopted an Agreement on E-ASEAN and endorsed plans to strengthen the rail and road infrastructure linking the Mekong Basin area with southern China.

The ASEAN Plus Three summit meeting was also held on November 24. Premier Zhu Rongji delivered a major speech, in which he enumerated five tasks for the ASEAN Plus Three countries to implement and six points for Sino-ASEAN cooperation. Zhu also addressed regional concerns about the possible negative effects of China's membership in the WTO. He concluded, "I believe, China's accession to WTO will bring about greater opportunities for cooperation between China and ASEAN..."

Zhu's five tasks included cooperation and development of the Mekong River Basin's transportation and communications infrastructure, information technology, human resources, a regional currency exchange network, agriculture, and tourism. Zhu stated that China would take the initiative by convening a meeting of the ASEAN Plus Three agriculture and forestry ministers. He also announced that China was willing to host an agricultural technology and cooperation business forum.

Premier Zhu's six-point list of priorities was as follows. One, continuously strengthen political cooperation between the two sides and "further unfold multilateral and bilateral political and security dialogue and consultations." Two, intensify efforts for human resources development. Three, strengthen infrastructure construction in the Mekong River Basin--Premier Zhu promised to fund dredging of the waterways in Laos and

Myanmar; to cooperate with Laos, Thailand, and the Asian Development Bank in constructing the Lao section of the Kunming-Bangkok road; and to bid for construction projects as part of Malaysia's proposed Pan-Asian railway. Four, achieve greater hi-tech cooperation--Premier Zhu proposed to host a China-ASEAN seminar on information technology cooperation in 2001. Five, deepen agricultural cooperation through the formation of an agricultural cooperation network between China and ASEAN. Six, strengthen trade and investment links.

As regards this last point, Premier Zhu pointed out that China and ASEAN need to work toward an "unfettered exchange of goods, technologies, capital, and information." He went on to say, "In the long term, China and the ASEAN countries can also further explore the establishment of a free trade relationship...The ASEAN countries can become one of the focal areas for Chinese enterprises in 'going abroad.'" Zhu was at pains to stress that the existing regional economic and political architecture should not be disturbed: "Regional organizations and mechanisms for cooperation, such as the [ASEAN] Ten Plus Three, APEC, and ASEM, should complement and supplement each other... [and that] the Ten Plus Three mechanism may serve as the main channel for regional cooperation, though which to gradually establish a framework for regional financial, trade, and investment cooperation, and furthermore to realize still greater regional economic integration in a step by step manner."

The ASEAN Plus Three summit concluded with a public statement by Prime Minister Goh of Singapore highlighting what he termed the two big ideas to emerge from discussions: an East Asia free trade zone and an institutional link with Northeast Asia. Goh noted that a study group would report back within the year on whether to institutionalize the ASEAN Plus Three meeting process into a formal East Asian Summit. "I think the study group will concentrate mainly on economic and social issues, but they can also expand their study into politics," he said. Goh observed that the leaders of the thirteen countries were starting to think as "East Asians." "I see no problem in ASEAN Plus Three evolving, if that's the desire of the leaders, into some kind of East Asia summit. But there are implications. I myself would not recommend a hasty evolution," he stated, concluding, "[w]e need the United States to be in East Asia. This is not an attempt to shut out Washington from Asia."

Fourth ASEAN-China Summit

On November 25, Premier Zhu met with his ASEAN colleagues at the Fourth ASEAN-China Summit. Zhu basically reiterated his earlier remarks that China's entry into the WTO would provide major opportunities for ASEAN and result in a "win-win" situation for all. Zhu placed emphasis on the further development of multilateral and bilateral political and security dialogue and consultations with ASEAN. He also called for the deepening of agricultural cooperation and enhancing trade and investment links. He once again suggested that China and ASEAN explore the establishment of a free trade relationship "in the long run," and the creation of an expert group for China-ASEAN economic integration under the framework of the China-ASEAN Joint Committee of

Economic and Trade Cooperation. He also held a series of bilateral meetings with key Southeast Asian leaders.

Gulf of Tonkin Agreement

At year's end, Vietnamese President Tran Duc Luong made his first official visit to China (December 24-29). On arrival, Foreign Ministers Tang Jiaxuan and Nguyen Dy Nien signed an historic agreement demarcating maritime territory in the Gulf of Tonkin. The two foreign ministers also issued a ten-point Joint Statement on All-Round Cooperation in the New Century outlining a comprehensive program of future cooperative activities in nine major areas in the spirit of "settling the easy first and the difficult later." This document reaffirmed the role of the inter-governmental committees on Economic and Commercial Cooperation and Scientific and Technological Cooperation as the chief mechanisms for managing bilateral relations.

Under the terms of the statement both sides pledged to implement agreements already reached on demarcation of the land border, to maintain the existing "mechanism" on maritime border issues (South China Sea), and to expand cooperation in the security field. Point five called for "multi-level military exchanges in various fields to enhance mutual understanding and trust, build closer relations between the national defense offices and armed forces of the two countries, and expand exchange and cooperation in the security field."

The joint statement also dealt at length with the Taiwan issue. Vietnam, for its part, reaffirmed its support for a one-China policy and recognition of the People's Republic of China as the sole legitimate government of which Taiwan was an inseparable part. Vietnam also affirmed that it had "only established non-governmental economic and commercial relations with Taiwan." China welcomed Vietnam's stand and reiterated that "the Taiwan issue is entirely an internal affair of China" and China "strongly opposes governmental relations with Taiwan in any form by those countries that have established diplomatic relations with China."

During his visit, Luong held separate discussions with Premier Zhu Rongji and Li Peng, chairman of the National People's Congress. Three other important agreements were also signed: fisheries cooperation in the Gulf of Tonkin, cooperation in the peaceful use of nuclear energy, and cooperation between their national news agencies.

Code of Conduct

The Third China-ASEAN meeting on the South China Sea was held in Hanoi on October 11 to discuss a joint consultative draft on a Code of Conduct. Press reports identified five areas of disagreement, two of which became sticking points. The first concerns whether the code should ban further construction on occupied features and prohibit new occupation of unoccupied features. The second point relates to the geographic scope of the code. Vietnam insists that the Paracel Islands be included, China adamantly opposes this. On October 17, the Chinese Foreign Ministry spokesman stated that the main

barrier was that certain ASEAN members still hold different views on the scope of the Code. Disagreement between China and Vietnam scuttled plans to present the South China Sea Code of Conduct to heads of government for signature at the ASEAN-China summit in November.

Conclusion

Relations between ASEAN and China are not only on a faster track, but may be proceeding to some form of institutional arrangement within the next decade. Over the next year regional officials will discuss whether to create an ASEAN-China or East Asian free trade area. Consideration will also be given to converting the informal ASEAN Plus Three summit into a more formal arrangement, such as an East Asian Summit. These may be straws in the wind, but it seems clear that a nascent East Asian Community is slowly emerging.

China has capitalized on disillusionment on the part of some Asian leaders about the pace and tone of the Clinton administration's WTO trade liberalization agenda. This disillusionment, coupled with U.S. inattention and domestic disarray among U.S. allies in Southeast Asia, has created an opportunity for China to skillfully advance its influence. Indonesia's President Wahid, tired of hectoring by American diplomats, has suggested a triangular relationship between China, India, and Indonesia. American influence in Southeast Asia has been waning. According to Kavi Chongkittavorn, executive editor of *The Nation*, "China hasn't replaced the U.S. But it's eating away at America's influence. This is going to keep happening unless Washington changes its ways."

Chronology of China-ASEAN Relations October-December 2000

Oct. 1, 2000: The Democratic Voice of Burma (Oslo) reports that China will provide assistance to Myanmar's State Peace and Development Council to construct an airbase in the southern district of Tenasserim and China will also supply eight fighter planes, eight helicopters, and a radar station.

Oct. 3, 2000: Chinese and Singaporean leaders acknowledge the tenth anniversary of the establishment of diplomatic relations.

Oct. 8, 2000: The ASEAN Secretariat is commissioned to prepare a report on China's anticipated entry into the WTO for the ASEAN summit in Singapore in November.

Oct. 9-15, 2000: Chinese State Councilor Luo Gan visits Thailand, signs an agreement on enhancing anti-drug cooperation.

Oct. 10, 2000: Deputy director of the Nationalities Committee of Vietnam's National Assembly meets with vice chairman of the National People's Congress in Beijing.

Oct. 11, 2000: Third meeting of the ASEAN-China Working Group on a Code of Conduct for the South China Sea is held in Hanoi under the co-chairmanship of Vietnam and China.

mid-Oct. 2000: Surakiat Sathianthai, deputy leader of the Thai Rak Thai Party, visits Beijing, Shanghai, and Kunming.

Oct. 15-19, 2000: Philippines' Armed Forces Chief General Angelo Reyes pays five-day visit to Beijing for discussions on the South China Sea with his PLA counterpart.

Oct. 16, 2000: Cambodian Deputy Prime Minister and Minister of the Interior Sar Kheng visits Beijing for discussions on bilateral cooperation to prevent cross-border crimes.

Oct. 16-30, 2000: Thailand's Queen Sirikit meets President Jiang during state visit to China, accompanied by Foreign Minister Surin Pitsuwan.

Oct. 17, 2000: Sino-Vietnamese Youth Forum is held in Beijing.

Oct. 19, 2000: Akbar Tandjung, Speaker of the Indonesian Parliament, attends the 104th conference of the Inter-Parliamentary Union in Beijing.

Oct. 20, 2000: Singaporean Deputy Prime Minister Lee Hsien Loong visits Beijing.

Oct. 20-22, 2000: Third ASEM summit is held in Seoul.

Oct. 21, 2000: Premier Zhu meets with Indonesian President Wahid. Press reports indicate that some Indonesian military commanders urged Wahid to procure weapons and equipment from China to replace those denied by U.S.

Oct. 21, 2000: China and Vietnam chosen as coordination countries representing Asia for next ASEM.

Oct. 22-29, 2000: Le Van Dung, Chief of the General Staff of the Vietnam People's Army, visits China for border security discussions with Fu Quanyou, Chief of the PLA General Staff.

Oct. 25, 2000: The China Red Cross Society donates \$50,000 to the Vietnam Red Cross Society for the relief of flood victims.

Oct. 28, 2000: China officially rejects an invitation from Thailand and Vietnam to join in the establishment of a joint rice fund because it might jeopardize China's entry into the WTO.

Oct. 30, 2000: Malaysian Minister of Primary Industries, Datuk Seri Dr Lim Keng Yaik, visits China to discuss a railway construction contract.

Oct. 30-Nov. 4, 2000: Sixteenth meeting of the China-Vietnam Joint Working Group on demarcation of the Tonkin Gulf is held in Beijing.

Nov. 5-10, 2000: PLA Navy delegation pays five-day visit to Vietnam to boost ties between the two naval forces.

Nov. 10, 2000: Chinese Ambassador in Cambodia lays the foundation stone of the Senate library and office buildings, a Chinese-funded project.

Nov. 10-11, 2000: Second China-Vietnam symposium on “Socialism-Vietnam’s Experiences, China’s Experiences,” is held in Hanoi.

Nov. 11-13, 2000: President Jiang pays state visit to Laos.

Nov. 12, 2000: China’s Minister of Land and Natural Resources, Ti Fengshan, visits Laos.

Nov. 12, 2000: Dai Bingguo, head of the CCP Central Committee’s International Liaison Department, pays a working visit to Vietnam.

Nov. 12-13, 2000: Twelfth APEC Ministerial Meeting held in Brunei. China is represented by its Foreign Minister, Tang Jiaxuan, and Foreign Trade Minister, Shi Guangsheng.

Nov. 13-14, 2000: President Jiang pays an official visit to Cambodia, the first visit by a Chinese president in thirty-seven years.

Nov. 15, 2000: President Jiang delivers keynote luncheon address to the APEC CEO Summit in Brunei. Later he participates in a dialogue with the APEC Business Advisory Council.

Nov. 15, 2000: President Jiang meets with Malaysian Prime Minister Mohamad Mahathir on the sidelines of the APEC Leaders’ Meeting in Brunei.

Nov. 15-16, 2000: Eighth APEC Leaders’ Meeting is held in Brunei.

Nov. 17-18, 2000: President Jiang pays official state visit to Brunei.

Nov. 19-Dec. 1, 2000: The China-Vietnam Inter-government Committee for Land Border Demarcation and Border Marker Construction meets in Beijing for the first time.

Nov. 22-23, 2000: Meeting in Singapore of ASEAN foreign ministers to prepare for the ASEAN Informal Summit and ASEAN Plus Three meeting.

Nov. 23, 2000: PMs Zhu Rongji and Goh Chok Tong meet in Singapore.

Nov. 24, 2000: ASEAN heads of government sign an e-commerce agreement that calls for the establishment of high-speed region-wide internet connections and eventual elimination of duties on related goods and services.

Nov. 24-25, 2000: ASEAN Informal Summit and the Fourth China-ASEAN Summit meetings are held in Singapore. Premier Zhu Rongji holds bilateral meetings with Indonesian President Wahid, Malaysian PM Mahathir, Thai PM Chuan Leekpai, Senior Minister Lee Kuan Yew, Vietnamese PM Phan Van Khai, and Cambodian PM Hun Sen.

Nov. 25, 2000: Premier Zhu attends the Fourth China-ASEAN Summit (Ten Plus One) in Singapore.

Nov. 25-28, 2000: China's Defense Minister Chi Haotian visits Malaysia and meets with Defense Minister Datuk Seri Najib Tun Razak.

Dec. 4, 2000: China and Thailand sign an investment agreement on joint development of a Hydroelectric Station in Yunnan province.

Dec. 7, 2000: Vietnam and China sign an agreement on air route structure and airspace management in the South China Sea.

Dec. 10, 2000: The Export-Import Bank of China signs a major loan agreement for a Hydropower Plant Rehabilitation Project in Cambodia.

Dec. 13-18, 2000: China and Vietnam hold a series of conferences on cooperation in tourism.

Dec. 15, 2000: Defense Minister Chi meets with Kenekham Senglathone, Deputy Chief of the General Staff of the Lao People's Army.

Dec. 20, 2000: Voice of Vietnam reports that China and Vietnam exchanged 160 "delegations of the communist parties and governments of both countries... this year."

Dec. 25-29, 2000: Vietnamese President Tran Duc Luong makes his first official visit to China, signs a joint communiqué outlining an extensive program of cooperative activities. An historic treaty demarcating maritime territory in the Gulf of Tonkin is also signed along with agreements on fishery cooperation and the peaceful use of nuclear energy.

Dec. 26, 2000: China's Foreign Ministry reaffirms that "China's position on the South China Sea is very clear, that China has indisputable sovereignty over the Spratly islands and surrounding waters."

China-Taiwan Relations: Dialogue in Neutral; Private Sector in Gear

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With Taipei domestic politics in turmoil and Beijing fixated on its version of the one-China principle, cross-Strait dialogue has gone nowhere this quarter. While this is regrettable, tensions have not risen and are unlikely to do so in the coming months. With dialogue stalled, Taipei has taken some unilateral steps to increase cross-Strait contacts, the most important being the “mini three links” legalizing trade and travel between the off-shore islands and adjacent Mainland ports. Meanwhile cross-Strait trade and investments continue to expand rapidly with the private sector, as usual, pushing beyond the limits of official policy. In these circumstances, the new Bush administration will have time to carefully review U.S. policy on cross-Strait issues, reiterate abiding U.S. interests, and consider key decisions it will face this spring on Taiwan arms sales.

No Dialogue, but Little Tension

Despite continuing attention, no progress was made toward resuming unofficial cross-Strait dialogue this quarter. Efforts to promote dialogue ebbed noticeably, in part because of political turmoil in Taipei and in part because neither side was willing to compromise further on the conditions for dialogue. There is no indication that meaningful behind the scenes contacts have occurred to pave the way for dialogue.

Taiwan President Chen Shui-bian has repeatedly expressed his desire for dialogue with Beijing, but domestic political constraints have prevented him from moving further toward Beijing's demand that he embrace the one-China principle. In fact, Chen has not repeated his endorsement of an interpretation of the “1992 consensus” (one-China, respective interpretations) that he had expressed in the summer, preferring instead recently to urge that dialogue should resume on the basis of the “1992 spirit,” which Beijing rejects. Chen had hoped that the Supra-party Task Force on Cross-Strait Relations led by Lee Yuan-tseh would forge consensus on Taiwan for a more forthcoming position. However, by the time its recommendations were made, no opposition party representatives were participating in the Task Force. Its recommendations, announced in late November, neither forged consensus nor helped the search for a basis for dialogue. Beijing has been content to sit back and reiterate endlessly its demand that Chen accept the one-China principle. Every suggestion on dialogue from Taipei has been turned aside almost peremptorily. When the Task Force

issued its recommendations, a spokesman from Beijing's Taiwan Affairs Office (TAO) ridiculed them as not warranting any comment.

This lack of progress is regrettable and, over time, potentially destabilizing. However, tensions remain very low, and there is no reason to expect serious friction to recur in coming months. Beijing may distrust Chen, but it appears reassured that Chen will abide by his inaugural undertakings to avoid those actions which would most provoke Beijing. Chen has taken credit for stabilizing cross-Strait relations and is trying hard to demonstrate that he can work effectively with Beijing. For its part, Beijing has eschewed threatening rhetoric and military exercises near the Strait. Observers in Taipei believe that international circumstances will constrain Beijing from launching new threats against Taiwan. They point to Beijing's end-game negotiations on World Trade Organization (WTO) accession, Beijing's bid for the 2008 Olympics (which will be decided this fall), and its preparations for the October 2001 Asia Pacific Economic Cooperation (APEC) Leaders' Meeting in Shanghai.

In November, President Chen expressed confidence to a Japanese newspaper that the situation in the Strait would remain stable for the coming year. This was too much for Beijing propagandists who do not want to let Chen claim credit for reducing tensions. In line with the constant pressure on Chen, the *People's Daily* rejoined with a long editorial arguing that Chen was "too optimistic"--but the weakness of its argument only seemed to justify Chen's assessment.

Don't Expect Dialogue Anytime Soon

Changed circumstances now make it unlikely that meaningful dialogue will take place in the coming months. These involve Chen's domestic difficulties, the growing concerns about Taiwan economic competitiveness, and the approach of Taiwan's Legislative Yuan elections in December 2001.

The Chen administration's sudden decision in October to abandon construction of Taiwan's fourth nuclear power plant provoked a domestic political crisis that has weakened Chen's position. Although the threat to recall Chen has waned, relations between his administration and the opposition parties remain severely strained, as evidenced by the debate over the shortening of the work week and the delay in passing the 2001 budget. The Kuomintang (KMT) majority in the Legislative Yuan prevailed on both issues.

At the same time, economic problems have intensified. The economic slowdown in Taiwan's major markets, particularly in the U.S. computer sector, has hurt the profitability of Taiwan's information technology (IT) companies and increased their incentives for moving production to lower cost facilities, primarily on the Mainland. An increase in non-performing loans in Taiwan financial institutions has created concern in Taiwan and abroad about the possibility Taiwan may be heading for a financial crisis. The stock market continued to fall, with the Taiex ending the year below 5,000, a level

more than 50 percent below its peak last spring. These domestic problems have weakened Chen and put him in a disadvantageous position for negotiating with the PRC.

Chen's weakness further reduces Beijing's incentives for negotiating with Taipei. The PRC seems firmly settled into a posture of demanding Chen's acceptance of Beijing's conditions for dialogue, working the Taiwan opposition parties' to isolate Chen domestically, and seeking to exploit differences between pragmatists and fundamentalists within the Democratic Progressive Party (DPP). Without any subtlety, Beijing's national United Front Work Conference in December highlighted the importance of its work on Taiwan issues. Vice Premier Qian Qichen told a group of visiting former U.S. officials in December that Beijing distrusts Chen and is not willing to work with him.

The Legislative Yuan elections next December are now playing a larger role in the tactics of cross-Strait dealings. With less than a year to go, Chen is anxious to show not just that he can stabilize the Strait, but more important, make progress with Beijing. He wants to disprove the long-standing KMT campaign charge that the DPP can't be trusted with cross-Strait relations. Beijing has no incentive to help Chen in the run-up to the election. Hence its active wooing of KMT visitors and propaganda attention to the KMT's (not Lee Teng-hui's) traditional adherence to the one-China principle. While the KMT must be careful not to appear to be selling out Taiwan's interests, the KMT shares an interest in not wanting the DPP to gain election advantage. Hence the KMT was pleased that one of its Vice Chairman, Wu Po-hsiung, enjoyed high-level access to PRC leaders during his private visit to China in November. This election logic will hamper the prospects for dialogue throughout 2001.

That Elusive 1992 Consensus

In November, *Xinhua* released a long article on the 1992 consensus intended to buttress Beijing's explanation of how Taipei had accepted the one-China principle at that time. The article cites portions of many of the same documents from the 1992 negotiations that Taipei's Mainland Affairs Council (MAC) has cited in the past. It is easy to see from these partial records how different people have reached different interpretations on what was agreed. Beijing's interpretation is different from that made by the MAC under the KMT government and different from the interpretation that MAC Chairperson Tsai Ying-wen makes now. As has long been asserted, the ambiguities could provide a basis for resuming talks. After his inaugural, Chen did explore those possibilities. Thus far, Beijing has shown no interest in exploiting ambiguity and has chosen to rigidly argue the case for its interpretation.

The *Xinhua* article may even reflect a hardening of Beijing's terms for dialogue. In its authoritative May 20, 2000 statement, Beijing's Taiwan Affairs Office (TAO) said dialogue could be resumed if Chen accepted the 1992 consensus. In the article, the unnamed TAO official urged Chen to endorse the 1992 consensus by "returning to the stance that both sides of the Strait adhere to the one-China principle" and by "making joint efforts to seek national reunification." This latter point on seeking national reunification was not mentioned in the May 20 statement but was a part of the record

from 1992. Endorsing it would be a much bigger problem for Chen than endorsing the ambiguous one-China principle. Although the reference to seeking national reunification has been repeated in a December 7 *People's Daily* column and in TAO Director Chen Yunlin's New Year's message, it is not clear whether it is to be an additional precondition for dialogue.

A Few Unilateral Steps

Faced with Beijing's rigid conditions for dialogue, Chen's administration has nevertheless taken a few unilateral steps to expand cross-Strait relations and respond to domestic pressures on Taiwan. In October, the government issued new more liberal regulations on extended visits by educators and science and technology personnel from the Mainland. In November, the government liberalized terms for PRC journalist travel to Taiwan and issued the first visas permitting *Xinhua* to establish a continuous presence in Taiwan. In December, the Legislative Yuan adopted a new law significantly liberalizing several aspects of cross-Strait travel and exchanges. Taipei is also considering a liberalization of the regulations governing investments on the Mainland. For its part, the PRC licensed the first school run by Taiwan teachers for the children of Taiwan residents in China's Guangdong province.

The most significant unilateral step launched by Taipei was the so-called "mini three links" legalizing trade and travel between the off-shore islands, Quemoy and Matsu, and adjacent ports on the Mainland. Throughout the fall, Taipei was carefully planning these steps, which in large part would only decriminalize activities that are already occurring. For months, Beijing avoided official comment on the mini three links. Beijing was caught in a dilemma. If Beijing openly endorsed the initiative, Chen would garner credit. However, if Beijing sought to block this initiative, it would have to stop the existing unauthorized trade and travel, which Beijing has favored for two decades. When the cabinet in Taipei announced its regulations for the mini three links in mid-December, there was no official comment from Beijing. Then in late December, a week before the planned launch Beijing took two steps to deal with its dilemma. First, it banned reporters from visiting the Mainland ports in order to minimize publicity and then it authorized a Fujian provincial official to indicate that Beijing would support the initiative. [On January 2, ferries from Quemoy and Matsu made round trips to nearby Xiamen and Fuzhou--the first legal transits since 1949.]

Economic Ties Booming

Despite the absence of political dialogue and concerns about sustaining Taiwan's international competitiveness, cross-Strait economic relations have continued to expand rapidly, driven forward by economic logic. The most recent Taiwan statistics indicate that cross-Strait trade registered its thirteenth consecutive month of double digit growth in October and would easily exceed \$30 billion in 2000. Taiwan's investment commission reported that investments in the Mainland had nearly doubled in the first ten months of the year, to reach almost \$2 billion. The slow down in global computer sales is actually forcing Taiwan's electronics and information industries to move more rapidly

to take advantage of economic production conditions in the PRC to remain competitive. For the first time, investment in the Mainland this year will likely account for half of Taiwan's total foreign investment. More than half of investments are made by high tech companies, and according to Taiwan's Institute for Information Industry (III), over 70 percent of IT hardware produced in the Mainland is from Taiwan invested plants. In late December, III announced that the PRC would surpass Taiwan in 2000 to become the third largest IT hardware producer after the U.S. and Japan.

This economic logic has produced intense pressure from the affected industries for Taipei to liberalize restrictions on investments. Taiwan Semiconductor Manufacturing Corporation's Morris Chang and Acer Computer's Stan Shih have been in the forefront of the electronics industry lobbying effort. Taiwan's Economics Minister Lin Hsin-yi has indicated that the government hopes to complete its review of the investment regulations by the end of the year. While there is considerable concern in the DPP and bureaucracy that the liberalization not undermine Taiwan's security or lead to a decline in investments in Taiwan, President Chen said in a New Year's television address that investment restrictions would be substantially revised.

As usual, the private sector is moving ahead of policy. Although Taiwan firms are prohibited from producing laptops on the Mainland, all but one of Taiwan's major laptop manufacturers have parts plants there and several of these companies are booking export orders to be filled in 2001. Grace Semi-Conductor Manufacturing, a Taiwan-PRC joint venture that broke ground for an eight inch fab plant in Shanghai this November, involves investments that go well beyond the capital and technology ceilings authorized by Taiwan. Formosa Plastics tycoon Wang Yung-ching is reviving plans for a major petrochemical plant in Ningbo. Wang organized a dinner of leading industrialist in November to orchestrate pressure on Chen to liberalize the investment rules.

Implications for the New Administration

Attention is already focused on the incoming Bush administration's policies on cross-strait issues. President Chen told a group of prominent American visitors in December that he hoped the new administration would not endorse Clinton's "three no's," particularly the third "no" on not supporting Taiwan's membership in international organizations that require statehood as a criteria for membership. In Beijing, Vice Premier Qian told the same group that the incoming administration should adhere to all of Washington's previous pledges on Taiwan.

Communication was poor and trust was lacking between the Clinton and Lee Teng-hui administrations. President Chen has already done much to restore both. The new Republican team will include senior officials who have long-standing ties in Taipei and who will give Taiwan's interest due weight, which was often not done under Clinton. At the same time, basic U.S. interest--the maintenance of beneficial relations with both Beijing and Taipei, the peaceful settlement of differences between them, Taiwan's democracy, and the credibility of U.S. commitments in the region--have not changed. As such, continuity in core U.S. policies is to be expected.

Absent an early crisis--and none is expected--the administration should have the time to carefully formulate and articulate its policies. Its initial public statements will be crucial to setting the tone for U.S. policy on cross-Strait issues. The first challenge for the new team will likely be the annual arms sales meetings that usually occur in April. As would be expected, Taipei put forward an ambitious wish list at the preliminary talks held in Washington in mid-December. The challenge will be to meet Taiwan's real defense needs in a timely fashion, but to do so in a manner that will slow down the competitive build-up of arms that only heightens the military aspects of cross-Strait relations. As the main officials who will be dealing with arms sales issues will not likely be confirmed in their new positions by April, some key decisions may be postponed.

Chronology of China-Taiwan Relations October-December 2000

Oct. 2, 2000: Taipei's Mainland Affairs Council (MAC) reiterates that "three mini links" are to be implemented in mid-December.

Oct. 3, 2000: Taiwan Premier Tang Fei resigns to be replaced by Chang Chun-hsiung.

Oct. 6, 2000: Democratic Progressive Party (DPP) Chairman Hsieh states that the DPP doesn't rule out unification.

Oct. 10, 2000: Taiwan President Chen Shui-bian reiterates desire for talks based on "1992 spirit."

Oct. 16, 2000: President Chen tells *Der Spiegel* he is proud of his Chinese heritage.

Oct. 16, 2000: PRC Defense White Paper reiterates strong position on Taiwan.

Oct. 18, 2000: Taiwan opposition Kuomintang (KMT) Chairman Lien advocates "one-China, respective interpretations" formula.

Oct. 21, 2000: PRC Prime Minister Zhu Rongji dismisses Chen's comments on his Chinese heritage.

Oct. 27, 2000: Premier Chang announces decision to cancel Taiwan's fourth nuclear plant.

Oct. 30, 2000: MAC announces new regulations on educational and technical visitors from China.

Oct. 31, 2000: KMT launches presidential recall drive.

Nov. 6, 2000: Taipei says it will liberalize visits by PRC journalists.

Nov. 9, 2000: PRC President Jiang Zemin calls for strengthening military to resist separatism.

Nov. 11, 2000: Three opposition leaders urge return to “one-China, respective interpretations” formula; momentum for presidential recall dissipates.

Nov. 14, 2000: *People’s Daily* praises three leaders support for “1992 cross-Strait common views.”

Nov. 16, 2000: Clinton and Jiang meet in Brunei on the sidelines of the APEC Leaders’ Meeting.

Nov. 18, 2000: Ground-breaking for Grace Semiconductor wafer fab plant in Shanghai.

Nov. 23, 2000: Formosa Plastics tycoon Wang Yung-ching presses Chen to liberalize cross-Strait economic restrictions.

Nov. 27, 2000: Sixteen Taiwanese councilors and government officials begin five-day trip to Beijing, as Task Force on Cross-Strait Relations issues its recommendations.

Nov. 29, 2000: *Xinhua* commentary details PRC views on “1992 consensus.”

Dec. 1, 2000: Beijing’s Taiwan Affairs Office (TAO) ridicules Taipei’s Task Force recommendations.

Dec. 4, 2000: Premier Chang says implementation of “mini three links” will pave way for dialogue.

Dec. 4, 2000: United Front Work Conference convenes in Beijing; highlights Taiwan work.

Dec. 5, 2000: Legislative Yuan adopts law, easing restriction on PRC visitors for implementation in 2001.

Dec. 6, 2000: Chen tells former U.S. officials new administration should change “three no’s.”

Dec. 10, 2000: PRC Ministry of Information Industry delegation visits Taiwan.

Dec. 13, 2000: Cabinet announces regulations for implementation of “mini three links.”

Dec. 14, 2000: Former U.S. officials meet Vice Premier Qian and report PRC unwillingness to work with Chen.

Dec. 15, 2000: PRC Foreign Minister Tang urges new U.S. administration to abide by pledges on Taiwan.

Dec. 15, 2000: Taiwan Deputy Chief of Staff Admiral Miao in Washington for preliminary arms sales talks.

Dec 22, 2000: Beijing bans reporters from Xiamen during planned launch of “mini three links.”

Dec. 27, 2000: Fujian TAO official states willingness to help implement “three mini links.”

Dec. 31, 2000: Chen’s New Year’s message mentions “political integration” with the Mainland.

China-Korea Relations: Consummating “Full-Scale Cooperative Partnership”

**by Scott Snyder,
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Top-level leaders in Beijing and Seoul effectively used several successive multilateral meetings in the fourth quarter of 2000 to consolidate economic, political, and strategic cooperation, establishing a strong foundation for the relationship after only eight years of normalized diplomatic relations. Regular leadership meetings and a projected record year for Sino-Korean trade and tourism have provided momentum for upgrading the Sino-Korean relationship to a “full-scale cooperative partnership,” as described by PRC Premier Zhu Rongji and ROK President Kim Dae-jung during Premier Zhu’s October visit to Seoul. Zhu’s state visit provided an important foundation for consolidating Sino-Korean economic cooperation through increased South Korean investment in the Chinese telecommunications, household goods, internet, and automobile sectors and affirmed China’s close political interest in and support for Four-Party Talks and the inter-Korean dialogue process.

The consolidated political momentum between Beijing and Seoul thwarted a planned visit by the Dalai Lama to Seoul (even despite the fact that President Kim Dae-jung joined the Dalai Lama as a fellow Nobel Peace Prize winner only a few days prior to Prime Minister Zhu’s visit) and spotlighted Beijing’s sensitivities over nascent moves to reestablish direct commercial air links between Seoul and Taipei. PRC Ambassador to Seoul Wu Dawei made provocative public statements in November underscoring these issues in hopes of keeping Seoul’s positions in line with Chinese interests.

Meanwhile, Beijing did not neglect to maintain its relationship with Pyongyang, as Defense Minister Chi Haotian’s Pyongyang visit to commemorate China’s entry into the Korean War coincided with U.S. Secretary of State Madeleine Albright’s sudden tour of Pyongyang in late October. In addition, a PRC working-level delegation visited Pyongyang in early November to plan for a possible state visit to Pyongyang by PRC President Jiang Zemin.

Zhu Rongji’s State Visit to Seoul: Consolidating a Comprehensive Economic and Political Relationship

Premier Zhu’s arrival in Seoul for a state visit and the Asia-Europe Meeting (ASEM) in mid-October symbolically represented the consolidation of Sino-Korean comprehensive economic and political cooperation. With Zhu’s visit, all of the seven most powerful Chinese political leaders in the Politburo have visited Seoul. Chinese leaders have shown a keen awareness of Seoul’s importance both as a source of trade and investment and as a model for pursuing China’s national economic development. Bilateral trade is on pace to grow by about thirty percent in the year 2000 to \$30 billion, a ten-fold expansion in

slightly less than a decade of normal relations. Tourist arrivals from China to South Korea will expand by over forty percent to reach 400,000 by the end of the year, with the number of Korean visitors to China set to hit the one million mark this year for the first time. The two leaders agreed to expand air traffic to over 128 flights per week by March of next year, which is likely to propel China ahead of Japan as the most popular overseas tourist destination for South Koreans.

Powered by such momentum, the two leaders have elevated the “cooperative partnership” established during President Kim Dae-jung’s November 1998 visit to Beijing to a “full-scale cooperative partnership” during Premier Zhu’s visit to Seoul. The change in terminology was intended to signal an upgrade in Sino-Korean cooperation beyond the economic sphere to include political issues. Additionally, Premier Zhu publicly endorsed recent developments following the June inter-Korean summit meeting and signaled China’s willingness to remain engaged in Four-Party Talks, a renewed object of South Korean diplomacy in the months following the inter-Korean summit.

The immediate rewards from Premier Zhu’s state visit to Seoul, however, were primarily economic. Premier Zhu brought with him promises that South Korean telecommunications firms promoting CDMA (code division multiple access) technology would be allowed to participate in the Chinese market as China has finally decided to allow the CDMA standard to develop alongside the current GSM (global service for multiple communication) system for meeting China’s wireless telecommunications needs. (Samsung Electronics is best positioned as an early entrant into China’s CDMA market and recently established a CDMA-technology research center in Beijing.) Zhu promised that a South Korean insurance firm (Samsung Fire and Marine) would be allowed to enter the Chinese market.

Zhu requested South Korean cooperation in the environmental, petro-chemical, coal, and steel industries, in addition to seeking Korean investment in the automobile parts sector and encouraging South Korean firms to take part in Chinese efforts to develop western China. President Kim Dae-jung pledged a \$50 million investment in a forestation project in western China. Both leaders endorsed the idea of a bilateral swap agreement for currency exchange, through which each side would be able to borrow foreign currencies against central bank purchases of the currency of the borrowing country. In addition, the two leaders agreed to establish a joint panel for promoting mutual investment, to create a “standing consultation body” to address China’s chronic trade deficit with South Korea, and to designate the year 2002 as “South Korea-People’s Republic of China Exchange Year” in honor of the tenth anniversary of the establishment of diplomatic relations between Seoul and Beijing and the World Cup soccer finals.

Economic Relations: Full Speed Ahead

Premier Zhu Rongji did not fail to cultivate both political and economic leaders during his visit to Seoul, spending part of his trip on a cruise around Cheju Island with Hyundai-Kia Motors Chairman Chung Mong-koo and visiting with Samsung Group Chairman Lee Kun-hee in conjunction with a visit to a Samsung Electronics semiconductor chip

manufacturing plant outside Seoul. Chung briefed Zhu on plans for expanding an existing Jiangsu Province-based factory for producing 50,000 Kia "Pride" units annually and discussed the possibility of constructing a 50-100,000 unit bus-truck manufacturing operation in China's western-inland province as a concrete response to Zhu's requests for western-inland investment. Zhu's message to South Korean leaders and industrialists that China is open for business to Korean corporate investors from a wide range of industries further stimulated Korean business in China in a variety of sectors.

Most notably, LG Electronics (LGE) has established itself in less than five years as one of the mainstays of the Chinese consumer sector, and is continuing to expand its investment dramatically. In 1999, LGE led the Chinese market in sales of CD-ROMs, was second in microwave ovens, third in monitors, sixth in washing machines, and seventh in air conditioners. LGE has just completed construction of a factory with a production capacity of 1.2 million color picture tubes for use in 29-inch fully flat and 33-inch wide screen TVs, both of which are in high demand in connection with the growth of the internet and digital products industry in China. LGE's projected local sales in China are to expand over thirty percent to \$1.5 billion and exports to China will increase by ninety percent over last year to \$1 billion.

South Korean business interests in China are also very active in the area of telecommunications and internet technology. South Korean telecom firms are exporting mobile phone equipment to China and actively establishing tie-ups with Chinese counterparts. South Korean internet-related firms have been very active in China through involvement of internet business workshops in major cities inside China, with a special focus on providing internet security and infrastructure services. Directory services specializing in services for Chinese and Korean small and medium industries are being established, the latest of which is a Korean language directory service launched by Hong Kong-based Alibaba.com.

Despite DJ's Nobel, China Wins A No-Go for Dalai Lama to Seoul

The major immediate political concession China appears to have won while Premier Zhu wooed Korean business investors and upgraded the diplomatic relationship to one of "full-scale cooperative partnership" was the ROK government's rebuff of the Dalai Lama's planned and long-awaited visit to Seoul, the home of a sizable Buddhist population that had begun to organize public pressure in favor of a visit during the past year. Perhaps most interesting is that despite President Kim Dae-jung's notification only days prior to Premier Zhu's state visit to Seoul that he had won the Nobel Peace Prize--an honor that had been given to the Dalai Lama in 1989--the South Korean government declined to give permission for the Dalai Lama's planned November visit. The decision was a sharp disappointment to Buddhist organizers who had invited the Dalai Lama to Seoul in conjunction with a number of artistic and musical exhibitions of Tibetan art, and protests against the decision included leaders of the Chogye sect, the largest Buddhist order in South Korea.

Provocative public remarks by PRC Ambassador Wu Dawei heightened the controversy over the failed visit of the Dalai Lama and threw into relief an interesting and complicated implication of new-found “full scale cooperative partnership” between Beijing and Seoul. Namely, how much Chinese “interference” in South Korea’s internal affairs can Seoul tolerate without an apparent loss of sovereignty or reversion to that traditional “tributary” relations that had characterized Seoul’s traditional historical interaction with the Middle Kingdom during the Ming and Ch’ing dynasties? Ambassador Wu’s broad comments to an audience on November 17 at the Korea Press Foundation foreshadowed much more significant future issues that Beijing will encourage Seoul to consider as part of improved ROK-PRC ties. Not only did Wu pressure Seoul on the Dalai Lama’s visit to Seoul, but he also flagged the questions of how to deal with Taipei and the future of U.S. forces on the Korean Peninsula. This speech marked the second time the Chinese ambassador in Seoul has laid down public markers intended to highlight the limits of China’s diplomatic patience. The first occasion came in the fall of 1999 over the aggressive activities of South Korean non-governmental organizations regarding the North Korean refugee situation in Northeastern China.

Specifically, Ambassador Wu stated his personal expectation that “the United States will adjust its military policy on the Peninsula if a peace regime is built in the region” and suggested that it was necessary for Seoul to have prior discussions with Beijing regarding the resumption of direct flights between Seoul and Taipei since this is a matter “relating to our sovereignty.” The following week, Korean Air made the first direct charter flights to Taipei in eight years, but outstanding details over the signing of an official aviation agreement between Seoul and Taipei remain to be settled before direct air links will become regularized. Several analysts noted that Beijing’s public pressure on Seoul to keep in mind its political interests on many of these issues is another example of Beijing’s selective application of the Five Principles of Peaceful Coexistence that China uses to criticize international interference by a foreign country in domestic internal affairs.

Developments in China-North Korean Relations

Despite a busy quarter of activity between Seoul and Beijing, Chinese high-level officials did not fail to cultivate Pyongyang as part of follow-up both to the inter-Korean summit and to Kim Jong-il’s secret visit to Beijing last May. The events of May and June now appear to mark a turning point and origin for the emergence of a new pattern in China-North Korea relations. With the advent of inter-Korean rapprochement as marked by the inter-Korean summit, Chinese diplomacy no longer makes a pretense of maintaining equidistance in its respective relationships with Seoul and Pyongyang, instead carefully shadowing and balancing U.S. diplomacy with North Korea. PRC President Jiang Zemin attended a banquet at the North Korean embassy in Beijing to celebrate the 55th anniversary of the founding of the North Korean Workers’ Party that was held simultaneously with General Jo Myong-rok’s October visit to Washington. Further, PRC Defense Minister Chi Haotian’s visit to Pyongyang to commemorate the 50th anniversary of China’s entry into the Korean War coincided with Secretary of State Madeleine

Albright's visit to Pyongyang in late October. While the U.S. and North Korea were having missile talks in Kuala Lumpur in early November to follow up on Albright's visit and explore the possibility of a visit by President Clinton to seal the deal, a Chinese delegation led by vice minister Yang Wenchang was in Pyongyang to plan for a future visit to the DPRK by President Jiang Zemin. At that meeting, the DPRK was reported to have conveyed its willingness to reinstate Four-Party Talks, responding to a proposal earlier in the fall by Kim Dae-jung.

DPRK Ambassador Ju Chang-jun will be replaced after twelve years of service in Beijing with the younger face of Ambassador Choe Jin-su, a vice director of the international department of the Korean Workers' Party, signaling the likelihood of further new developments in China-North Korea relations next year. Although China has indicated its strong public support for the warming of inter-Korean relations and for an improved U.S.-DPRK relationship, Chinese officials have shown private guardedness about the strategic implications of dramatic or sudden changes in the respective relationships. The officials were probably relieved that President Kim Dae-jung has returned to an emphasis on the Four-Party Talks as a primary venue for pursuing further progress in inter-Korean tension reduction.

Asian Multilateralism: A Catalyst for the Development of Sino-South Korean Relations

In addition to facilitating Premier Zhu Rongji's state visit to Seoul in conjunction with the Asia-Europe Meeting last October, the development of Asian multilateral institutions and contacts among top national leaders has become an important vehicle for driving improvements in bilateral relations between China and South Korea. Likewise, China's entry into the World Trade Organization (WTO) has stimulated a great deal of positioning by corporations in Seoul eager to take advantage of the broader opening of China's markets to the outside world. Following the ASEM meeting in Seoul in October, Kim Dae-jung met with President Jiang Zemin at the APEC (Asia Pacific Economic Cooperation) Leaders' Meeting in Brunei in mid-November and then again with Premier Zhu Rongji and Japanese Prime Minister Mori Yoshiro only one week later in Singapore at the ASEAN Plus Three gathering.

The bilateral summit between Kim Dae-jung and Jiang Zemin in Brunei afforded an opportunity for Jiang to once again endorse the inter-Korean summit and to affirm China's interest in supporting Four-Party Talks. At the second informal meeting among South Korea, China, and Japan held in conjunction with ASEAN Plus Three, there was discussion of opportunities for cooperation in Mekong River development efforts as well as other joint economic projects, people-to-people exchanges, information technology, and the desirability of expanding bilateral currency swap arrangements among Asian countries. Specifically, the leaders endorsed a cooperative study among respective national think tanks on how to promote trade and economic cooperation following China's entry into the WTO, designated the year 2002 as "people-to-people exchange year," and agreed to have experts' meetings on information technology and to establish a regional environmental information network.

Although it may be easy for third parties or non-participants in these Asian dialogues to dismiss the specific accomplishments of Asian multilateral “talkshops,” the cumulative effect of the establishment of multilateral fora in a variety of combinations in Northeast Asia is beginning to make itself felt--most clearly through the strengthening of bilateral relationships among core participants in the region. This dialogue process is now extended through ASEAN Plus Three to influence relations among China, Japan, and South Korea. Whether or not the “Plus Three” component of ASEAN Plus Three may be able to carry the weight of sub-regional discussions in the absence of Russia, Canada, the United States, and/or others including North Korea, the very existence of the meeting in only its second year has clearly led to the identification of practical areas for trilateral cooperation. This forum is likely to play a primary role in the setting of any future agenda for any sub-regional dialogue arrangements that might be called for in Northeast Asia. The “thickening” of multilateral dialogue opportunities in Northeast Asia and their implications for future bilateral and regional cooperation among the core countries of that region is a trend that clearly has facilitated a stronger Sino-South Korean relationship. It also bears watching in the context of both strengthened bilateral relationships and as an early indicator of the core issues that will form the *de facto* regional agenda for any future broadening of multilateral cooperation in Northeast Asia.

Chronology of China-Korea Relations October-December 2000

Oct. 1, 2000: South Korean President Kim Dae-jung reiterates his call for the formulation of a new Korean peace mechanism among the two Koreas, the United States, and China at a parade honoring the 52nd anniversary of the founding of the South Korean Armed Forces.

Oct. 5, 2000: Top police officials from South Korea, Japan, China, and Russia agree in Seoul to enhance mutual cooperation and promote exchanges to more effectively combat the growing number of international crimes.

Oct. 10, 2000: PRC President Jiang Zemin attends banquet in honor of the 55th anniversary of the founding of the North Korean Workers’ Party at the DPRK Embassy in Beijing.

Oct. 12, 2000: Samsung Electronics opens a communication technology research center in Beijing’s Zhongguancun Technological Park focusing on a code division multiple access (CDMA) service in China.

Oct. 12, 2000: Seoul National University announces formation of an “East Asian Academic Network,” including joint degrees and exchanges with Beijing University and Tokyo University.

Oct. 16, 2000: South Korean President Kim Dae-jung hints that Dalai Lama will be allowed to visit South Korea.

Oct. 17, 2000: Premier Zhu Rongji arrives in Seoul for a state visit and to attend the Asia-Europe Meeting (ASEM) hosted in Seoul.

Oct. 17-18, 2000: LG Global hosts Global Internet Business Workshop in Beijing to support entry of South Korean start-ups into Chinese internet market.

Oct. 18, 2000: Premier Zhu and President Kim agree to pursue a “full-scale cooperative partnership,” including cooperation on Four-Party Talks, South Korean corporate participation in China’s CDMA mobile phone sector, and the entry of a South Korean insurance company into the Chinese market. In addition, the two sides sign a bilateral criminal extradition treaty.

Oct. 20, 2000: Premier Zhu meets Samsung Group Chairman Lee and visits Samsung Electronics semi-conductor chip manufacturing facility in Kihung.

Oct. 21-22, 2000: Third ASEM summit is held in Seoul.

Oct. 22, 2000: Premier Zhu is hosted aboard a Cheju Island cruise for discussions with Hyundai Motors Chairman Chung.

Oct. 28-29, 2000: South Korean Ministry of Foreign Affairs informs the Dalai Lama Visit Preparation Committee that the Dalai Lama will not be allowed to visit Seoul in November.

Oct. 29, 2000: LG Electronics launches a new TV monitor plant in Hunan Province, boosting its production capacity in the nation to five million units per year.

Oct. 31-Nov. 4, 2000: A Chinese delegation led by Vice Foreign Minister Yang Wenchang visits North Korea for discussions on a variety of issues including the arrangement of the visit by Chinese President Jiang Zemin to Pyongyang.

Nov. 15, 2000: President Kim and President Jiang hold summit talks on the sidelines of the APEC meeting in Brunei.

Nov. 16, 2000: The nation’s largest Buddhist order, Chogye, reiterates its request to the South Korean government to allow the Dalai Lama to visit Seoul.

Nov. 16, 2000: PRC Ambassador to Seoul Wu Dawei delivers provocative remarks on Beijing’s opposition to the Dalai Lama’s visit to South Korea, the reopening of direct air flights between Seoul and Taipei, and the future of the U.S. military presence in South Korea to the Korea Press Foundation.

Nov. 23-26, 2000: Korean Air temporarily resumes flights to Taiwan to bring Taiwanese participants on a chartered KAL flight to the 39th Oriental and Southeast Asian Lion's Forum in Pusan.

Nov. 24, 2000: President Kim, Premier Zhu, and Japanese Prime Minister Mori hold second annual separate breakfast meeting during the ASEAN Plus Three informal summit in Singapore. The three leaders agree to meet annually.

Dec. 18, 2000: Labor Minister Kim Ho-jin travels to China to meet his Chinese counterpart, Zhang Zuoji, for discussion of job training, industrial trainees, and unemployment.

Dec. 19, 2000: A Korea-China job training center opens in Beijing, financed by the Korea International Cooperation Agency (KOICA) as part of efforts to support human resources development in China.

Dec. 21, 2000: Eighty-three North Korean defectors staying in China request the Office of the UN High Commissioner for Refugees (UNHCR) grant them refugee status, according to the Commission to Help North Korean Refugees (CHNKR).

Japan-China Relations:
The Zhu Visit and After ... Efforts to Steady the Course

by James J. Przystup, Senior Fellow,
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The early October visit of China's Premier Zhu Rongji to Japan served as the quarter's political and diplomatic centerpiece, providing for an across the board review of outstanding issues. Zhu's agenda focused on pending cuts in Japan's development assistance budget, the efforts of both governments to develop a mutual prior notification system for maritime research activities, and the always politically sensitive issue of history. Reflecting on the visit a month later, Zhu felt that he was able to address issues of mutual concern, build mutual trust, and dispel mutual suspicions, a judgment that a significant majority of Japan's political leadership would share.

During the quarter, the Japan-China Security Dialogue resumed in Tokyo. Defense officials reached agreement on reciprocal ship visits, beginning in 2001; extended invitations for visits by respective defense ministers; agreed to visits by service chiefs; and exchanged Defense White Papers. Agreement on a mechanism for mutual prior notification of maritime research activities remained illusive, even as negotiations continued.

Meanwhile, economic relations continued to expand, with the Japanese private sector paying particular attention to Beijing's western development plan and China's growing interest in information technology. However, at the end of December, Beijing's finding against Japan's steel industry for dumping practices raised temperatures in Tokyo, along with the possibility of retaliation against China's textile industry.

Zhu Rongji comes to Japan

Nearly two years after the history-laden visit of China's President Jiang Zemin, Premier Zhu Rongji went to Japan to smooth out the increasingly rough edges of the often-troubled relationship. Jiang's recurring emphasis on the past had not played well and, over the intervening years, voices critical of Beijing's policies gained a wider audience in Japan. During 2000, new issues arose--revolving around the activities of Chinese research ships in Japan's Exclusive Economic Zone (EEZ) and pending cuts in Japan's overseas development assistance (ODA) budget as well as Beijing's level of expressed appreciation for Japan's ODA efforts--to further complicate the bilateral relationship and its policy framework, "The Partnership of Friendship and Cooperation for Peace and Development."

Setting the Stage--in Japan. Prior to Zhu's arrival, the press previewed Japanese concerns. In an op-ed in the October 6 *Asahi Shimbun*, Aoyama University professor Amako Satoshi noted the growing chorus of voices calling for a review of ODA policy. While not agreeing with the proponents of a harder line toward China, the professor

offered a number of reasons why such thinking had gained currency. The first was that Beijing had failed to express any particular appreciation for Japan's ODA efforts and had similarly failed to make known to the Chinese people the realities of Japan's assistance. More to the point, the Chinese leadership seemed to take the assistance program for granted. To make matters worse, Japanese businesses operating in China were subjected to unethical business practices.

At the same time, concerns were being expressed that ODA cooperation was not only contributing to China's economic development but also to its growing military power. China's recent activities in Japan's EEZ only heightened such strategic concerns. Amako called on Beijing to publicize Japan's contributions to the Chinese people and thus help build a cooperative relationship, which would sweep away mutual mistrust.

On the day of Zhu's arrival in Japan, an *Asahi* editorial called for a straightforward discussion with Zhu on ODA. Noting the contribution ODA has made to China's economic development and in light of China's average ten percent growth rate and Japan's own financial troubles, the *Asahi* asked if ODA should continue at the same level and be targeted at the same projects. The editorial noted that those arguing for a large-scale cut in the ODA budget for China did so for two major reasons-China's lack of gratitude and the fear that ODA could be contributing to China's military capabilities.

While not dismissing such concerns, the *Asahi* argued that what happens in China will significantly influence Japan's future and that a China in chaos would not be in Japan's national interest. Zhu was called on to make clear to the Chinese people the contributions Japanese ODA has made to China's own development. At the same time, the editorial made clear that should China come to pose a military threat to Japan, ODA would cease. The editorial concluded that for ODA to be effective, donor and recipient must share cordial feelings.

Setting the Stage--in China. On October 8, as down payment of appreciation in advance of the Zhu visit, Beijing hosted a special commemorative reception to celebrate the 20th anniversary of economic cooperation between China and Japan. Japan was represented by a power delegation led by Liberal Democratic Party (LDP) Secretary General Nonaka Hiromu, Komeito Secretary General Fuyushiba Tetsuzo, and Conservative Party Secretary General Noda Takeshi. In Tokyo, the Foreign Ministry viewed the dispatch of a special envoy as extremely important, "not only for economic cooperation but also bilateral relations in general..."

During his visit, Nonaka met with Zhu who expressed his appreciation for Japan's ODA program and committed himself to a public relations effort with respect to Japan's contribution. The Foreign Ministry Press Secretary observed that Nonaka had found in the Chinese leadership "a very strong eagerness" to develop friendly relations with Japan and that Nonaka could sense "the heartfelt feelings of gratitude held by the Chinese side for the economic cooperation rendered by Japan..." Expressions of friendship and appreciation became the dominant tones for the Zhu visit.

The Visit. From October 12-17, Zhu met with Japan's political leadership and assiduously courted public opinion, even appearing on a national television dialogue with the Japanese people. Issues relating to Japan's ODA program, China's economic development (in particular its western development program), history, and security dominated the discourse.

ODA and Economic Relations. On ODA, Prime Minister Mori Yoshiro emphasized the importance of popular understanding and support to sustain the development assistance program and encouraged greater efforts by Beijing to publicize Japan's contribution to China's progress. Zhu acknowledged the need for such efforts by his government and expressed his appreciation for Japan's support, including the Special Yen Loan extended on October 10. (As noted last quarter, the Diet had postponed a vote on this package at the time of Foreign Minister Kono's August visit to Beijing to express its displeasure with the activities of Chinese research ships in Japan's EEZ.)

At the same time Japan's leadership informed Zhu of the across-the-board, country-specific ODA review underway in Japan and promised that the future programs toward China would develop out of the internal review process and in consultation with China. In December, the Mori government approved a three percent cut in Japan's ODA budget.

In the closely related field of Japanese private sector investment in China, Tokyo again stressed the need for greater transparency in China's investment environment given Beijing's expectations for Japanese private sector participation in China's western development plans. Japan announced the establishment of a Council to Promote Inland Development in China as well as plans for a government-private sector mission to western China during the first half of 2001 to study the needs of the region. The Japanese private sector also affirmed its support for the development of China's small and medium business sectors, while Japan's External Trade Organization announced its support for a telecommunications infrastructure study for China's state-owned enterprises as well as efforts to reform China's legal system. At the same time, Tokyo urged resolution of outstanding debt issues relating to the collapse of the Guangdong International Trust and Investment Corporation.

Security

On September 27-28, the second round of Japan-China consultations on the issue of mutual prior notification of maritime research activities took place in Beijing. This was the second of such consultations following agreement to develop such a system during Foreign Minister Kono's visit to Beijing in August. During Zhu's visit, both sides reaffirmed their commitment to the early development of a framework for mutual prior notification while holding fast to their respective positions. Zhu insisted that China's research activities were not inappropriate and reflected no ill will toward Japan. Both sides also reaffirmed respective commitments to the Japan-China security dialogue, to enhancing defense exchanges, and to mutual ship visits. The opening of a Japan-China "hotline" was also confirmed.

History

In contrast to Jiang, Zhu took a more flexible and forward looking posture, one “taking history as the mirror and looking forward to the future.” This started with an October 8 pre-trip meeting with the Japanese press corps in Beijing. With regard to the past, including the invasion and the Nanjing massacre, Zhu announced that China had no intention of irritating the Japanese people, and, while Zhu asked Japan not to forget the past, the request was largely not viewed as intent to use history as a diplomatic card. Zhu argued that neither the Japanese people today nor those of the 1930s bore responsibility for the war, which occurred because of the rise of militarism, thus suggesting a willingness to differentiate between militarism and the Japanese people.

Zhu, however, was not turning a blind eye to history. During his TBS television appearance and at his meeting at the Correspondents Club, he addressed the issue directly. During the October 14 national television appearance, in response to a question as to how long China will continue to ask for an apology, Zhu replied that, while former Prime Minister Murayama Tomoichi had in 1995 issued a general apology to the people of Asia, Japan “had never once apologized, in any official documents, to China for its aggression.” No matter how many times Japanese leaders may have evidenced reflection on the past, words of apology had never been uttered.

That said, Zhu also made clear that China was not intent on asking ceaselessly for an apology. Whether or not to apologize was a decision to be left to the Japanese people; Zhu only asked for Japanese reflection on the matter. The premier noted that his views were criticized in China as being soft. (Afterward, it was reported that an unidentified senior Chinese official asked TBS not to broadcast to China the portion of Zhu’s remarks about being criticized for softness and that TBS had complied.) On Nanjing, Zhu stated that he had not intended to touch on the issue, but since the matter was raised, he noted that Nanjing was a reality that could not be denied given the sufficiency of evidence.

Two days later in a meeting at the Correspondents Club, Zhu returned to history and apologies. Zhu stated that China had consistently evaluated highly Prime Minister Murayama’s remarks to the Asian people and made clear that he did not want history again to worsen bilateral relations. Nevertheless, history was something that could not be hidden and should be squarely faced. Zhu also noted that “the Japanese people and Chinese people alike were victims of militarism and that the Japanese people ought not to be forced to bear the responsibility for the past war of aggression.”

The same day, Chief Cabinet Secretary Nakagawa addressed Zhu’s remarks about Japan’s failure to apologize to China in an official document. Nakagawa explained that “because Japan had expressed such feelings in many forms, to express such sentiments again in writing is not under consideration.” Moreover, he noted that, although not appearing in an official document, former Prime Minister Obuchi had used the words “reflection” and “apology” in speaking to President Jiang. Zhu had also asked Japan not to allow descriptions of atrocities committed by the Imperial Army to be deleted from

middle school textbooks. In response, Nakagawa noted that the authorization council was paying appropriate attention to the matter in its deliberations.

With both leaders recognizing the importance of “promoting mutual understanding and building mutual trust” and establishing a “more cooperative bilateral relationship,” the Japanese Foreign Ministry pronounced that Zhu’s visit had achieved the goal of cementing the Japan-China Joint Declaration on Building a Partnership of Friendship and Cooperation for Peace and Development. Zhu had left an impression of having endeavored in many ways to gain the understanding and friendship of the Japanese people.

The Haneoka Incident. One history issue was resolved during the past quarter. The Haneoka Incident had long stood as one of the unresolved legacies of the war. At issue was the mistreatment of impressed Chinese laborers in a mine run by a branch office of the Kajima company; a June 30, 1945 uprising and its suppression by the Kempeitai, costing the lives of four Japanese and one Chinese; and the continuing torture of the Chinese work force, which over the period August 1944 through November 1945 resulted in the deaths of 418 Chinese workers.

In 1989, the Chinese leader of the uprising asked for an apology from the Kajima company. A year later, Kajima complied, admitting responsibility in a joint statement. However, negotiations over compensation dragged on over the past decade, until November 28 when an out of court settlement was agreed to, with Kajima offering \$4.6 million to the victims and their relatives. Two days later, the lead *Asahi* editorial hailed the settlement as a “great post-war milestone.”

Zhu Again--New Views on Japan?

On November 9, a month after his visit to Japan, Zhu granted an exclusive interview to *the Asahi Shimbun*. Asked to evaluate his visit, Zhu replied that subjectively it would be difficult to judge; nevertheless, he felt that his visit had served to increase mutual trust and dispel mutual suspicions. He stated that he wanted to see a deepening of bilateral exchanges as well as a deepening of mutual understanding.

Significantly, Zhu went on to say that through cooperation both China and Japan had important and appropriate roles to play in Asia and across the globe--with Japan’s role being limited to the political realm. Speaking not as an individual but reflecting China’s feelings of friendship toward Japan, Zhu hoped that Japan would assume these responsibilities. Zhu’s views, the *Asahi* noted, marked an advance from the statements of previous Chinese leaders, reflecting China’s understanding that new approaches were necessary to deal with East Asia’s changing environment. The *Asahi* considered Zhu’s remarks to be an expression of China’s paying due regard to relations with Japan even as Beijing sought to constrain the United States.

Japan-China Security Dialogue

The Japan-China Security Dialogue resumed on November 2, when the People's Liberation Army's (PLA) Deputy Chief of Staff, Xiong Guangkai met with the Defense Agency's Vice Minister Sato Ken. Major topics of discussion were the Japan-China Defense Exchange, respective defense policies, and a review of regional developments. Xiong and Defense Minister Torishima also reaffirmed the importance of the defense relationship and defense exchange program.

Following up on the agreement reached during the Zhu visit for mutual ship visits, Sato and Xiong scheduled the first visit for 2001 with a Chinese ship coming to Japan. Both extended invitations for mutual visits by Defense Ministers and agreed to a continuation of meetings at the Vice Minister level. Exchanges between chiefs of the respective services were also agreed to, beginning in 2001. Both committed to supporting the agreement to promote visits of young PLA officers to Japan, reached between President Jiang Zemin and former Prime Minister Hashimoto during his October visit to China.

With respect to the activities of Chinese research ships in Japan's EEZ, Sato expressed the concern that such activities could damage friendly relations. Xiong simply repeated the Chinese position that such activities are no longer a problem. The officials exchanged Defense White Papers, with Sato welcoming the transparency provided by the Chinese document and reiterating that Japan's defense thinking remains consistently focused on self-defense.

China's Defense White Paper--Missile Defense, Taiwan, and Japan

China's Defense White Paper, released on October 16, dealt significantly with Taiwan and Taiwan-related security issues, potentially involving Japan. Beginning with missile defenses, the White Paper underscored China's opposition to any introduction of theater missile defense (TMD) to Taiwan. It also set out Chinese concerns with Japan-U.S. cooperation on TMD research, warning that TMD far exceeds Japan's defense requirements and will set off a regional arms race. The document also expressed concerns with the lack of transparency in the revised Japan-U.S. Defense Guidelines with respect to Taiwan, i.e. whether or not Taiwan is included as a "regional contingency" for Japan-U.S. defense cooperation. For the first time, the White Paper expressed concern over the extent to which the strengthening of the U.S.-Japan alliance might encourage Taiwan separatism and prevent a resolution of the Taiwan issue. It went on to criticize Japanese legislation to extend rear area support to the U.S. in the event of a regional contingency as contrary to the trend of the time.

Premier Zhu also addressed issues relating to Taiwan at his October 16 meeting at the Japan Correspondents Club. The premier noted that he had referred to Taiwan during his meeting with Prime Minister Mori and restated China's insistence on the one-China principle. Speaking to a possible visit to Japan by Taiwan's former president, Lee Teng-hui, Zhu made it clear that under no circumstances could Lee be considered just an ordinary person. Even if Lee were to be considered simply a private individual, Zhu indicated that an approval for such a visit by the Japanese government would have a

negative affect on Japan's relations with China. Given these facts, Zhu thought both parties were sufficiently aware of the results of such a visit.

Japan's Mid-Term Defense Plan

On December 15, the Mori government announced Japan's next Mid-Term Defense Plan (2001-2006). The most controversial procurement decision involved the acquisition of mid-air refueling capability. In the Diet and within the ruling coalition, concerns were expressed over regional reactions to Japan's acquisition of a capability that would extend the range of its fighter aircraft. To address the issue, the Defense Agency pointed out that, compared to the fighter aircraft of other countries, Japan's fighter aircraft have a limited land attack capability and thus the acquisition of a mid-air refueling capability did not pose a threat to neighboring countries. At the same time, the Defense Agency and ultimately the government shifted its focus on the issue, arguing that mid-air refueling would provide not only increased training efficiency for its fighter aircraft but also allow Japan to participate more fully in international relief efforts by extending the range of transport aircraft. It was also noted that when not engaged in refueling activities, the aircraft could serve as transport aircraft in humanitarian and disaster relief operations.

Coalition politics, however, necessitated a compromise. The ruling parties reached agreement on the inclusion of four mid-air refueling aircraft in the Mid-Term Defense Plan but deferred budgeting for the aircraft to later years of the plan.

Economics and Trade

During his October 8 meeting with the Japanese press corps in Beijing, Premier Zhu took up his government's plan for the development of China's western interior region. Zhu observed that the development of China's interior afforded Japan's private sector numerous commercial opportunities. Given the vast needs, the success of Beijing's efforts will to a large extent be predicated on its ability to attract large-scale foreign investment and development assistance. Securing Japan's ODA and the participation of its private sector are central elements of Beijing's western development strategy.

On October 25, Nissho Iwai, one of Japan's large trading companies, announced plans to set up a Western Development Promotion Council which would focus on key target areas including agriculture, natural resources, food, information technology, and human resource development as well as the advancement of individual commercial enterprise. Nissho hopes to benefit from its early involvement in the development of the interior, which it has made a centerpiece of its corporate strategy toward China.

Chinese officials also made clear their interest in attracting Japanese private sector participation in the development of China's information technology sector. In particular, cooperation with Japan in the diffusion of information technology and in the development of human resources was viewed as critical to the success of the government's plans for the interior. On November 8, NTT Communications reached agreement with China Telegraph, the country's largest communications company, that would allow China

Telegraph to benefit from NTT technology in the management of large-scale networking and from personnel exchanges focused on internet service. The agreement gave NTT a foothold in China's promising communication market in advance of Beijing's World Trade Organization (WTO) accession.

Even as new economy cooperation advanced, old economy issues returned at the end of the year to buffet commercial relations. On December 18, China's Ministry of External Trade and Economic Cooperation handed down a final decision in a stainless steel dumping case involving nine Japanese and six Korean companies. Japanese press reports from Beijing, citing Chinese steel industry sources, claimed the decision was aimed at squeezing Japanese imports to make more room in the domestic market for Chinese producers, thus facilitating the reorganization of China's state-owned steel industry. Reflecting Japanese dissatisfaction, the president of New Japan Steel found the decision "painful to understand." Other industry sources noted that Japanese high-end steel exports do not compete with Chinese steel in China's domestic market and that there was no factual basis for the dumping finding. The decision raised trade temperatures in Japan and the possibility of retaliation, where various anti-dumping petitions are in process against textiles imported from China.

Also on the economic front, on December 21, Japan, China, the Republic of Korea, and ASEAN signaled their intention to study the possibility of a Euro-styled common currency for Asia in conjunction with the EU. The formal announcement is scheduled to take place at the ASEM (Asia-Europe Meeting) Finance Ministers Meeting in Japan in January 2001. The announcement suggests a growing interest in the development an EU-like integrated economic zone in Asia. For Tokyo, this may represent an attempt to use its economic and financial diplomacy in Asia to balance Japan's central focus on the importance of relations with the United States.

Regional Issues--ASEAN Plus Three

From November 22-25, Japan, China, and South Korea met in Singapore with the member states of ASEAN. The meeting was the fourth of the unofficial ASEAN Plus Three grouping and second in which Japan's Prime Minister Mori Yoshiro, Premier Zhu Rongji, and President Kim Dae-jung met together. Afterwards Mori, Zhu, and Kim agreed on a yearly trilateral heads of government meeting during the ASEAN Plus Three meeting.

For both Tokyo and Beijing, the ASEAN Plus Three grouping offers an opportunity to highlight respective commitments to multilateral diplomacy. Discussions focused on the development of a currency swap mechanism to guard against a recurrence of the late 1990s Asian financial crisis, regional and bilateral free-trade agreements, the Mekong development project, as well as regional security issues, in particular the South China Sea.

In the Japanese press, China was reported to be taking an active interest in developing a cooperative relationship with the ASEAN countries. China's activism was portrayed as

an indicator of Beijing's intent to use WTO membership to expand its influence in the region, thus its interest in a region-wide free trade agreement in contrast to Japanese and U.S. interest in bilateral agreements with countries such as Singapore. An unidentified, senior Japanese diplomat considered China's interest in multilateralism as part of its strategy "to advance a multipolar world." The *Asahi* wrap-up of the meeting offered the analysis that China's increasing activism in Southeast Asia was a concern to ASEAN and that by involving both Japan and South Korea, the organization was focused on maintaining balance in the region. One implication is that Japan and China may find themselves in an increasingly competitive relationship in Southeast Asia.

Policy Implications for the United States

Stability in the Japan-China relationship remains in the national interest of the United States. To the extent Zhu's visit served to impart this, it should be judged as complementing long-term U.S. strategic interests in Asia. Of some interest are indications, however faint, of an evolving Chinese strategy toward Japan that could, over time, significantly affect U.S. interests. As reflected in Zhu's November 9 interview, China's encouragement of a larger international role for Japan suggests an effort to enhance multipolarity vis-à-vis the United States. An unstated assumption may be that a Japan inclined to play a larger international role will be a Japan less inclined to move in lockstep with the United States and perhaps one more susceptible to Chinese influence.

Chronology of Japan-China Relations

October-December 2000

Oct. 6, 2000: An *Asahi Shimbun* editorial calls for a review of Japan's overseas development assistance (ODA) policy for China.

Oct. 8, 2000: China commemorates 20th anniversary of China-Japan economic cooperation with formal reception in Beijing. High-profile Japanese political delegation led by Liberal Democratic Party (LDP) Secretary General Nonaka, Komeito Secretary General Fuyushiba, and Conservative Party Secretary General Noda attend.

Oct. 8, 2000: Chinese Premier Zhu Rongji meets with Japanese press corps in Beijing to advance to his trip to Tokyo.

Oct. 12-17, 2000: Zhu Rongji visits Japan.

Oct. 16, 2000: China issues new Defense White Paper.

Oct. 19-21, 2000: ASEM in Seoul; Japanese and Chinese Foreign Ministers meet.

Oct. 27, 2000: Former Japanese PM Hashimoto meets with PRC President Jiang Zemin in Beijing with the purpose of advancing Japan-China defense exchanges.

Nov. 2, 2000: Japan-China Security Dialogue resumes in Tokyo

Nov. 2, 2000: Japan and China agree to naval ship visits next year.

Nov. 9, 2000: Zhu exclusive interview with *Asahi Shimbun*.

Nov. 22-25, 2000: ASEAN Plus Three meets in Singapore. Prime Minister Mori, President Kim, and Premier Zhu meet and agree to yearly trilateral meeting.

Nov. 28, 2000: Out of court settlement is reached in wartime Haneoka Incident.

Nov. 30, 2000: Tokyo Governor Ishihara Shintaro asserted that Japan's constitution, including the dissolution of Japan's military, failed to reflect Japan's independence and an article recognizing Japan's right of belligerency should be adopted. While recognizing the U.S.-Japan alliance as necessary to deal with China, Ishihara cautioned that Japan also had to consider a future without the U.S.

Dec. 6-7, 2000: Second Japan-China Public Security Consultations held in Tokyo. The talks deal with issues related to illegal entry, illicit drugs, and organized crime and focused on enhancing cooperation and law enforcement.

Dec. 11-15, 2000: Hotayama Yukio, leader of Japan's opposition Democratic Party travels to China for wide ranging talks with senior Chinese officials, including President Jiang Zemin.

Dec. 15, 2000: Mori government announces next Mid-Term Defense Plan.

Dec. 18, 2000: Beijing announces dumping finding against Japanese steel industry.

Dec. 21, 2000: Japan, China, and South Korea announce the study of the possibility of a Euro-styled common currency for Asia in conjunction with the European Union.

Japan-Korea Relations: Ending 2000 with a Whimper, Not a Bang

by Victor D. Cha

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Ever bang your head against a brick wall countless times? This must be how Japanese negotiators feel after another quarter of normalization talks with North Korea. Despite Tokyo's earnest efforts, a breakthrough in deadlocked talks was not achievable. While hope springs eternal that the new year may bring progress, the future path is far from clear, given a variety of factors in Tokyo, Seoul, and Washington that may suggest a new algorithm in bilateral relations with Pyongyang. Regarding Seoul-Tokyo relations, the quarter was a fairly quiet one. Trilateral coordination with the U.S. on North Korea continued functioning in the form of Trilateral Coordination and Oversight Group (TCOG). Of most interest was the growth of Japan-South Korea-China links, suggesting initial steps toward greater institutionalization of the region.

Japan-DPRK Normalization: Ending the Year with a Whimper

The big story for the quarter was Japan-DPRK normalization talks. As discussed in previous columns, this was certain to be a protracted and difficult set of negotiations, but Tokyo appeared to have come to the table this past quarter with the chips and the determination to achieve a breakthrough. Prime Minister Mori Yoshiro (at the advice of Kim Dae-jung) sent a personal letter to DPRK leader Kim Jong-il requesting summit talks (revealed October 6). In advance of late October normalization talks, Tokyo announced a contribution of 500,000 tons of rice to the North (a five-fold increase over past contributions). Having greased the wheels, Japanese negotiators then put forth the proposal for a purported \$9 billion (60 percent in grant aid and 40 percent in loans) as a *quid pro quo* for North Korean moderation of the missile threat and satisfactory resolution of the alleged abduction of Japanese nationals, which would lay the groundwork for a move to political normalization of relations. Despite Japanese hopes of ending the year 2000 with a bang (read: ANY progress), Pyongyang's continued intransigence dashed all such aspirations. The disappointment among Japanese officials at this outcome was palpable and manifest in very frank public statements that talks would not restart until sometime in 2001 in part because as one official put it, "...we have exhausted what we have in our pockets."

At issue was Japan's proposal of a normalization settlement formula similar to the 1965 pact with South Korea, which offered economic aid and loans in lieu of explicitly terming it colonial compensation. While Japanese negotiators did not expect their counterparts to outright accept this idea, there were indications based on the last round of negotiations (see Victor Cha, "What's Behind the Smile?" *Comparative Connections* Vol. 2 No. 3) that Pyongyang would show a "positive attitude." Instead, North Korea responded that such attempts to side-step an admission of colonial repentance were logically inconsistent with the notion of opening a new era of cooperation (which in no uncertain terms also

criticized the South for “selling out” in its 1965 settlement). The quarter ended with a mission to Pyongyang in December by former Prime Minister Murayama Tomiichi to seek some avenue of progress.

Trilateral Coordination

Japan-ROK-U.S. trilateral policy coordination continued during the quarter. The primary topic of discussion was the historic meeting between DPRK leader Kim Jong-il and U.S. Secretary of State Albright in Pyongyang. All sides made the requisite statements about maintaining close ties and synchronizing policies vis-à-vis the North, yet the subtext emerging from the meetings was making certain everyone was on the same page regarding North Korean missiles.

As discussed last quarter, there are differences of opinion with regard to what should be prioritized in U.S.-DPRK missile talks. Quite simply, each party’s primary concern is the North Korean program most immediately threatening to it. Hence, for the U.S., the primary concern is the North’s long-range missile program (Taepo-dong); for South Korea, it is heavy artillery along the DMZ; and for Japan, it is the short- and medium-range missiles (especially the No-dong deployments). In an ideal world, a deal could be made with the North Koreans that at once would address all of these concerns, but in the real world, Pyongyang’s negotiating strategy would be to maximize leverage and benefits by negotiating each of these separately.

Japan’s nightmare scenario is a situation in which the U.S. and DPRK reach an agreement on the long-range program while leaving the No-dong program intact. These concerns were made clear in Tokyo’s public statements in the Japanese press after the TCOG meetings in October. In support of the trilateral coordination process, Secretary Albright explicitly stated that her discussions with Kim Jong-il dealt with “all kinds of missiles.” Moreover, the unconsummated visit by Clinton to Pyongyang could be interpreted as a blessing in disguise for Tokyo if the domain of a framework deal on DPRK missiles was not perceived by the U.S. to be expansive enough. The problem of coordinating priorities on the DPRK missile issue will continue to present challenges for Washington, Tokyo, and Seoul.

Growing Institutionalization

One of the more interesting trends emerging from the quarter was the efforts by Japan and South Korea to engage China in trilateral dialogue. This was evident at the transnational level in an agreement among the national law enforcement agencies of the three countries (with Russia) to cooperate with regard to combating transnational crime. Police officials of the four countries agreed to devise collaborative information-sharing measures to deal in particular with drug-trafficking and cyber crime in the region. They also agreed to open police officer exchange programs and regular transnational seminars on administrative reform.

Perhaps more important, at the international level, a five-point agreement was reached by Premiers Mori and Zhu Rongji and President Kim Dae-jung in November on enhancing trilateral cooperation on a variety of issues. Released in the form of a joint statement during the ASEAN Plus Three meetings in Singapore (November 24-25), the three leaders agreed to seek ways of enhancing economic cooperation (including possibly Kim's proposal for a hedge fund monitoring mechanism for speculative currency movements), and to establish working-level government groups (i.e., bureau chief-level) to promote cooperation in information technology. They also agreed to promote environmental cooperation (including the regular sharing of information and annual deliberations on joint projects to manage pressing environmental problems) and to designating 2002 the "Year of Peoples' Exchanges" involving exchange programs for next-generation leaders and other cultural and personnel exchanges.

These may seem like minor accomplishments, but they are important for two reasons. First, these efforts at establishing channels of cooperation on such "low politics" issues (many in the "new post-Cold War" security school would disagree with such terminology) complement nicely the relatively informal but nevertheless important dialogue among the three parties that takes place on the "high politics" issue of engagement with North Korea. Second, the intentions behind these efforts are not ad hoc but institutionalized forms of cooperation. The five-point agreement explicitly calls for a trilateral summit annually (Japan in 2001 and China in 2002). Why is this important? The common observation so often heard about security in Northeast Asia is the absence of NATO- or CSCE-like institutions that can facilitate the transparency, confidence-building, and trust necessary to overcome historical hatreds and power rivalries that threaten the region's stability. The five-point agreement on environmental, economic, cultural, and information technology (IT) cooperation, and transnational efforts at combating crime and piracy offer modest but useful building blocks for greater institutionalization of the region. Ultimately, these institutions create practices of consultation (or "habit dialogue" as the Canadians like to call it) and "mutual-help" (rather than self-help) mentalities both on low and high politics issues that bode well for the management of regional security. It is still very early in the process and, from Seoul and Tokyo's perspective, this institutionalization does not replace traditional bilateralism with the United States (nor should it be seen as such), but it is a trend worth watching.

Outlook

Regarding Japan-DPRK normalization, visits by Japanese companies to the Rajin area scheduled in early January may result in some infrastructure projects that could help facilitate forward movement in relations (the group's visit is at the request of the DPRK Committee for Promotion of External Trade). But the basic problem with regard to the future is that continuation on the current path is not likely. In Japan, Tokyo may have taken its best shot at reaching a breakthrough as a weak Mori government, surviving a no-confidence vote in late November, now faces mounting criticism from the domestic opposition at its overly conciliatory efforts to woo Pyongyang. In Seoul, what is certain to be more difficult economic times in the new year will increasingly make it difficult for Kim Dae-jung to continue financing the Sunshine Policy with the North off the backs of

South Korean taxpayers. And in the U.S., Clinton's non-visit and the transition to a new Bush administration mean that Washington will, at best, reluctantly continue pursuing engagement with the North.

If one believes that the North pursues only one bilateral channel at a time (to maximize leverage by playing the others off the chosen channel), then this confluence of factors suggests a new algorithm in 2001. While 2000 saw activity on the North-South and U.S.-North Korean channels with the Japanese nervously trying to keep pace, lack of movement on the Seoul and Washington channels in early 2001 may incline Pyongyang to focus more on Tokyo. At the same time, a Mori government (if it is still around) will need to appease a domestic opposition impatient with "soft policies" toward the North. Whether this new algorithm creates opportunities for progress in Japan-DPRK relations is, frankly, anyone's guess.

Chronology of Japan-Korea Relations October-December 2000

Oct. 2, 2000: Japan and ROK participate, along with the U.S. and Singapore, in 13-day Pacific Reach combined submarine exercise.

Oct. 5, 2000: ROK's trade deficit with Japan reaches \$8.14 billion, a 56.7% increase from the previous year, due to the lifting of restrictions on selected Japanese goods

Oct. 6, 2000: In a four-nation agreement, top police officials from ROK, Japan, China, and Russia agree to cooperate in drug investigations and in combating international crimes.

Oct. 7, 2000: At the three-day Trilateral Coordination and Oversight Group (TCOG) meeting held in Washington, D.C., the ROK, the U.S., and Japan discuss the outcome of their contacts with DPRK.

Oct. 17, 2000: The Japanese government admits that Prime Minister Mori sent a secret, personal letter to Kim Jong-il asking for summit talks (sent September 30).

Oct. 20, 2000: ROK Ministry of Commerce considers forming a consortium of domestic and foreign companies to develop oil fields near Tokto (Takeshima).

Oct. 25, 2000: ROK and Japan Foreign Ministers meet with Secretary Albright in Seoul following her Pyongyang trip.

Oct. 26, 2000: Japanese newspaper *Tokyo Shinbum* reports on the Japanese government's intention to give \$9 billion (60% donations, 40% loans) in economic aid to DPRK.

Oct. 26, 2000: DPRK demands apology from Prime Minister Mori for claiming Japanese sovereignty over ROK-held Tokto island in a Korean Broadcasting System (KBS) interview that took place prior to last month's Japan-ROK summit talks.

Oct. 27-28, 2000: The U.S., Japan, and ROK stress trilateral cooperation for peace on the Korean Peninsula during TCOG meeting in Japan.

Oct. 31, 2000: DPRK chief negotiator Jong Tae-hwa and Japan's Takano Kojiro fail to resolve the issue of Japanese colonial reparations or to reconcile the abduction issue during Japan-DPRK normalization talks in Beijing.

Nov. 1, 2000: President Kim Dae-jung states that he expects "positive changes" in North Korea-Japan relations.

Nov. 3, 2000: Newly appointed Japanese Chief Cabinet Secretary Fukuda Yasuo announces that each Japanese cabinet minister will make a "voluntary based" 100,000 yen contribution to a semipublic fund to compensate wartime comfort women.

Nov. 9, 2000: *Asahi Shimbun* reports disagreement within Japan's ruling and opposition parties to the government's handling of Japan-DPRK normalization talks.

Nov. 16, 2000: Leaders of the U.S., Russia, China, and Japan support President Kim's request to give DPRK a limited role in APEC Leaders' Meeting.

Nov. 17, 2000: Meeting on the sidelines of the APEC Leaders' Meeting in Brunei, Prime Minister Mori, President Kim, and President Clinton pledge to establish closer ties to coordinate a unified policy toward DPRK.

Nov. 18, 2000: A second delegation of 104 Chongryon members visits Seoul for family reunions.

Nov. 21, 2000: Thomas Foley, U.S. Ambassador to Japan, states that any normalization agreement between DPRK and Japan will entail Japan paying "significant reparations" to DPRK.

Nov. 25, 2000: At a breakfast meeting during the ASEAN Plus Three summit, China, Japan, and South Korea reach a five-point agreement on economic, environmental, and information technology cooperation.

Nov. 27, 2000: Uncertainty over negotiations between Washington and Pyongyang on DPRK's missile development and reshuffle of Prime Minister Mori's cabinet lead Japan to forego diplomatic normalization talks with DPRK. Japan aims to resume talks in early 2001.

Nov. 29, 2000: ROK lawmakers from the ruling and opposition party assert that the 1965 treaty between ROK and Japan purposely overlooked the seriousness of Japan's WWII

crimes, and insist that Japan apologize for its period of colonial rule and provide compensation before it can normalize ties with DPRK.

Dec. 1, 2000: A delegation from the DPRK Association of External Culture Liaison and a Japanese delegation led by former Japanese Prime Minister Murayama Tomiichi meet in Pyongyang.

Dec. 1, 2000: DPRK reveals that it refused Japan's proposal to normalize relations based on the ROK-Japan agreement of 1965, in which Tokyo gave "aid/donations" and "loans" as a means of sidestepping the difficult issue of colonial compensation.

Dec. 4, 2000: Seoul expresses regret at the Japanese Diet's failure to pass a bill granting ethnic Korean residents in Japan the right to vote in local elections.

Dec. 5, 2000: In a meeting with Chairman of the Standing Committee of the DPRK Supreme People's Assembly, former Japanese Prime Minister Murayama, Chairman of the National Association of Promoting Japan-DPRK Diplomatic Relations, says that Japan's normalization of relations with DPRK should be guided by the principle of self-reliance.

Dec. 15, 2000: Japanese Police Public Security Section confiscated a DPRK agent guidebook from DPRK trading company president, Kang Sung-hui, who had already been arrested for fraud in Japan.

Dec. 25, 2000: To strengthen South Korea's claim over Tokto, a department to seek exclusive Korean control of the islets will be set up in the Ullung County office.

December 27, 2000: ROK's steel trade deficit with Japan reaches \$1.38 billion in the January-November period, up 34% from last year.

Dec. 27, 2000: For the first time in five years, Japan surpasses the U.S. as the largest exporter to ROK. Japan's exports are valued at \$21.2 billion.

* compiled with the assistance of Yvonne So.

China-Russia Relations: Putinism in Its First Year

by Yu Bin,
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At the end of Putin's first year in office, Sino-Russian relations had clearly changed from a year before when the younger and largely unknown former KGB colonel suddenly found himself in the Kremlin. After an initial hesitation in pushing forward with his predecessor's overtures to China, the Russian president pursued a balanced and pragmatic approach to Russia's largest Asian neighbor through the last quarter of the year 2000. Bilateral relations were enhanced by regular and frequent contacts by both top leaders and bureaucratic functionaries across the diplomatic, economic, and military areas.

More Summit Diplomacy and Pragmatic Dealings

High-level contact between Russian and Chinese leaders continued as Chinese President Jiang Zemin and Russian President Vladimir Putin met during the Asia Pacific Economic Cooperation (APEC) Leaders' Meeting in Brunei in mid-November. This was the fourth meeting between the two heads of state in 2000, all in the second half of the year. The brief encounter in a multilateral environment focused on a few major issues, including that of "strategic stability;" i.e., their mutual opposition to the U.S.-led anti-missile defense program. The two presidents agreed to bolster their coordination in this area as the Russian president publicly stated his country's unchanged anti-missile stance.

Annual Premier Meeting. While summit diplomacy has become routine for both sides, substantive issues were hammered out and implemented at lower levels. During the fourth quarter, the fifth regular premier talk was perhaps the most instrumental in furthering bilateral cooperation in various areas. The two-day meeting in Beijing in early November, which was designated to work out concrete results from the broad principles mapped out during Putin's July visit, yielded 14 documents signed by Russian Prime Minister Mikhail Kasyanov and Chinese Premier Zhu Rongji. They included three documents on the principles, letters, and results for the regular premier meetings; four other agreements covering environmental protection, labor regulation, science and technology cooperation, and high-level communication; and six separate memorandums for cooperation in the uses of mineral resources, taxation, standardization, quality control, banking cooperation, method of financing for Russia-built nuclear power plants in China, and a joint gas pipeline project between Russia, China, and South Korea.

In more than a dozen documents signed by the two premiers, the one about Taiwan stood out for its strategic implications. Prime Minister Kasyanov confirmed no change in Russia's fundamental position. Russia pledged "not to support the concept of Taiwan's

independence in any shape or form and supported China's non-acceptance of China and Taiwan as 'two Chinas.'" Russia also opposed Taiwan's admission to the United Nations and other international organizations whose members were sovereign states. Russia confirmed it had no intention of supplying arms to Taiwan. Additionally, the document indirectly but clearly warned the United States and Japan to maintain a hands-off approach toward Taiwan by stating that it was unacceptable to allow external interference into the resolution of the Taiwan problem. For its part, China did not object to Russia engaging in informal contacts with Taiwan in trade, economics, science, technology, culture, sports, and other areas. In the military area, the two sides reportedly discussed the sale of Russian A-50 early warning radar planes to China. No specific deals were disclosed.

The wide range of agreements indicated a steady deepening and broadening of bilateral cooperation across the sectors. Premier Kasyanov noted that "China is a special partner," and "we are impressed by the clear vision of the target and the long-term benefits of cooperation." In the words of Premier Zhu, Sino-Russian relationship moved into "a qualitatively new stage of partnership" following Putin's election and "at present Sino-Russian relations [are] at their best over the entire history of bilateral relations." In his meeting with Mr. Kasyanov, President Jiang, who is 31 years senior to Putin, said that "the young leaders of new Russia are pursuing an active and efficient policy, which is welcomed by the Chinese leadership."

Friendship Treaty in Progress. The annual premier meeting was part of the effort to draft a broad and comprehensive treaty of friendship and cooperation to be officially inaugurated during President Jiang's scheduled Russia visit in the first half of 2001. A broad Soviet-Chinese political and alliance treaty signed in 1950 expired in 1979. China suggested at that time that the accord not be extended. The exact letters and principles of such a new general treaty remain unknown. In light of the "strategic partnership" that has developed between Beijing and Moscow in the past ten years and the changing international environment for both countries, China decided to take an important political and strategic step toward Russia by signing such a document.

Preparations for such a treaty apparently have been speeded up by both sides. One day after Christmas, Chinese and Russian deputy foreign ministers met in Moscow to hammer out specifics of the treaty. Such a broad friendship treaty between Russia and China will certainly stand out among rather crowded summit arrangements in 2001 when both President Jiang and Premier Zhu will travel to Moscow. In July, Putin will go to Shanghai for the fifth annual meeting of the "Shanghai Five" before meeting Jiang again in October for the APEC conference to be held in Shanghai.

Exploring New Areas. The last quarter of 2000 also broke new ground in bilateral relations. In early December, China and Russia inaugurated a joint committee in Moscow to promote bilateral cooperation in education, culture, public health, and sports. The committee, at the deputy prime minister level, will oversee the planning and institutionalization of cooperation in areas that had so far been relatively unregulated, compared to joint efforts in economic, military, and diplomatic areas.

Growing Bilateral Commercial Relations

The bulk of the accords signed when Premier Kasyanov visited Beijing in early November were about economics. Some deals were the end results of protracted negotiations including the Russia-China-South Korean gas line project and financing arrangement for Russian-built nuclear power plants in China. Many other signed agreements, however, reflected substantial progress in deepening and institutionalizing bilateral economic exchanges. Agreements in the areas of environmental protection, labor regulation, communication, taxation, standardization and quality control, and banking cooperation will no doubt lead to a more orderly transaction of goods and services between the two countries.

These agreements were made against a backdrop of Putin's strong effort to bring some order and stability back to Russia's economic and social life, his temptation to re-centralize the much weakened power of the Kremlin, and perhaps more important, the initial and unexpected revival of the Russian economy--in 2000 GDP was up 7%, investment 17%, gold and currency reserves doubled to \$25 billion, and inflation was down to 20% from 1998's 84%. All constituted much needed stimulators for disappointing bilateral trade in the previous decade.

Better-than-expected economic situations in both Russia and China in 2000 led to a substantial increase in trade turnover with an estimated volume of \$7 billion for the year total, the largest amount in the last decade. Bilateral trade for the first nine months totaled \$5.772 billion, which is 42.6% more than that for the same period in 1999. Russian exports to China reached \$4.286 billion for the period, a 35.4% increase from 1999, while Russian imports of Chinese goods increased by 68.7% and totaled \$1.486 billion.

Partly because of those positive factors in bilateral economic relations, the November premier meeting was able to conclude some major agreements and projects including a commercial agreement for 2001-2005, laying the basis for the substantial expansion of commercial activities between the two countries. According to the agreement, payments for the goods delivered would be made in freely convertible currency and in keeping with current prices on the world market. The accord also specified transaction procedures and measures, including special protective, anti-dumping, and compensatory procedures and emergency steps to protect the domestic market.

An agreement on temporary employment of Chinese citizens in Russia and Russian citizens in China was also signed. The agreement aimed to lessen the concerns, particularly by the Russians, about foreigners who arrived in Russia on tourist visas and then illegally stayed.

The premiers' talk also launched the long overdue \$10 billion gas line project from Russia's Siberia to China and South Korea. According to the agreement, the three countries plan to complete the feasibility report in 2002. Twenty billion cubic meters of gas will be annually pumped to China and 10 billion to South Korea.

The premiers also explored other opportunities for cooperation including building a railway from the Korean Peninsula through Chinese territory to Russia's Trans-Siberian Line, constructing a 2,500 kilometer power line from Russia to China capable of delivering 10 billion kilowatt/hours of electricity a year, Russia participating in developing China's western region, and a Russian-Chinese shipbuilding project.

The annual premier meeting also discussed China's purchasing three Russian IL-96-300 planes, possible co-production of the Russian 50 to 175-seat passenger aircraft, and possible joint design of a supersonic administrative passenger aircraft.

Military and Security Cooperation: More Weapons Delivered

Russian and Chinese military relations in the last three months made headway in several areas. The most important military exchange was the fourth round of general staff meetings in Beijing between General Valeri Manilov, first deputy chief of general staff of the Russian armed forces, and his Chinese counterparts People's Liberation Army (PLA) General Xiong Guangkai, Deputy Chief of Staff, General Fu Quanyou, Chief of General Staff, and General Zhang Wannian, Vice Chairman of the Central Military Commission. The two sides reportedly exchanged views on world and regional affairs and security issues. They also reached consensus on the threat of terrorism and the U.S. proposed national and theater missile defense systems.

Perhaps the most visible development in the military area was the turnover of some major hardware to the Chinese military. The PLA Navy received the second 956-type destroyer (Sovremenny class) on November 25, a month ahead of schedule. It was built at St. Petersburg Severnaya Verf Shipyard according to a November 1997 contract of \$800 million for two such ships. The first destroyer was delivered last year. The destroyer 956 was specially designed to cope with enemy surface ships, including carrier groups, with its unique antiship supersonic Mosquito cruise missiles. Negotiations reportedly started on construction and sale to China of two more 956 destroyers possibly outfitted with more powerful weapons such as the "Ruby" or "Club" systems.

In December, China received the first 10 of 40 contracted multipurpose Su-30MKK fighters. The Russian-Chinese contract also had an option on several dozen more. Separately, 8 of the 28 Su-27UBK planes flew to China in December, the remaining 20 will be delivered within the next two years. To facilitate the transaction, a Russian delegation consisting of government officials and Sukhoi engineers went to Beijing while deliveries of the Su-27s and Su-30s were being made. These contracted orders will, in the next few years, bring the total number of Sukhois to 118 units for the Chinese air force. Another 200 Su-27SK fighters would be license-produced by China within a period of 15 years.

In early November, the Russians had another chance to tantalize their Chinese counterparts at the "Air Show China-2000" in the southern Chinese city of Zhuhai, Guangdong province. In addition to the familiar Sukhoi models, the Chinese were

impressed by the Russian Ka-50 (Black Shark) helicopter and other air defense equipment.

Meanwhile, Beijing continued to negotiate the purchase of Russian early-warning A-50 aircraft, possibly buying or leasing two to four for about \$200 million each. The Russia-made early warning radar plane suddenly became the only option for the Chinese military after Israel unilaterally canceled a deal with China under strong U.S. pressure in July.

The A-50, which went into service in the Russian air force in 1984, has a maximum speed of 810 km per hour, cruising altitude of 10 km and a 7,500 km range. Over land it can detect enemy flying objects at a range of 200-240 km and oversee at a range of 340-380 km. It can supply information to computers at ground command and control posts by radio from a distance of 2,000 km. The PLA desperately needs such a plane because it cannot “see” Taiwan, while the island’s small but more modernized air force and radar system are equipped with more advanced American gadgets.

The negotiation of the radar planes, among other possible deals, apparently encountered some difficulties as the two sides failed to reach “major” agreements at the year’s end as anticipated by the Russian side during the November meeting. A possible problem was how to pay for the radar plane, buying or leasing. Russia clearly opts for hard currency, as Premier Kasyanov made clear. It would also be in Moscow’s interest to minimize technology transfers to China. For the Chinese, the hard lessons from the abortive deal with Israel point to the need for eventual self-sufficiency in these highly sensitive items. The purchase of such expensive items from Russia, therefore, must involve some transfers of technology.

A Tale of Two Presidential Elections: Implications for Russo-Chinese Relations

At year’s end, Sino-Russian relations were affected by both bilateral chemistry and the larger international environment. Although triangle politics was a distant drama of the Cold War, Russia and the United States perhaps matter most to geo-strategists in Beijing. The year 2000 turned out to be a rather unexpected and even ironic twist of fate for the two countries, to which China paid disproportionate attention.

The year began with a real “Y2K bug” for Sino-Russian relations when Boris Yeltsin suddenly and dramatically exited the Kremlin. His hand-picked successor Vladimir Putin proved to be a far more skilled and effective leader for both domestic and foreign politics including relations with China. Not only did Putin sustain, in his own style, the momentum of Sino-Russian relations, his energetic and sophisticated play of Russian domestic politics and diplomacy, from a position of weakness, also captured the attention and imagination of the Chinese at various levels. By year’s end, almost all Chinese major media outlets rated the “Putin phenomenon” at the top of their “top-ten list” for the year 2000. This was the case in spite of Putin’s declared European-centered diplomacy in the first half of the year and a series of disastrous Russian domestic accidents in the second half.

The Russians, too, seem somewhat more inclined to favor China as Russia's most trusted friend. More than half (51%) of the Russian political, intellectual, and opinion elite polled in December by an independent opinion survey center, a Russian subsidiary of the American Gallup organization, saw China as first among Russia's "strategically important allies," surpassing Belarus (49.6%), Germany (39.4%), India (23.5%), the United States (20%) and Britain (15.6%).

In contrast to a growing intimacy between Moscow and Beijing in the first year of Putin's presidency, Washington's changing of the guard turned out to be less certain for both China and Russia. Domestically, the endless recounting and legal battles between the Gore and Bush teams finally ended with a court decision, only to find a sharply divided Congress and a not-so-soft landing for the longest boom of the U.S. economy. The incoming Bush administration will certainly have a few domestic challenges. In foreign policy, the Clinton administration was preoccupied with seemingly easy "preys" (breakthroughs with North Korea and the Mideast peace) that never materialized. Meanwhile, President-elect Bush's foreign policy team, while professionally and politically correct, will find it difficult to balance the campaign promise to deploy the national missile defense system at the earliest time possible against guaranteed strong repercussions from around the world, particularly from China and Russia. For Beijing and Moscow, living with a mega-strong yet uncertain power like the United States is a major undertaking in the new year, whether to be its friend or foe.

Chronology of China-Russia Relations October-December 2000

Oct. 11, 2000: The Russian Defense Ministry discloses a successful Chinese test-launch of Russian-made Tor-M1T, a modernized version of the Tor-M1 anti-aircraft system, at a test range in the Gobi desert.

Oct. 16, 2000: A group of rectors from Russian institutes arrives in China to study the Chinese education system, paid-for tuition, the examination process, and exchange programs.

Oct. 17-19, 2000: Border Directorate of the Public Security Department in China's Jilin Province visits with Russia's Federal Border Service in Vladivostok to draw cooperation plans and assess the results of joint activity. Past cooperation substantially reduced the number of border-crossing incidents in the first half of 2000 to 87 compared with 317 in 1998 and 224 in 1999.

Oct. 18, 2000: Chinese President Jiang Zemin meets Arkady Volsky, co-chairman of the Russian-Chinese Committee of Friendship, Peace, and Development in Beijing.

Oct. 23-28, 2000: A delegation of PLA military prosecutors visits Moscow and Leningrad military districts for an exchange with Russian counterparts.

Oct. 25-Nov. 2, 2000: Yevgeny Primakov, Chairman of the Fatherland-All Russia (OVR) faction in the State Duma lower house of parliament and former premier, meets with President Jiang and FM Tang Jiaxuan in Beijing.

Oct. 30, 2000: Russian Deputy PM Ilya Klebanov meets with his Chinese counterpart State Councilor Wu Yi in Beijing in preparation for the China-Russia premier meeting.

Nov. 3-4, 2000: Russian Prime Minister Mikhail Kasyanov meets with Premier Zhu for the fifth premier annual meeting. Talks focus on cooperation in the fuel and energy sector, military-technical and scientific-technical cooperation, transportation, shipbuilding, aircraft building, space exploration, and joint hi-tech projects.

Nov. 13-18, 2000: Valeri Manilov, First Deputy Chief of General Staff of the Russian Armed Forces, visits Beijing for the fourth round of meetings between respective general staff headquarters.

Nov. 16, 2000: Presidents Jiang and Putin meet during the first day of the APEC Leaders' Meeting in Brunei.

Nov. 16-19, 2000: Commander-in-Chief of the Russian Interior Troops Colonel-General Tikhomirov meets Chinese Public Security Minister Jia in Beijing. China reaffirms its support for Russia's action in Chechnya.

Nov. 20, 2000: A resolution on the preservation of and compliance with the Anti-Ballistic Missile Treaty (ABM) is approved 88 to 5, with 66 abstentions in the 55th UN General Assembly session. China, Russia, Belarus, and Kyrgyzstan jointly sponsored the resolution, which called for "continued efforts to strengthen the ABM Treaty and to preserve its integrity and validity."

Nov. 25, 2000: China receives second destroyer of the 956E series from Russia, a month ahead of schedule.

Nov. 29, 2000: A Chinese delegation of the committee on internal affairs and justice of the National People's Congress visits Moscow.

Dec. 1, 2000: Chairman of the Central Bank of Russia Viktor Geraschenko visits China to participate in the ceremony inaugurating the mission of Moscow People's Bank in Beijing; its chief purpose is to deepen business ties.

Dec. 3-12, 2000: Chinese Vice Premier Li Lanqing meets PM Kasyanov in Russia.

Dec. 4-8, 2000: Col-Gen Georgiy Shpak, commander of Russia's airborne forces, meets Liu Shun Yao, PLA's Air Force Commander-in-chief, and Wan Weishan, commander of the Chinese Airborne Corps, in China.

Dec. 8-9, 2000: Fifth session of the Russo-Chinese sub-commission on transport is held in Beijing.

Dec. 18, 2000: A Russian delegation arrives in Beijing for arms sales talks; China receives ten of forty Su-30MKK fighter-bombers.

Dec. 27, 2000: The governments of Japan, China, South Korea, and Russia sign an agree to set up a joint radio navigation service in the Far Eastern seas using Russian-made radar stations. The accord was to guarantee safe sea navigation, safe flights of aircraft, and safe traffic of transport vehicles in the Far East. North Korea, Philippines, Indonesia, India, and others may eventually join.

North Korea and the World: New Millennium, New North Korea?

by Aidan Foster-Carter,
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The year 2000 was, by any standard, unprecedented in the annals of North Korean diplomacy. By way of a symbolic arch, the first and last months of the year saw full relations established with two G-7 nations, Italy and the UK. In between came a dazzling array of activity by past Pyongyang standards. Pride of place goes, of course, to the first North-South summit in June and the wholly new phase of regular and substantive inter-Korean dialogue that has ensued: ministerial and defense talks, family reunions, economic deals, transport links, and more.

But this was not all. In a for once happily inapt metaphor, diplomatically speaking the DPRK blazed away on all barrels in all directions during the past year, apparently seeking better ties across the board, both reviving old alliances and embarking on new ones. Startling spectacles came in quick succession: from Jo Myong-rok, the DPRK's hitherto hidden military *eminence grise*, taking tea at the White House in full vice-marshal's uniform, to U.S. Secretary of State Madeleine Albright in Pyongyang watching a mass display in praise of communist power--including scenes of the Taepo-dong missiles that will continue to roil U.S.-DPRK relations.

At Albright's side stood Kim Jong-il, who took a double risk in 2000: not just in embarking on this opening, but in sacrificing his own long-honed personal *purdah* for a new public role--first visiting China, then welcoming Vladimir Putin as well as Kim Dae-jung--from which there can be no going back. A memorable *Economist* cover caught the moment with the irreverent caption: "Greetings, earthlings." But if spaceship DPRK has finally landed, what exactly do the aliens and their newly visible yet still inscrutable chief want? The skeptical view, that this is just the latest bold move in Pyongyang's old poker game rather than a whole new leaf, will gain added weight with a Republican president in the White House.

Yet blanket cynicism would be as misplaced as its mirror image, the bland optimism of some die hard advocates of sunshine. We are in a new phase, which has no pre-written script. The challenge in 2001 will be for the DPRK to show that its change is more than just cosmetic and tactical by imbuing its new formal ties with substantive content and above all by moving to address at least some of the many real security concerns of its various interlocutors.

North-South Relations

Until the June summit was announced, fears lingered that North Korea sought friendship with everyone *except* South Korea, as on occasion in the past. Not so. The surest sign of change is not the summit as such--we had apparent inter-Korean breakthroughs before: in

1972, 1985, and 1990-92--but what has followed. For the first time in the 55 years since the Peninsula's division, regular contact between the two Koreas is now normal rather than exceptional, across a range of forums with diverse and substantive agendas. Naturally, not all is smooth. But as the process deepens, so the chance of returning to the bad old days looks ever more remote.

Whereas one used to register each rare encounter, in this new era there is now too much going on between the two Koreas to list it all in a short summary article. The summit itself has been much worked over, and already passed into history. But neither its occurrence nor its success was a foregone conclusion. Both Kim Dae-jung and Kim Jong-il deserve credit for courage and skill in handling it, themselves, and each other. It could very easily have gone wrong in so many ways. Instead we saw two skilled professionals--one familiar, the other a startling revelation--determined to create a win-win encounter rather than play zero-sum taekwondo games. This was statesmanship of the highest order, and in the full glare of global publicity. Those of us who had waited a lifetime for this moment could not have asked for more.

But that was just the start. Unlike previous false dawns, the summit ushered in a whole array of North-South dialogue. The main channel has been ministerial talks, held almost monthly so far (four rounds during July-December), but from 2001 expected to become quarterly as other forums expand. Their achievements include creating a framework for economic cooperation, both in terms of basic ground rules (investment protection, etc.) and a specialized committee whose first meeting was held in Pyongyang in late December. Meanwhile private business, mainly Hyundai, continued its own activities. Hyundai took almost 200,000 southern tourists on its pioneering but loss-making cruises to Kungang-san, and was rewarded with permission to build a large industrial export zone in a stunning location: near Kaesong, just across the Demilitarized Zone (DMZ) within easy reach of Seoul. As the Hyundai group's financial difficulties began to cause alarm, South Korea's state-owned Korea Land (Koland) quietly bought into and took over the Kaesong project, on which work is due to start early in 2001.

Another fruit of the summit was reunions of separated families, with two such meetings (only the second and third ever in half a century) in August and December. Inevitably emotional, these were not without tensions. It is not clear if the North is ready to meet southern wishes for more frequent and less controlled encounters. Pyongyang also upbraided the head of the ROK Red Cross for critical press comments; by the year's end he had resigned. Another headline-catcher was the joint march-past of DPRK and ROK athletes at the opening of the Sydney Olympics, under a single flag; they went on to compete separately, however.

On the all-important security issues, a start was made when North Korea's defense minister visited Seoul (and Cheju) in September. Subsequent working-level meetings at Panmunjom found the North disinclined to widen the agenda beyond rebuilding road and rail links across the DMZ. Both sides began mine-clearing, and the new links are due for completion by September. The DPRK successfully pressed the UN Command (UNC) to cede the requisite border authority to the ROK: a political card one suspects it may save

to play another time. But discussion of the whole array of formal and substantive security issues has yet to begin. When it does, this may be in a multilateral rather than bilateral forum: Kim Dae-jung is seeking to revive the Four-Party Talks (the two Koreas, China, and the U.S.), which have achieved little hitherto. Meanwhile, Pyongyang was angry at being designated as main enemy in Seoul's latest Defense White Paper, but did not fulfil its threat to boycott all dialogue until this slur was withdrawn.

As this contretemps suggests, the general tone of the new inter-Korean ties is encouragingly pragmatic. After half a century of hostility, one could hardly expect a lovefest. But now when the Koreans row it is usually for a reason (e.g. on the exact wording of agreements), rather than mere mud-slinging; and most important, they find a way to resolve it. All this augurs well, as does the sheer normality now of delegations and planes going back and to between Kimpo and Sunan airports.

Yet in 2001 fresh hurdles loom. No schedule has yet been set for Kim Jong-il's reciprocal trip to Seoul, which will be a huge challenge for him and his hosts alike. South Korea's opposition, which in two years could well return to power, criticizes the Sunshine Policy as appeasement and wants more reciprocity from the North. Certainly Sunshine has its paradoxes: a poignant one being the spectacle of Kim Dae-jung, awarded a richly deserved Nobel Peace Prize for his lifelong advocacy of democracy and human rights, refusing to raise such issues with or in regard to North Korea. Southern critics even speak of a reverse McCarthyism, with the government discouraging any criticism of North Korea as allegedly evincing a "Cold War mentality." In a democratic ROK, keeping up Sunshine's momentum and support will be harder in 2001.

The United States: Almost the President

Other than the new North-South relationship, North Korea's most spectacular diplomacy in 2000 was with the United States. But it took a while to get going. For many months after the DPRK tacitly agreed to a moratorium on long-range missile tests in exchange for the lifting of some sanctions in September 1999, the U.S. was frustrated by Pyongyang's reluctance to move ahead on the Perry process and send a high-level emissary to Washington. The June summit added a tacit worry--the mirror image of earlier fears in Seoul--that better North-South ties meant sidelining the U.S. Such fears are to a degree inevitable, at least as regards the allies' differently prioritized agendas vis-à-vis Pyongyang (with the U.S. and Japan, for instance, far more concerned about missiles than South Korea is), despite continued careful coordination between them both bilaterally and via TCOG (Trilateral Coordination and Oversight Group).

Such zero-sum fears proved groundless, however, as the latter half of 2000 brought ever new heights of protocol between the U.S. and DPRK. In July, Secretary Albright met North Korean foreign minister Paek Nam-sun in Bangkok at the Asean Regional Forum (ARF), which the DPRK joined as its 23rd member. Then in October Kim Jong-il sent Jo Myong-rok, his right-hand man in the Korean People's Army (KPA) (whose travels were hitherto limited to places like Syria) as a personal emissary to Washington, swiftly followed by Secretary Albright's hastily arranged visit to Pyongyang. A presidential visit

would have capped a remarkable year, and this remained in the cards until December 29th when Bill Clinton concluded, with evident disappointment, that there was no longer enough time to be sure of securing a meaningful deal on missiles.

It would be wrong to dismiss these meetings (except Bangkok) as mere photo-opportunities. Kim Jong-il, for so long the subject of intense and often febrile intelligence speculation from afar, is now known in the flesh. Nor did he send Marshal Jo lightly. Informed reports suggest that talks in Kuala Lumpur and elsewhere produced the embryo of a missile deal, yet not solid enough on all of the many aspects--research, testing, production, deployment, and export; short, medium, and long range rockets; systems already *in situ* or in various stages of development; not to mention verification and compliance in all this--that Clinton could confidently sign an agreement which would be left to his successor to implement and (so to say) field-test.

For 2001, the key issue in U.S.-DPRK relations will be that successor. George W Bush and Kim Jong-il are not exactly soul mates, but they do have common features: political paternity, aversion to foreign travel, and a certain sociability. Much hinges on how far Bush's advisers will press on missile issues: not only those specific to the DPRK, but the broader national and theater missile defense (NMD/TMD) agendas, which threaten discord with allies and powers like Russia and China alike. The appointment of Donald Rumsfeld as Defense Secretary may not bode well. Then again, the new administration will have its hands full enough elsewhere (e.g. the Middle East) that a Secretary of State as cautious as Colin Powell may leave well enough alone in North Korea; a case Kim Dae-jung will press. "Well" here includes ongoing direct Department of Defense-KPA cooperation over Korean War MIA (missing in action) remains, which after a successful 2000 will expand in scope this year.

All in all, fears that the shriller Republican voices in Congress will run policy on North Korea henceforth may be overstated. But Bush will drive a harder bargain, and Kim Jong-il may come to regret not having moved further and faster on missiles while the going was good. It may also be harder now for the DPRK to wean itself off the State Department's list of nations suspected of sponsoring terrorism, under which the U.S. mandates itself to refuse bilateral and oppose multilateral aid. Despite this proviso the U.S. has been the major contributor to the World Food Program's successive food aid appeals for North Korea. That too could well change under Bush.

China: Always There, Always First

Alternatively the Dear Leader may reckon he has other fish to fry. Significantly, Kim Jong-il's self-outing from recluse to media figure began in May with a visit--technically unofficial and at the time secret (but not very)--to the one country he still regards as a reliable ally. China is also the sole foreign country he is acknowledged to have visited before, way back in 1983, although at the summit, joking about his hermit image, he also hinted at secret travels.

In Beijing, Kim Jong-il met most of the top leaders, visited a computer firm, and for the first time praised Chinese economic reforms--raising hopes, as yet unfulfilled, that at long last the DPRK may take the Dengist road. The timing of this visit, just a fortnight before the summit with Kim Dae-jung, suggests a desire to obtain news and views on the South and its leader--plus perhaps a practice run for the Dear Leader himself, in his new role in the media spotlight.

For China, this visit--long sought, to the point where Beijing was getting impatient--was a gratifying endorsement of Chinese primacy, not only as big brother to the DPRK, but as a facilitator of inter-Korean dialogue. Over the past decade--formally, since 1992--China has succeeded with great care and skill in building strong new ties with Seoul without unduly alienating Pyongyang. By being pro-active as a friend of both Koreas, China's long-term game is to displace the U.S. (and its troops) to resume its historical role as peninsular hegemon.

Kim's trip should lead to a senior Chinese leader visiting Pyongyang in 2001 for the first time in some years. Lower level delegations go back and forth as ever, and China continues both overtly and covertly to sustain the northern regime economically so that it at least survives. For China, the DPRK is a crucial buffer state; it has enough actual or potential trouble on other frontiers to dread the effects of any North Korean collapse, and already fears--and harshly persecutes--northern refugees as a potential source of instability. To ward this off, Beijing will continue quietly to press Pyongyang to embrace market reforms: a message steadfastly ignored for twenty years, with catastrophic results. But Kim Jong-il knows China will back him up no matter what and that it fears a Republican-led U.S. posture on missiles and Taiwan alike. In 2001, North Korea can continue to count on China.

Russia: A Flash in the Pan?

Can North Korea also count on Russia? In July last year, President Vladimir Putin at a stroke brought Moscow back into the Korean game by becoming the first ever Kremlin top leader, Soviet or Russian, to visit Pyongyang (en route to the G-8 meetings in Japan). He stayed less than 24 hours, but that went a long way to undo the decade of distrust under Gorbachev and Yeltsin, ever since the former outraged Kim Il-sung by recognizing the ROK in 1990. Moreover, Putin went on to the G-8 as the center of attention, on the strength of an alleged new North Korean offer to end its missile programs if other countries would launch its satellites. Kim Jong-il later said this was a joke, but the idea, though sketchy, remains in circulation. The Dear Leader agreed to a return visit to Moscow and (en route) Vladivostok, with whose governor he struck up a bond after it transpired they share a birthday. No schedule has yet been fixed.

Such *bonhomie*, plus the earlier signing and ratification (after years of negotiation) of a new post-Soviet friendship treaty minus the old pledges of mutual military support, might suggest a new era of warmth between Moscow and Pyongyang. Yet in practice it is not clear how far Russia can drive home its advantage after the undoubted coup of Putin's visit--all the more pointed in that he has yet to go to Seoul, although that is expected this

year. It takes more than a gesture, however dramatic, to budge the two abiding dilemmas. What is, or should be, the Korea policy of post-Soviet Russia? And what resources is Moscow ready to commit?

On the former, beyond cocking a snook and stealing a march by meeting Kim Jong-il--and so signalling, as elsewhere in the world, that Russia no longer merely marches behind a Western agenda--it is not clear that Putin has a wider game plan. While the first decade of Moscow-Seoul relations disappointed both sides, Russia is hardly so deluded as to suppose that North Korea is in any sense a better bet--especially given its history as the least biddable of allies. Also, as with other satellites gone sour (e.g. Cuba), there are decades of debt worth billions of dollars still outstanding. Of course North Korea cannot and will not pay; but equally Russia is not about to throw good money after bad on any scale.

Where interests converge most immediately is in transport. Russia is excited by the prospect of rail links across the DMZ, seeing this as creating a new trans-Siberian freight route linking South Korea to Europe--although realistically this would require not just a new cross-border link, but costly upgrading of North Korea's own antiquated track and facilities. Otherwise, 2001 may not see any dramatic change in the rather low level of Russia-DPRK ties after all.

Japan: Talks, but Far Apart

Of the four powers involved in the Peninsula by geography and/or history, Japan's ties with North Korea made least progress in 2000. Even here there was some activity. After a gap of eight years, three rounds of high-level talks towards diplomatic relations were held: in April in Pyongyang, in Tokyo in August, and in Beijing in November. These were officially gazetted as the 9th, 10th, and 11th rounds; the first 8 having been during 1990-92.

They met, and yet they did not meet. Despite an apparent will for progress on both sides, their respective agendas remained far apart, with little discernible movement throughout the year. One sticking point is that Tokyo remains forced by public opinion to prioritize the odd case of suspected abductions of Japanese citizens from the 1970s and 1980s; an issue where it is inconceivable that Pyongyang would ever admit any culpability it may have. Although Japan's gaffe-prone Prime Minister, Mori Yoshiro, was criticized for revealing to Britain's Tony Blair at the ASEM (Asia-Europe Meeting) talks in Seoul in October a former proposal that the abductees might be "found" in a third country, in fact some such face-saving device seems the only way this knot could ever be untied. It was this that sank the earlier 1990-92 talks, and history could repeat itself.

Not that there is a lack of other thorny issues. Japan's missile concerns (more immediate than the U.S.'s, being palpably within range) were likewise dismissed by North Korea, whose own avowed agenda was resolutely backward-looking. The DPRK continues to insist on apology and compensation for past Japanese aggression as the precondition for progress on any other issue. This time the categories of compensation demanded were

wider than before, extending to psychological as well as physical suffering and the looting of cultural relics.

In principle, progress is possible here. As both countries know, the precedent is that Japan's establishment of diplomatic ties with South Korea, back in 1965, was accompanied by an aid and loan package. Computations of equivalence at today's prices suggest North Korea could stand to gain as much as \$10 billion--but not while it refuses to address Japanese concerns. Tokyo also disputes being characterized as an aggressor, as distinct from an occupier.

Having taken a risk in the face of hostile public opinion by talking to North Korea at all, and sweetening the process by offering half a million tons of rice (after several years of refusing food aid), the Japanese government is perplexed and dismayed at Pyongyang's maximalist stance. But the likeliest explanation is that the DPRK is keeping Japan in reserve as the ultimate gift-horse. With South Korea--and perhaps the U.S., although that chance may have been missed--ready to offer substantial aid, there is no immediate need to make concessions to Tokyo. Besides, the abduction issue remains as a thorn. In 2001, neither side may be in a hurry to meet formally again until and unless some prospect of progress appears, although talks are planned.

Europe: EU Embraces DPRK

While South Korea and the four powers are the five key points on the DPRK's compass, it also proved keen in 2000 to mend fences and build bridges more widely. It scored a great success with the EU, where the balance of opinion shifted visibly during the year. Initially, when Italy established ties on January 4, the comment from other EU states was that, while happy to pursue dialogue with the North, full relations would be held in reserve as a reward for substantial progress on various issues, including nuclear concerns, missiles, and human rights.

By October that stance had changed. At the ASEM meetings in Seoul, the UK, Germany, and others announced their intention to move to full diplomatic relations with the DPRK. Britain took this step on December 12, followed by Spain on December 15. Germany, Netherlands, and Belgium are all expected to follow suit early in 2001. The odd man out is France, which notably has not gone along with the trend--despite having been the first major EU member to semi-recognize North Korea in the early 1980s, giving it an odd "general legation" status shared with Palestine and Quebec.

For the majority who has decided to take the plunge, the likeliest explanation is persuasion by South Korea, with ASEM a convenient forum for this small gift to Kim Dae-jung. But it is quite a shift--especially for Germany, which despite having *de facto* inherited the old East German mutual missions, had spent the past decade firmly rebuffing pleas from Pyongyang to tie the knot formally. The exact level of European coordination remains unclear. Another possibility is that this mass movement by the EU might be meant to make it harder for a new U.S. administration to move in the opposite direction and seek to isolate North Korea.

Middle Powers and More

Besides the EU, similar moves were made in 2000 by three western middle powers: Australia, Canada, and New Zealand. Australia resumed diplomatic relations with the DPRK on May 8. (Ties were first established in 1974, but within months the North Koreans mysteriously left--and expelled the Australians.) Canada and New Zealand too have exchanged delegations and announced plans for ties, which are expected to come to fruition in 2001.

Elsewhere, relations were opened on July 12 with the Philippines, which had long hesitated over fears of Pyongyang as a supporter of terrorism. Contrary to some reports, and despite North Korea's also joining the ASEAN Regional Forum (ARF) in the same month, this did not quite give Pyongyang a full house in ASEAN; Myanmar is still holding out. Once a close ally, it broke relations after the Rangoon bombing of October 1983, and has yet to restore them despite Pyongyang's entreaties. Myanmar demands an admission of guilt and an apology. As much as the DPRK demands apologies from others (e.g. Japan), it is not inclined to give them.

To complete the roundup, ties were also established with Kuwait. The DPRK has long had a large trade mission there, and has in recent years sent up to 2,000 construction workers (as South Korea used to do in this region). Local media quoted a visiting North Korean deputy foreign minister as taking gratifyingly anti-Iraqi positions--*contra* the naïve assumption that all "rogue states" must be best buddies, North Korea and Iraq fell out long ago when Baghdad saw Pyongyang as taking Tehran's side during the Iran-Iraq war.

How Will They Pay?

One downside of these diplomatic gains may be their expense. At a time when the DPRK has been cutting back its once extensive network of embassies around the globe, it will now need to open more. In some cases an existing mission can be upgraded, such as Italy (Food and Agricultural Organization), UK (International Maritime Organization), or Kuwait (trade). In others, North Korea may choose to accredit a nearby existing embassy--just as many of its new friends will elect to cover the DPRK from Beijing, rather than open an office in Pyongyang. Yet it is hard to imagine North Korea turning down the chance of opening embassies in places like Brussels or Amsterdam.

The question of cost is neither abstract nor, unfortunately, innocent. Prominent among the behaviors which, over the years, have made the DPRK a better candidate than many for the State Department's now discontinued sobriquet of "rogue state" is the repeated arrest of its diplomats for smuggling all manner of goods, including drugs. The DPRK's first success in western Europe, its recognition by all four Nordic countries in the early 1970s, was tarnished when all four soon expelled their North Korean ambassadors because of rampant illicit sales of duty-free alcohol from their missions. One can only

hope that the new breakthrough with the EU will not be similarly tarnished, and that such unconscionable actions are now history.

From Formal to Substantive Friendship?

A wider question is just what the DPRK proposes to make of all these new relationships. If it expects simply more aid, it risks disappointment. New partners will expect some reciprocity. It may be discomfiting, for instance, to have a resident British embassy raising human rights concerns actually in Pyongyang. Similar considerations may be one reason why an exchange of liaison offices with the U.S., as specified in the October 1994 Agreed Framework and much discussed since, shows no sign of coming to fruition. The same issue also arises multilaterally. Joining ARF, for instance, is more than merely symbolic. Membership imposes obligations, and its fellow members will be looking to see how far North Korea pulls its weight.

Another question also arises. In Kim Dae-jung's view, any and all contact that North Korea has with the wider world is positive-sum, cumulative and good: the more the merrier. That optimistic stance will now be put to the test. One caveat concerns diminishing returns. Do we really expect DPRK behavior to change in any way if, say, Luxemburg establishes ties?

A second caveat is that in the past, North Korea has proved adept at playing off big powers against one another, from the Sino-Soviet dispute onward. There is no reason to suppose it has lost either the knack or the motive. Thus one should distinguish between seeking wider Western support and opening up *per se*. There has long been far too much wishful thinking, both politically and economically, about North Korea opening up. Whatever Pyongyang's self-perceived game plan is, one can be sure openness as such has nothing to do with it.

In sum: in the future as in the past, North Korea will continue to calculate where its balance of advantage lies, especially vis-à-vis the four powers (U.S., Japan, China, and Russia) and South Korea, and so shift the weight of its efforts accordingly from time to time. Still, the extraordinary year just concluded raises the hope that a wider move towards a kind of normalization may be under way. 2001 will be a year in which such hopes are put to the test. Pyongyang will be pressed from many quarters to show that its new smiles have substance, by moving on to concrete concessions on security and other concerns. A great deal is riding on how far and how fast it responds.

Expanded Chronology North Korean Diplomatic Activities 2000

Jan. 4, 2000: Diplomatic ties are established between DPRK and Italy.

Feb. 9, 2000: A new peace treaty is signed between DPRK and Russia, replacing that of 1961 with the former Soviet Union, minus the former commitment to mutual military support.

Mar. 10, 2000: ROK President Kim Dae-jung's "Berlin Declaration" offers aid to rebuild North Korean infrastructure. Soon after, secret North-South talks begin in China.

Mar 28-29, 2000: Italian foreign minister visits Pyongyang.

Apr. 5-7, 2000: Ninth Japan-DPRK inter-governmental talks (the first since 1992) begin in Pyongyang.

Apr. 8, 2000: Kim Dae-jung announces the first ever North-South summit meeting, set for June 12-14.

May 8, 2000: DPRK diplomatic ties with Australia are restored after a hiatus of 25 years.

May 29-31, 2000: Kim Jong-il pays an (at the time) secret and technically unofficial visit to Beijing.

Jun. 13-15, 2000: North-South summit meeting, Pyongyang. Kim Dae-jung and Kim Jong-il meet several times, signing a Joint Declaration on Jun. 15.

Jul. 12, 2000: Diplomatic ties are established between DPRK and the Philippines.

Jul. 19-20, 2000: Russian President Vladimir Putin becomes the first top Kremlin leader (Soviet or Russian) to visit the DPRK and meets Kim Jong-il.

Jul. 27, 2000: North Korea becomes the 23rd member of the ASEAN Regional Forum at its seventh meeting in Bangkok. DPRK Foreign Minister Paek Nam-sun meets with his U.S., South Korean, Japanese, and other opposite numbers.

Jul. 29-31, 2000: First post-summit North-South ministerial talks take place in Seoul.

Aug. 21-25, 2000: No progress is made at the tenth Japan-DPRK inter-governmental talks in Tokyo.

Aug. 15, 2000: North and South Korea reopen liaison offices at Panmunjom. New fiber optic communications installed.

Aug. 15-18, 2000: First official North-South family reunions since 1985. 100 family members from each side fly to the other capital for brief public meetings with long-lost kin. The southern contingent is chosen by lot, while the northern consists mainly of dignitaries.

Aug. 29-30, 2000: Second North-South ministerial talks, Pyongyang.

Sept. 2, 2000: South Korea lets 63 unconverted former long-term communist prisoners cross the DMZ to a hero's welcome in North Korea. In the south, some criticism of the government for not linking this to the reciprocal return of its own several hundred prisoners of war, abductees, etc.

Sept. 5, 2000: Various meetings are aborted, including a planned summit between Kim Dae-jung and North Korea's titular head of state, Kim Yong-nam, when the latter turns round and heads home after being body-searched by American Airlines staff at Frankfurt airport. He was en route for New York to attend the UN Millennium Summit.

Sept. 11-14, 2000: North Korean party secretary Kim Yong-sun visits Seoul to discuss arrangements for Kim Jong-il's return visit, then expected during 2000.

Sept. 15, 2000: North and South Korean athletes march together under a single flag at the opening of the Sydney Olympic Games, but go on to compete separately.

Sept. 18, 2000: Kim Dae-jung presides at groundbreaking ceremony for restoring rail and road links across the DMZ. No North Korean or southern opposition delegates attend.

Sept. 25-26, 2000: First ever meeting between North and South Korean defense ministers, Cheju Island, South Korea.

Sept. 25-26, 2000: First working-level talks on inter-Korean economic cooperation, Seoul. South Korea agrees to donate 600,000 tons of food aid.

Sept. 27-30, 2000: Third North-South ministerial talks, Cheju Island, South Korea.

Oct. 2000: North Korea cancels or postpones several planned inter-Korean meetings.

Oct. 8, 2000: After hesitating, South Korea allows 42 civilians to attend "non-political" celebrations of the 55th anniversary of the North's ruling Korean Workers' Party.

Oct 9-12, 2000: Vice-marshal Jo Myong-rok, first vice-chairman of the DPRK National Defense Commission (the top state organ), visits Washington and meets President Clinton.

Oct 23-25, 2000: U.S. Secretary of State Madeleine Albright visits Pyongyang and holds talks with Kim Jong-il.

Oct. 22-26, 2000: Chinese Defense Minister Chi Haotian visits Pyongyang and meets Kim Jong-il.

Oct. 30-31, 2000: 11th Japan-DPRK inter-governmental talks, Beijing. No progress.

Nov. 8-11, 2000: Second working-level meeting for North-South economic cooperation, Pyongyang.

Nov. 25, 2000: North Korea's acting ambassador in Singapore attends the official arrival ceremony for Kim Dae-jung at the ASEAN Plus Three meeting.

Nov. 25-28, 2000: Third EU-DPRK political dialogue, Pyongyang.

Nov. 28, 2000: Working-level military talks at Panmunjom, discussing railway practicalities.

Nov. 28-30, 2000: State visit by President Nujoma of Namibia, his ninth to Pyongyang since 1965.

Nov. 30 – Dec. 2, 2000: Second inter-Korean family reunions, Pyongyang and Seoul.

Dec. 5, 2000: Second inter-Korean working level military talks, Panmunjom.

Dec. 12, 2000: Choe Jin-su appointed DPRK ambassador to China, replacing Ju Chang-jun who had served since 1988.

Dec. 12, 2000: Diplomatic ties are established between DPRK and the United Kingdom.

Dec. 13-16, 2000: Fourth inter-Korean ministerial talks are held in Pyongyang. Agreements signed on a framework for economic cooperation.

Dec. 15, 2000: Diplomatic ties are established between the DPRK and Spain.

Dec. 19, 2000: Expanded joint U.S.-DPRK MIA remains recovery program for 2001 is announced.

Dec. 21, 2000: Third inter-Korean working level military talks, Panmunjom.

Dec. 28, 2000: First meeting of Inter-Korean Cooperation Committee begins in Pyongyang.

Dec. 28, 2000: President Clinton announces that he will not visit North Korea.

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