



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



Comparative Connections



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

edited by

Brad Glosserman
Eun Jung Cahill Che

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Pacific Forum CSIS

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

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

We cover 12 key bilateral relationships that are critical for the region. While we recognize the importance of other states in the region, our intention is to keep the core of the e-journal to a manageable and readable length. Because our project cannot give full attention to each of the relationships in Asia, coverage of U.S./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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The surprise victory of maverick Koizumi Junichiro in April has transformed Japanese politics – or so it seems. It is still unclear whether the new prime minister’s tenure marks the beginning of a new era or whether he is benefiting from collective relief after the departure of the gaffe-prone Mori Yoshiro. It may not matter. Koizumi’s stratospheric approval ratings have given Japan a confidence and an image that has transformed domestic and international perceptions of his government. There is hope that Tokyo can tackle the structural problems that have dogged its economy for a decade. Fears that Japan would prove to be a reluctant partner as Washington tried to strengthen the mutual security alliance have also largely vanished. And yet ... doubts persist. For all the talk of reform, Koizumi has been short on deeds – or even concrete proposals. The real test will come after July’s Upper House elections, when the government has to put flesh on the bones of its policies. Only then will we discover if Japan has entered a new era.

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

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The weather forecast for the Korean Peninsula is, as ever, changeable. In recent years the North has swung between extremes of flood and severe drought. Politics oscillates similarly. For half a year after the June 2000 first ever North-South summit, inter-Korean contacts developed so fast that this journal created a slot for a burgeoning new bilateral relationship. Yet a year after that breakthrough, the peace process appears sadly stalled. The past quarter saw almost no formal contacts. None of the several channels that had been opened – ministerial talks, family reunions, rail and road reconnection, economic negotiations, and more – convened as such. Neither was there progress on agenda items thus far unfulfilled, above all a return visit to Seoul by Kim Jong-il. Indeed, in June two new twists – Northern incursions into Southern waters, and a refugee family’s bid for asylum – highlighted obstacles to better ties. North Korean media also reverted to attacking Seoul, albeit with less vituperation than directed at the U.S.

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Sino-Korean government and party contacts were particularly intense in the second quarter. National Party Congress Chairman Li Peng visited Seoul, while South Korean Prime Minister Lee Han-dong, Foreign Minister Han Seung-soo, and Millennium Democratic Party Chairman Kim Joong-kwon paid visits to Beijing. The political prizes: strong Chinese support for inter-Korean reconciliation at a time of difficulty in U.S.-South Korean relations and rapid Chinese acquiescence to the early departure of a North Korean refugee family that sought asylum in late June at the Beijing offices of the UN High Commission for Refugees. Burgeoning economic interests continue to overshadow possible political problems, including how to deal with future North Korean refugee cases, perceived dangers to Korean interests inherent in a more confrontational U.S.-PRC relationship, and China’s intentions as Beijing strengthens its economic and political support for the North Korean leadership.

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Over the March-June quarter, a stream of sensitive issues roiled Japan’s relations with China. The government’s approval of new history textbooks, the approval of a visa for Taiwan’s former President Lee Teng-hui, a looming trade war, Foreign Minister Tanaka’s attempts to deal with Taiwan and the visa issue, and finally Prime Minister Koizumi’s expressed intention to visit the Yasukuni Shrine kept bureaucrats, diplomats, political leaders, and the media busy in both Tokyo and Beijing. Sino-U.S. relations also moved in a downward spiral. The long EP-3 standoff, the Bush administration’s plans for missile defense, a rumored shift in the focus of U.S. security strategy from Europe to Asia, and an increasing tendency to define U.S.-China relations in adversarial terms posed increasing challenges to Japanese diplomacy.

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Three questions drive this quarter’s analysis of Japan-Korea relations. First, how does one explain the downturn in Seoul-Tokyo relations? Second, what is the likelihood of any new movement in Japan-DPRK normalization dialogue? And third, what is the status of trilateral coordination with Seoul and Tokyo vis-à-vis the new Bush administration? There is no denying that historical animosity still lives in Seoul-Tokyo relations, but its current negative imprint is the result of an unfortunate confluence of timing and domestic politics (and a Bush “time out” on North Korea, which robbed Seoul and Tokyo of an imperative to work together). Also of concern will be how much the current atmosphere of historical friction will influence Korean perceptions of Koizumi’s statements about re-evaluating the traditional interpretation of Japan’s right of collective self-defense.

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Around the world, treaties are threatening to be scrapped (Kyoto Protocol and ABM Treaty) and signed (Shanghai Cooperation Organization and Russian-Chinese friendship treaty) in such a way that the post-Cold War order is rapidly being re-shaped. During the second quarter, there were at least three major treaty-making activities between Moscow and Beijing, partially or largely in reaction to the threatened U.S. departure from the ABM Treaty and other arms control treaties. First, the final wording of a historical friendship treaty was hammered out and is ready to be signed at the onset of the third quarter. Second, the joint effort to stabilize central Asian states led to the debut of an enlarged and reshaped Shanghai Cooperation Organization. Third, Chinese and Russian heads of state met in Shanghai for the first of three summit meetings this year.

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Regional Overview:

Bush Asia Policy Slowly Taking Shape

by Ralph A. Cossa
President, Pacific Forum CSIS

Slowly but surely, the Bush administration's Asia policy is taking shape and, as expected, it shows a great deal of continuity despite some changes in emphasis and approach. Sino-U.S. relations are gradually recovering from the tailspin generated by the EP-3 collision and President Bush's comments about doing "whatever it took" to help Taiwan defend itself. The completion of the administration's Korea policy review resulted in a renewed U.S. commitment to support the ROK's Sunshine Policy, and the U.S.-DPRK Agreed Framework, plus a willingness to engage in serious discussions with Pyongyang on a broad agenda, including a resumption of missile talks. While Bush had been criticized for not being supportive enough toward an Asian ally during his Washington meeting with ROK President Kim Dae-jung last quarter, his shirt-sleeve summit this quarter with Japan's Prime Minister Koizumi Junichiro was criticized for brushing too much under the rug as the two agreed on just about everything. The two leaders did, however, set the stage for deeper cooperation between Tokyo and Washington on strategic as well as on economic issues. Meanwhile, administration policy regarding regional multilateral initiatives, while not fully clear, is also beginning slowly to emerge.

Emerging Asia Policy

Assistant Secretary of State for East Asian and Pacific Affairs James Kelly provided the administration's most detailed description of its Asia policy to date in testimony before the House Committee on International Relations' East Asia and Pacific Subcommittee on June 12. Kelly (who we should note, in the spirit of full disclosure, was formerly president of the Pacific Forum) identified China's emergence as a regional and global power, Indonesia's ongoing efforts at democratic transformation, Japan's struggle with economic reform, and the situation on the Korean Peninsula as areas where the U.S. was "working hard to encourage the most positive outcomes," even while cautioning that "our ability to influence events in these four areas varies widely."

Kelly described the Asia Pacific region as one of "enormous economic opportunity" but also cautioned that many unresolved economic problems remained in the wake of the devastating 1997-98 Asia financial crisis. The administration would be working to promote further economic reform and reduce or eliminate unfair obstacles to U.S. exports, while pursuing free trade agreements with willing partners such as Singapore. He also noted that "regional consciousness – a collective sense of identification and

common cause – remains relatively undeveloped” but noted positive movement brought about by the Association of Southeast Asia Nations (ASEAN), the Asia Pacific Economic Cooperation (APEC) forum, and the ASEAN Regional Forum (ARF).

Not surprisingly, Kelly also underscored the administration’s intention “to nurture our key bilateral relationships in the region and make them even better,” citing the U.S. military and diplomatic presence as “a crucial element of stability.” While maintaining alliance relationships is central to U.S. East Asia strategy, the U.S. also seeks “a constructive relationship with China that contributes to the promotion of our shared interests in peace, stability, and prosperity in the region.”

Another Asia policy development of note during the past quarter centers on press reports of an impending “strategic shift” in the Pentagon from its traditional Euro-centric approach to one focused more on Asia. Such reports appear, at best, to be premature. While a few independent studies (among over a dozen reportedly commissioned by Defense Secretary Donald Rumsfeld) have recommended that more attention be paid to Asia, no decisions have yet been made and Rumsfeld has assured America’s NATO allies that there will be no lessening of U.S. interest in or commitment to Europe.

U.S.-China Relations: Recovering from the Tailspin

Everyone expected the first few months of the Bush administration would be tough for Sino-U.S. relations: a decision was due on U.S. arms sales to Taiwan; Taiwan President Chen Shui-bian was seeking overnight stays in the U.S. on his way to and from Central America while his predecessor, Lee Tung-hui, had another trip planned to his alma mater, Cornell University; the delay in China’s accession to the WTO meant another potential congressional challenge to Beijing’s “normal trade relations” status; and President Bush’s anticipated decision to push forward with national missile defense (NMD) was sure to increase Beijing’s paranoia regarding Washington’s true intentions toward China. Add to this the desire by some on the American right and left for Washington to actively seek to block Beijing’s 2008 Olympics bid and a rise in tensions appeared inevitable.

Added to this predictable list of sore points was the unanticipated April 1 collision between a U.S. Navy surveillance aircraft and a Chinese fighter jet over the South China Sea, which resulted in the loss of the Chinese pilot and aircraft and the emergency landing and subsequent 11-day detention of the U.S. aircrew on China’s Hainan Island. Both sides initially took “hard line” positions, which made the resolution of the incident more difficult. On balance, however, the Bush administration deserved high marks for defusing the situation and meeting Beijing more than half way. China also accepted less than initially demanded and now appears intent to proclaim the incident “over and behind us,” especially after reaching a compromise that allowed the EP-3 to be partially disassembled and flown out of China in two Russian transport aircraft. However, a considerable amount of ill-will was generated by the incident, especially within the respective defense establishments, and this is sure to have a lingering impact on U.S.-China relations.

Another event with potential long-lasting impact was President Bush's April 25 remarks that his administration was prepared to do "whatever it took" to help Taiwan defend itself. Senior administration officials, including the president himself, were quick to take to the airwaves to proclaim that there had been no change in the U.S. "one China" policy. Nonetheless, to many in Beijing, it confirmed deep suspicions about Bush's true intentions. Taiwan officials, already delighted by Bush's victory, were further heartened by Bush's initial comment. The concern in Beijing and elsewhere (including Washington) was that Taipei would also be emboldened by these remarks, hence the perceived need for Bush's caveats.

This event stimulated the debate over Washington's historic policy of "strategic ambiguity" when it comes to cross-Strait intervention. A Pacific Forum survey of its *PacNet* readers revealed that 57 percent of respondents believed that the current policy of strategic ambiguity should be retained, while 40 percent favored greater clarity regarding U.S. intentions in the event of cross-Strait hostility. (Among Taiwan respondents, the numbers were essentially reversed.) Of note, 85 percent of respondents argued that the U.S. should not oppose Beijing's Olympics bid, thereby underscoring the wisdom of the Bush administration's recent decision to remain neutral on this issue. (For survey results, see *PacNet* 27.)

Missile Defense: Dialogue Welcome . . . and Needed

President Bush's announcement on May 1 that the U.S. was committed to pursuing a missile defense system added additional strains not only to Sino-U.S. relations but to Washington's ties with many of its longtime allies. Bush announced that "deterrence can no longer be based solely on the threat of nuclear retaliation," further arguing that "defenses can strengthen deterrence by reducing the incentive for proliferation." As a result, Bush said the Defense Department was examining "near-term options that could allow us to deploy an initial capability against limited threats," stating unequivocally that "when ready, and working with Congress, we will deploy missile defenses to strengthen global security and stability." President Bush also promised "real consultations" in determining what America's future missile defense system would look like. "We are not presenting our friends and allies with unilateral decisions already made," Bush asserted, underscoring his willingness to take the concerns of others into account.

There appeared to be a dual message in Bush's announcement. First, to those who were intent on convincing Washington that missile defense was a bad idea or impossible dream that should be abandoned, the message was, simply stated, "save your breath." The U.S. was going to have some form of missile defense; the "will we or won't we" debate was over. But Bush was also saying that the form of missile defense to be pursued had not been determined and that he was willing to listen to, and to factor in to the final system design, the concerns of those most affected by this decision. To underscore this point, he sent high-ranking teams to Asia and Europe to discuss the issue and collect feedback.

The decision to pursue NMD has been highlighted by many international critics as another example of “U.S. unilateralism” and there is some truth in this argument. But, few countries, in making what is essentially a sovereign national security decision, have taken as many pains as has the U.S. (under Clinton as well as under Bush) to consult with allies and others every step of the way. When Russia announced a few years back that it was abandoning its nuclear weapons “no first use” policy, no consultations were held. Likewise, when China decided to unilaterally expand its military presence in the South China Sea (Mischief Reef) or to dramatically increase the number of offensive missiles it has deployed within range not just of Taiwan but of all its neighbors in Southeast and Northeast Asia, it just did it. Yet both continue to lead the crusade against U.S. “unilateralism.”

The unenviable task of soliciting Chinese feedback on Bush’s missile defense announcement fell upon Assistant Secretary Kelly. Kelly had accompanied Deputy Secretary of State Richard Armitage to Japan and South Korea for similar discussions. But, in a powerful message that “it was not business as usual” in the wake of the EP-3 crew’s detention and the (at the time) still unresolved dispute over the aircraft’s return, Armitage proceeded instead to India (arriving on the anniversary of New Delhi’s May 1998 nuclear test – another pointed message?).

By most accounts, Kelly had frank and substantive talks with Chinese officials. But Beijing’s rhetoric still seems fixated on the “trying to convince Washington not to proceed” mode. What’s needed is a serious U.S.-China dialogue on what China’s genuine security concerns are, given Washington’s current inclination to listen. Secretary of State Colin Powell has said that the currently-envisioned U.S. missile defense plan is not aimed at negating China’s nuclear deterrent capability, but proponents of a more expansive system are numerous, especially in the U.S. defense establishment. If Beijing continues to insist on its current “all or nothing” approach, it could end up being faced with a more vigorous, threatening (to China) U.S. missile defense system. Proponents of such a system are numerous, especially in the U.S. defense establishment. The time has come for Beijing to exhibit some “understanding” of U.S. concerns, even as it pursues its own national security interests.

Korea Policy Review Stresses “Comprehensive” Approach

It was with some trepidation that Koreans on both sides of the DMZ watched the Bush administration come to power, given the more “hard line” position many Republicans in Congress had taken over the years regarding North Korea. However, the outcome of the administration’s finally – completed Korea policy review was, on the whole, quite balanced and not significantly different in terms of overall objectives from those pursued by the Clinton administration.

The U.S. policy review confirmed what President Bush had told President Kim three months earlier; namely, that Washington will continue to support the Sunshine Policy, the Agreed Framework, and the Trilateral Coordination and Oversight Group (TCOG) process. It also signaled Washington’s willingness to engage Pyongyang in dialogue on a

broad range of issues, including missiles. Bush stressed reciprocity and verification in any future negotiations, but so did the Clinton administration.

The main difference in approach was the U.S. desire for a more “comprehensive” dialogue. This is quite understandable, given that one of the primary complaints logged against the Clinton administration in its dealings with Pyongyang (by many South Koreans and Americans regardless of political affiliation) was that it seemed to approach the Peninsula as a non-proliferation problem rather than as a regional security problem with an important proliferation dimension.

As Secretary Kelly spelled out during his House testimony, “the president has directed us to undertake serious discussions with North Korea on a broad agenda, including improved implementation of the Agreed Framework, a verifiable end to the DPRK’s missile production and export programs, and a less threatening conventional military posture.” Unlike the past administration, which favored a “step by step approach,” Washington now plans to take a “comprehensive approach,” to address the many elements that comprise Peninsula and regional security and will try to make progress simultaneously on as many issues as possible . . . provided, of course, that Pyongyang is willing to cooperate.

One final point about the Agreed Framework. The press has been full of speculation about U.S. desires to change the terms of the agreement. But the Bush administration is firmly on record supporting the current arrangement as long as Pyongyang also honors its commitments (which it has thus far done). However, the real moment of truth for Pyongyang and for the Agreed Framework in general is the requirement for the North to come in full compliance with the IAEA prior to the delivery of any sensitive components of the promised light water reactors (LWRs). This requires detailed inspection to determine past accountability, a process that some speculate could take two to four years. Thus far, Pyongyang has not allowed the IAEA to begin this task – the IAEA’s most recent attempt, in May, was once again rejected by the DPRK. Thus, North Korea has only itself to blame if additional delays occur in the completion of this project.

In the meantime, the U.S. and the Korean Peninsula Energy Development Organization (KEDO) are honoring their part of the bargain. Construction activity continues on the LWR site (even though striking North Korean workers had to be replaced with Uzbek laborers) and KEDO continues to provide North Korea with 500,000 tons of heavy fuel oil annually as compensation for shutting down its Yongbyon reactor. These deliveries are scheduled to continue until the first LWR becomes operational, making North Korean demands for compensation if the project is delayed doubly inappropriate: first because they are already being compensated through the heavy fuel oil deliveries and second because they have been at least as much at fault for delays experienced thus far.

Of note, earlier in the quarter, Kim Jong-il reportedly stated that he was waiting for the Bush administration to complete its Korean Peninsula policy review before setting a date for his promised visit to Seoul. However, at this writing, the U.S. willingness to resume dialogue has not been met with DPRK willingness to set a date for Kim Jong-il’s visit to

the South. Neither has Pyongyang resumed its high-level dialogue with Seoul (suspended by Pyongyang since March), raising questions as to whether Chairman Kim's earlier comments were the reason or merely a convenient excuse behind the lull in North-South dialogue. In the final analysis, it will be North Korea's actions, and in particular Pyongyang's willingness (or lack thereof) to continue its dialogue with Seoul, that will be the principal determinant of U.S. policy on the Peninsula.

Stage Set for U.S.-Japan Strategic Dialogue

In Japan, the selection of Koizumi Junichiro as prime minister has raised hopes for genuine (and long overdue) economic reform. It has also increased the prospects for deeper cooperation between Washington and Tokyo on regional security issues. Koizumi has stated that it is desirable for Japan to be allowed to participate in collective defense activities and to help defend its allies (read: the United States) in the event of regional crisis. He also noted that Article 9 of the Japanese Constitution – which stipulates that Japan shall never maintain land, sea, or air forces – “fails to reflect reality.”

Koizumi's view seems to dovetail nicely with calls for a more equal relationship coming from Washington. Deputy Secretary Armitage seemed to be echoing Mr. Koizumi's remarks during his early May visit to Tokyo when he noted that “the lack of an ability to participate in collective self-defense, although they are signatories to a defense treaty, is an obstacle. I think it is a healthy thing for the Japanese to look at some of these things and see what is reasonable and what is not.” But, while the Bush administration is clearly supportive of an increased Japanese security role, even if this requires constitutional reinterpretation or revision, Armitage and other administration spokesmen have been careful not to directly call for revision, recognizing that this is a domestic Japanese decision.

It is still not clear, however, precisely what Washington expects from Tokyo, or how much Japan is willing or able to contribute. Washington has a responsibility to make it clear to Japan what it expects and desires from Tokyo in terms of greater security cooperation. It is then the Japanese government's responsibility to determine what it is willing to do. The two sides then need to reach some common understanding about revised roles and missions to ensure that their actions continue to be complementary. Tokyo must further determine if reinterpretations or amendments to current laws or even the constitution itself are required in order to travel down this chosen path. The U.S. should not be seen as pressuring Japan to change its constitution . . . neither should Washington be seen as opposing such changes if this is the will of the Japanese people.

Prior to Prime Minister Koizumi's coming to power, few Japanese leaders appeared willing to broach this subject. Yet it will become increasingly difficult to sustain the alliance relationship, much less answer Washington's call for a deeper U.S.-Japan security partnership, without identifying the future roles and missions breakdown that would best sustain “the world's most important bilateral relationship” well into the 21st century.

This is not to imply that the U.S.-Japan alliance is seriously troubled today. The current state of the relationship is good. But the opportunity and need for improvement are also greater than at any time in recent history. Maintaining the status quo does not mean doing nothing. Considerable effort is required on both sides to reinvigorate the alliance as new, forward-thinking leaders take command on both sides of the Pacific. (For more on this subject, see the Pacific Forum's report on *U.S.-Japan Strategic Dialogue: Beyond the Defense Guidelines*.)

ARF/APEC Preparations Underway

In his House testimony, Kelly described the ARF as “a limited forum,” but one the U.S. should encourage and support. He noted that “progress both in deepening the debate on security issues and in sharpening its focus has been slow, but there has been progress.” Kelly attended the ARF Senior Officials Meeting in Hanoi in May and confirmed that Secretary of State Powell would be attending the annual ministerial there in late July. It would appear that the key to future U.S. enthusiasm will be the ARF's ability to deepen and sharpen its debate on security issues of concern to Washington. Of note, Mongolia has reportedly suggested an informal side meeting of Northeast Asia ministers (including the U.S.) during this year's ARF meeting – a similar suggestion previously appeared in this journal.

Kelly also noted that President Bush was looking forward to the APEC Leaders' Meeting in Shanghai this October. Beyond his reference to APEC as “a principle engine of regional coherence,” he had little to say about American hopes for this multilateral gathering, stressing instead that Bush's presence “will speak volumes about our commitment to market-oriented reform in China.”

In preparation for the October meeting, APEC trade ministers, including U.S. Trade Representative Robert Zoellick, met in Shanghai in early June. They agreed to a number of measures to strengthen processes to achieve the Bogor goals of free trade in the region by 2010/2020, which they intend to present at the Leaders' Meeting. In addition, they agreed to “make best efforts” to launch a new round of WTO negotiations (scheduled for November 9-12 in Qatar). WTO Secretary General Michael Moore delivered a speech urging expediency in closing gaps in priorities among members, yet the APEC ministers' statement simply lent support to a “balanced and comprehensive agenda” without clarifying details. The most concrete outcome was a final bilateral agreement between the U.S. and China on terms of China's WTO entry, raising new hopes that China can join WTO in time for the Qatar meeting.

Pacific Forum economic analyst Jane Skanderup notes that the June APEC meeting also provided “a sobering reality check” on the progress of bilateral free trade agreements (FTAs), which were all the rage at the November 2000 Brunei APEC Leaders' Meeting. A whole host of APEC members have been negotiating bilateral FTAs, convinced that these would be faster and easier than the APEC consensus approach. Yet many of these are withering on the vine – South Korea/Chile, Japan/Mexico, Japan/Singapore – and the FTAs that are still being negotiated – Australia/Singapore, for example – promise to

include a whole host of exceptions to protect sensitive industries. As a result, the fall back to bilateral FTAs may be less promising than once appeared.

The region's economic struggles are certainly one factor in the failure to adopt bold approaches to trade liberalization – whether at the bilateral, regional, or global level. The clear and overwhelming trend throughout the region is the need to focus on domestic restructuring, dampening enthusiasm for regional cooperation. This was also evident at the third ASEAN Plus Three economic ministers' meeting on May 4 in Siem Reap, Cambodia, which tended to rehash old ground in vague projects meant to draw ASEAN together with South Korea, Japan, and China.

Looking Down the Road

While Secretary Kelly's House testimony in June was useful in further defining Asia policy, what's still missing is a more comprehensive Asia "Vision Statement" spelling out the Bush administration's overall goals and policies toward East Asia. During his first Asia visit in July 1993, President Clinton – himself a relatively inexperienced southern governor whose election similarly raised Asian anxiety levels – outlined his vision of a "New Pacific Community" that helped put his evolving Asia policies in perspective. A similar effort by President Bush would enhance regional understanding of his Asia policy.

Unfortunately, Bush is unlikely to visit Asia before the October APEC meeting. In fact, rumors of impending "strategic shift" toward Asia notwithstanding, thus far only one senior administration official, Deputy Secretary of State Armitage, has found his way to Asia, and he was there primarily to discuss missile defense, a global rather than strictly regional issue. This should change in July, with Secretary Powell's visit to the region for the ARF ministerial in Hanoi. Presumably, Powell will visit Japan and the ROK and perhaps others during his first appearance in Asia. Hopefully, Powell will use this occasion to provide an overall vision and framework that President Bush will then be able to reinforce and embellish in October.

Regional Chronology April - June 2001

Apr. 1, 2001: A PRC jet collides with a U.S. Navy maritime patrol aircraft. The PRC jet goes down in the South China Sea, the Navy EP-3 plane makes an emergency landing in the PRC.

Apr. 1-9, 2001: Dalai Lama visits Taiwan.

Apr. 3, 2001: U.S. nuclear-powered submarine USS Chicago makes unannounced port call to Sasebo, Japan, violating a 1994 bilateral accord and drawing the ire of Tokyo.

Apr. 3, 2001: Japan approves controversial history textbooks.

Apr. 3, 2001: Former U.S. President Bill Clinton visits India for seven days.

Apr. 4, 2001: China and South Korea file formal complaints against the Japanese textbooks; FMs from each country summon Japanese ambassadors to express their indignation.

Apr. 4, 2001: Vietnam joins China in condemnation of Japanese textbook.

Apr. 6, 2001: Japanese PM Mori Yoshiro announces intention to resign.

Apr. 8, 2001: ASEAN Plus Three vice finance ministers meet in Kuala Lumpur.

Apr. 10, 2001: ROK recalls temporarily ambassador to Japan in protest over textbooks.

Apr. 10, 2001: ROK President Kim Dae-jung meets with Cambodian PM Hun Sen in Seoul.

Apr. 12, 2001: China releases EP-3 crew after 11 days detention.

Apr. 12, 2001: ROK Defense Minister Kim Dong-shin and Defense Secretary Donald Rumsfeld speak via telephone.

Apr. 19, 2001: ARF Intersessional Support Group Confidence Building Measures subpanel meets in Kuala Lumpur.

Apr. 19, 2001: U.S. delegation in Beijing for discussions on EP-3 collision.

Apr. 19, 2001: South Korean ambassador returns to Japan.

Apr. 19, 2001: State Department issues warning about U.S. citizens traveling to China.

Apr. 20, 2001: Taiwan holds military exercise off its southern coast.

Apr. 20-26, 2001: U.S. and ROK hold military exercise.

Apr. 22, 2001: Former Taiwan President Lee Teng-hui arrives in Osaka.

Apr. 23, 2001: Koizumi Junichiro wins LDP party elections.

Apr. 24, 2001: U.S. approves \$5 billion defense package to Taiwan, including four Kidd-class destroyers.

Apr. 24, 2001: ROK and Indonesian navies hold talks near Taejon, South Korea.

Apr. 25, 2001: In a television interview, President Bush says he would do “whatever it took” to help Taiwan defend itself against China.

Apr. 26, 2001: U.S. and the ROK hold “2 Plus 2” security talks.

Apr. 26, 2001: Koizumi Junichiro is elected PM of Japan and selects his Cabinet.

Apr. 26, 2001: DPRK Vice Chairman Kim Il-chol meets with President Putin and FM Ivanov in Moscow; an accord is signed on defense industry cooperation.

Apr. 30, 2001: DoD announces suspension of all U.S. military relations with the PRC.

May 1, 2001: Bush announces his commitment to proceed with a missile defense system.

May 1, 2001: Putin agrees to arms sales to DPRK, including fighter jets and intelligence-gathering systems totaling \$50 million.

May 1, 2001: A man claiming to be Kim Jong-nam, son of Kim Jong-il, is detained in Narita, Japan on a fake passport; he is deported on May 5 to China.

May 2, 2001: Presidents Kim and Bush speak via telephone, Kim urges Bush to consult on NMD.

May 2, 2001: U.S. civilian technicians inspect the EP-3.

May 2, 2001: President Putin meets with FM Tang Jiaxuan in Moscow.

May 2, 2001: EU delegation led by Swedish PM Goran Persson visits the DPRK; Kim Jong-il pledges to maintain missile moratorium until 2003.

May 2, 2001: DoD retracts April 30 statement in favor of “case-by-case” review.

May 4, 2001: ASEAN Plus Three economic ministers meet in Cambodia.

May 7-8, 2001: U.S. Deputy Secretary of State Richard Armitage and Assistant Secretary of State for East Asian and Pacific Affairs James Kelly arrive in Tokyo, meet with PM Koizumi.

May 7-11, 2001: Asian Development Bank meets in Hawaii.

May 8, 2001: The ROK postpones indefinitely plans for military exercises with Japan until the textbook issue is resolved.

May 9-10, 2001: Armitage and Kelly in Seoul, meet with President Kim.

May 11, 2001: Armitage in India.

May 11, 2001: FM Ivanov in India.

May 11, 2001: Deputy Defense Secretary Paul Wolfowitz in Moscow.

May 11, 2001: Kelly in Australia, meets with FM Alexander Downer and Labour Party leader Kim Beazley.

May 13, 2001: New Zealand PM Helen Clark arrives in Seoul; meets with President Kim.

May 14, 2001: EU announces it will establish diplomatic ties with the DPRK.

May 14-15, 2001: Kelly in China for talks on missile defense.

May 15-19, 2001: Cobra Gold multilateral military exercise is held in Thailand.

May 16, 2001: USCINCPAC Adm. Blair in Thailand.

May 17, 2001: Kelly attends ARF Senior Officials Meeting in Hanoi.

May 18, 2001: FM Ivanov meets with President Bush, National Security Adviser Rice, and Congress in Washington.

May 18, 2001: USCINCPAC in Singapore.

May 18, 2001: Taiwan President Chen Shui-bian expresses desire to attend Oct. APEC Leaders' meeting in Shanghai; PRC rejects idea.

May 19, 2001: Chinese Premier Zhu visits Thailand.

May 21, 2001: Chen Shui-bian makes unofficial transit stopover in New York while en route to Central America.

May 22-26, 2001: IAEA team visits the DPRK to discuss compliance with international safeguards regime, without success.

May 23, 2001: President Bush meets with the Dalai Lama in Washington.

May 23, 2001: Li Peng, National People's Congress chairman, visits Seoul.

May 23, 2001: Thomas Hubbard is tapped to be ambassador to South Korea.

May 23, 2001: Asia-Europe Meeting of foreign ministers in Beijing.

May 25, 2001: Philippine VP Teofisto Guingona, Jr. and PRC VP Hu Jintao agree to peacefully resolve South China Sea dispute.

May 26, 2001: ROK FM Han Seung-soo meets with Japanese FM Tanaka.

May 26, 2001: TCOG meets in Honolulu.

May 27, 2001: Twenty people, including three Americans, are kidnapped by Abu Sayyaf guerrillas from a resort near Palawan Island. On May 29, they threaten a mass killing of some of the hostages.

May 30, 2001: Secretary Powell meets with FM Ivanov in Hungary.

June 1, 2001: Bush extends “normal trade relations” with China for another year.

June 4, 2001: Malaysian FM Seri Hamid Albar arrives in the DPRK for four-day visit.

June 4, 2001: President Chen makes unofficial transit stop in Houston en route home from Central America.

June 5, 2001: The ROK gives permission for the DPRK to use Southern shipping lanes with prior notification.

June 5, 2001: APEC trade ministers’ forum is held in Shanghai.

June 6, 2001: President Bush announces completion of Korea policy review and U.S. willingness to resume talks with the DPRK.

June 5-12, 2001: FM Han Seung-soo in Washington.

June 9, 2001: U.S. and the DPRK resume joint MIA search, suspended after fatal Apr. 7 helicopter crash.

June 9, 2001: U.S. and China reach consensus on issue stalling Beijing’s entry into the WTO.

June 11, 2001: Singapore Prime Minister Goh Chok Tong meets with President Bush and Secretary Powell to discuss free trade negotiations, U.S. Navy aircraft carrier use of pier facilities in Singapore, and regional issues including support for Indonesia’s territorial integrity.

June 12, 2001: Asst. Secretary Kelly lays out Asia policy during House testimony.

June 13, 2001: The U.S. and the DPRK conduct low-level talks in New York.

June 14, 2001: President Putin in Shanghai for sixth “Shanghai Five” summit meeting.

June 15, 2001: On North-South summit anniversary, President Kim calls for Kim Jong-il to make a return visit to South Korea.

June 16, 2001: Lee Teng-hui publicly announces his support for Chen Shui-bian.

June 18, 2001: FM Tanaka meets with President Bush and Secretary Powell in D.C.

June 19, 2001: Taiwan successfully test fires Patriot missile.

June 21, 2001: ROK PM Lee meets with President Jiang in Beijing.

June 21, 2001: ROK Defense Minister Kim Dong-shin meets with Secretary Rumsfeld in Washington.

June 22, 2001: PRC Asst. FM Zhao Wenzhoung visits U.S. State Dept.

June 24, 2001: ROK Navy gunboats fire warning shots at a DPRK fishing vessel that violated South Korea's western sea border.

June 26, 2001: U.S. special envoy Jack Pritchard and DPRK counterpart Li Hyong-chol begin talks in New York.

June 26-28, 2001: Lee Teng-hui visits Cornell University.

June 27, 2001: Turkey and the DPRK establish diplomatic ties.

June 27, 2001: DPRK FM Paek Nam-sun meets with FM Alexander Downer in Australia.

June 29, 2001: A U.S. serviceman is accused of rape by an Okinawa resident.

June 29, 2001: President Arroyo says she has asked the U.S. to help with surveillance and equipment in the effort to quell the Abu Sayyaf terrorist group in Mindanao.

June 30, 2001: President Bush and PM Koizumi meet at Camp David.

U.S.-Japan Relations: Koizumi Steals the Spotlight

by Brad Glosserman
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The surprise victory of maverick Koizumi Junichiro in the Liberal Democratic Party (LDP) election in April has transformed Japanese politics – or so it seems. It is still unclear whether the new prime minister's tenure marks the beginning of a new era in Japanese politics or whether he is benefiting from collective relief after the resignation of his successor, the gaffe-prone Mori Yoshiro. It may not matter. Koizumi's stratospheric approval ratings have given Japan a confidence and an image that has transformed domestic and international perceptions of his government.

The U.S.-Japan relationship is a prime beneficiary of the new dynamism in Tokyo. There is renewed hope that the Japanese government will now be able to tackle the structural problems that have dogged its economy for a decade, allowing Japan to resume its role as an engine of the global economy as the U.S. slows down. Fears that Japan would prove to be a reluctant partner as Washington tried to strengthen the mutual security alliance have largely vanished amid Koizumi's talk of leading his nation toward a more "normal" role in international affairs.

And yet ... doubts persist. For all the talk of reform, Koizumi has been short on deeds – or even concrete proposals. The Koizumi "*boomu*" is reminiscent of the fever that surrounded the rise to power of telegenic Prime Minister Hosokawa Morihiro in 1993; those hopes for a new era were soon dashed. The real test of the new prime minister will come after July's Upper House elections, when the government has to put flesh on the bones of its policies. At that time, real opposition to Koizumi – both within his party and beyond – will galvanize. Only then will Japanese voters and policymakers in the U.S. discover if Japan has entered a new era.

A Surprise for the Dinosaurs

Mori Yoshiro did Koizumi two favors. First, his appalling performance as prime minister guaranteed that his successor would look good by comparison. Second, his selection to serve in the place of the bed-ridden Obuchi Keizo at a late-night meeting by a clutch of senior party officials so enraged the party faithful that the leadership was obliged to open the election process. A new election policy gave local chapters unprecedented weight in the ballot and they confounded the LDP *modus operandi*. They voted almost

unanimously for Koizumi, making it impossible for former Prime Minister Hashimoto Ryutaro to use his muscle – he heads the Keiseikai, the largest faction in the LDP – to win the election as anticipated.

Koizumi has made the most of his mandate. He chose his Cabinet without the usual bargaining among faction heads, has voiced support for policies that threaten many of the LDP's traditional power bases, and has played up his image as maverick and populist candidate at every turn. His energy and distance from “politics as usual” have rewarded him with historically high public approval ratings: at the end of the quarter, his Cabinet had the support of 84.5 percent of the public. And Koizumi has coattails: in Tokyo Assembly elections held on June 24, the LDP won 53 seats, a gain of five, and lost only two races.

That support guarantees that Koizumi will not be challenged until after the party capitalizes on his popularity in Upper House elections that will be held in late July. But once the campaign is over, the old guard will reassert itself with a vengeance. The prime minister's reform plans – if they are as implied – threaten their constituencies. That assumes that Koizumi has concrete ideas and plans about what should be done and how. Some informed observers argue that the prime minister has instincts, but little more. (Two months is too little time to know for sure, especially with an election approaching. It is fair to ask whether he has a real vision for reform, however.) Finally, there is a very real question about how much pain the Japanese are willing to endure. When asked, they voice support for reform and the inevitable hardships that will follow. But accepting job losses, bankruptcies, and the end to cherished social institutions and corporate norms of behavior is another thing altogether.

The Economic Challenges Ahead

Unfortunately for Japan, the country has little choice. The economy continues to worsen. Gross domestic product contracted 0.2 percent over the previous quarter in the first three months of 2001. The word “recession” is now used in official forecasts, and the government has downgraded its evaluation of the economy for five consecutive months. Chief among its economic ills is the twin debt burdens. The load of non-performing loans held by Japanese banks continues to grow. Earlier this spring, the opposition Democratic Party of Japan revealed that the Financial Services Agency (FSA) put the amount of non-performing loans at 150 trillion yen, a figure that was 85 percent higher than its official estimate. (The following day, the FSA argued the statistics were misinterpreted, but most economists conceded they were correct.) Equally threatening is the country's national debt, which has swollen under a decade of unrestrained fiscal stimulus and now equals some 130 percent of Japanese GDP.

Japan must escape from these two shadows if the economy is to recover. That assignment has become more pressing as the U.S. economy slows down and has become the focus of concern of policymakers in Washington. The world's two major economic engines cannot be in recession simultaneously. Thus, at the June 30 summit between U.S. President George Bush and Prime Minister Koizumi, the focus of attention was on

Japan's economic policy. Bush "heartily endorsed and embraced" Koizumi's reforms while nudging the prime minister to do more, faster. Bush noted that "it's in our interests that the Japanese economy flourish, that it's strong and vibrant." While the president called Koizumi "the leader that Japan needs for this moment in her history," the U.S. has acknowledged that there will be no action before the July Upper House vote.

This kinder, gentler, more patient tone typifies the new U.S.-Japan economic dialogue. There is perhaps more agreement than ever before between the two governments on what needs to be done. Trade negotiations continue – and on April 31 the Office of the U.S. Trade Representative added automobile flat glass, agricultural products, and public works to its Super 301 watch list. Yet the two governments are trying to move their economic dialogue away from the confrontational setting toward broader discussions. At the summit, the two men agreed to set up a series of committees to pursue economic growth in the two countries. A decade of stagnation combined with record U.S. growth has taken the sting out of Japanese exports. There is fear that a U.S. recession could change that, however, and revive old trade frictions.

Alliance on the Rise

If patience is the key word in economic relations between the two countries, expectation is in the air when attention focuses on the security dimension of the relationship. Koizumi has stressed his desire to move the country away from its traditionally passive stance on international security issues, telling the Diet on May 10 that Article 9 of the Japanese Constitution could be revised to permit the exercise of the right of collective self-defense.

The prime minister's forthright advocacy of a more assertive national security posture – assertive, relative to Japan's traditional postwar behavior – fits neatly into U.S. preferences for a strengthened U.S.-Japan security alliance. At the beginning of the year, there were concerns that the U.S. would be disappointed with Tokyo's response to Bush administration calls for a revitalized security partnership (see "A False Start?" *Comparative Connections*, Vol. 3 No. 1), but they seem to have dissipated in recent weeks. The momentum has shifted, and there is a sense that there will be legislation in some form that will permit Japan to assume a more active role in regional security. U.S. officials have voiced support for this shift, but they have also stressed at every opportunity that the decision is for Japan to make and the United States will stand behind Tokyo no matter what it chooses to do.

Washington has had good reasons to applaud the prime minister this quarter. In early June, Koizumi told a Tokyo audience that he wants to build friendly relations with Asia "based on the Japan-U.S. alliance." He has also expressed support for missile defense, telling the Diet in early June that the project deserves further study, although he did distinguish such research from development and deployment. Under questioning, Koizumi also said that definitions of "rear areas" were flexible, implying that Japan might be able to provide more support for U.S. forces in a contingency than has been

thought. And in late May, Chief Cabinet Secretary Fukuda Yasuo ordered studies on ways to lift restraints on Japanese soldiers participating in UN peacekeeping operations.

Be Careful What You Ask for

While supporters of the U.S.-Japan alliance are heartened by Koizumi's upright approach, there are still potential pitfalls. The first of course is the fear that such forthright assertions of Japanese national interests raise among its neighbors. Those reactions – compounded by controversies over the history textbook and Koizumi's announced intention to visit Yasukuni Shrine – are discussed in detail in other contributions of this issue. The anger and the angst these issues have provoked are proof that this concern is not mere speculation.

The second danger is that Japan may ultimately chose a more independent foreign policy, one that strains the alliance. Koizumi's comment that relations with the United States will form the basis of Japan's relations with Asia would seem to put such fears to rest, but strains could re-emerge. A revitalized and more equal alliance will require a re-calibration of roles and responsibilities; that will create tensions as bureaucracies and services re-examine standard operating procedures and assumptions. Careful dialogue will be essential to ensure that there are no misunderstandings. The sub-Cabinet-level dialogue that the two governments established at their Camp David summit in June is a good start.

There will be ample opportunities for practice. The first test concerns U.S. plans to pursue its missile defense program. Japan has expressed its "understanding" of the U.S. proposal and continues to support research on theater missile defense (TMD). While some complain that Tokyo's support is lukewarm, U.S. officials have said that they are satisfied with Japan's position and expect no more.

Missile defense draws attention to another potential point of friction: China. Beijing's chief objection to TMD is its deployment in Taiwan (although any plan that threatens China's nuclear deterrent is anathema). But Beijing will try to use the issue to drive a wedge between Washington and Tokyo. Thus far, any hopes of dividing the two partners have been frustrated. Indeed, alliance supporters were heartened by Japan's response to the EP-3 downing on April 1. Even though the plane departed from Kadena Air Force Base in Okinawa, revealing the ease with which Japan could be drawn into a confrontation between Washington and Beijing, there were no complaints from Japan about U.S. actions. Japan's support was unwavering (even if it wasn't very loud). Reportedly, following the accident AWACS aircraft and F-16 fighters stationed at Kadena practiced protecting reconnaissance flights, a move that would have been virtually impossible if Japan had protested.

Another potentially nettlesome issue concerns the Kyoto Protocol on global warming. President Bush has made clear his opposition to the treaty, a move that enraged environmentalists throughout the world, and was considered a snub by some in Japan, given Tokyo's efforts in support of the protocol. Nonetheless, at their summit, Bush and

Koizumi agreed on the need to rework the treaty. Koizumi even noted that Japan would not go forward on its own without U.S. participation, a comment that further enraged supporters of the protocol.

Then there is the problem of personalities. While Koizumi seems to have established a good rapport with President Bush, others in his team have been less successful at making friends across the Pacific. The chief target has been Foreign Minister Tanaka Makiko, whose war with her ministry's bureaucrats has provided daily fare for the news media. She raised eyebrows in early May when she refused to meet U.S. Deputy Secretary of State Richard Armitage during his visit to Tokyo to explain Washington's missile defense program and reportedly tried to block him from meeting the prime minister. Her subsequent explanations and justifications only raised more doubts. (She may have had protocol grounds for questioning whether a deputy secretary should meet Koizumi, but she picked the wrong person to make her case: Armitage is a long-time friend of Japan, one of the alliance's strongest supporters, and was reported to be carrying a personal letter from the president.)

After the visit, Tanaka allegedly voiced her own doubts about the feasibility of missile defense to the foreign ministers of Italy and Australia, and much to her dismay – and most of the government in Tokyo – those comments were leaked to the press. She denied the accuracy of the remarks, as did her interlocutors, and U.S. officials said they were only concerned with official statements. While such slips of the tongue are not uncommon, the public embarrassment is the result of the foreign minister's war against her own bureaucracy. Her credibility is suffering as a result. Eventually her effectiveness will be called into question if this continues. But for the time being, the prime minister is still behind her – despite a couple of dressing downs – and so is the Japanese public. Tanaka remains one of Japan's most popular politicians.

Later, Tanaka visited Washington in advance of Koizumi and seemed to acquit herself well. She called the U.S.-Japan relationship the “axis” of Tokyo's foreign policy. At the same time, she also noted that after 50 years, “it may be time to reevaluate the benefits and burdens of the relationship.” While the foreign minister only executes policy, Tanaka harbors bigger ambitions. She is said to have requested the foreign minister's portfolio because she sees it as a stepping stone to the prime minister's office. And as Koizumi's climb to power has made clear, personalities do matter.

Finally, there is Okinawa, a perennial trouble spot for the alliance. In May, Okinawa Gov. Inamine Keiichi visited Washington, repeating his request that there be a 15-year limit on the use of the new heliport to be built off Nago City. He was politely rebuffed.

And on the eve of Koizumi's departure for his U.S. visit, another U.S. serviceman was accused of raping a Okinawan citizen. U.S. officials, from the president on down, expressed outrage at the crime, and it did not seem to cast a shadow over the summit. As the quarter ended, Japanese prosecutors had handed down an indictment and were waiting for the U.S. to hand the suspect over.

The alleged rape and the U.S. handling of Japanese demands for justice are sure to dominate analysis in the next quarter. Okinawan anger has been stoked and tensions are likely to increase throughout the summer, especially in late August when the U.S. begins the salvage operations on the Ehime Maru, the Japanese fisheries training vessel that sunk off the coast of Hawaii after a collision with a U.S. nuclear submarine. Fortunately for the alliance, the Ehime Maru tragedy seems to have been surmounted. Although some Japanese were upset that Capt. Scott Waddle, the commander of the USS Greeneville, the submarine that sank the vessel, was not court-martialed, the U.S. Navy's handling of the inquiry and the punishment have gone a long way to defuse the anger created by the accident. Some of it will be rekindled later this summer, but U.S. sensitivity to Japanese concerns should help to ensure that the tragedy does not claim another victim: the U.S.-Japan security alliance.

As we go on-line, Prime Minister Koizumi's popularity continues to climb, despite the uncertainties that swirl around his policies. He will need every bit of that support to see that U.S.-Japan relations aren't derailed during the hot summer months ahead.

Chronology of U.S.-Japan Relations April - June 2001

Apr. 1, 2001: Collision between U.S. Navy EP-3 surveillance aircraft and Chinese fighter jet.

Apr. 2, 2001: Japan opens Cabinet Satellite Information Center with initial staff of 185, which will expand to 300. Japan is scheduled to launch four satellites by March 2003.

Apr. 2, 2001: Nuclear submarine USS Chicago makes unannounced port call at Sasebo without customary 24 hours notice.

Apr. 2, 2001: ANA orders 9 Boeing 767-300 airliners worth more than \$1 billion.

Apr. 3, 2001: U.S. Embassy apologizes for miscommunication of data regarding the sub visit to Sasebo.

Apr. 4, 2001: Federal Reserve Chairman Alan Greenspan warns the Senate Finance Committee that "Japan's economic stagnation hurts the U.S. and the world economy."

Apr. 5, 2001: Prime Minister Mori Yoshiro announces his intention to resign and schedules party elections to replace him on April 24.

Apr. 9, 2001: U.S. resumes F-16 night flight training in Aomori Prefecture following suspension after the crash of an F-16 on April 3.

Apr. 13, 2001: Japan downgrades economic outlook for the third consecutive month.

Apr. 13, 2001: PM Mori approves continued expropriation of Okinawan land for U.S. bases.

Apr. 17, 2001: U.S. signs agreement to allow emergency vehicles to pass through U.S. bases on Okinawa during emergencies.

Apr. 18, 2001: U.S. announces cancellation of air show at Atsugi out of consideration for nearby residents.

Apr. 19, 2001: Operator of incinerator that is alleged to spew dioxin on U.S. base at Atsugi agrees to move facility.

Apr. 20, 2001: Rear Adm. Robert Chaplin, command of U.S. Navy Japan, meets relatives of Ehime Maru victims to explain the decision not to court martial USS Greenville Commander Scott Waddle.

Apr. 20, 2001: Environment Agency head Yoriko Yamaguchi urges her U.S. counterpart to commit to the Kyoto Protocol.

Apr. 23, 2001: Navy Capt. Scott Waddle gets letter of reprimand for collision of USS Greenville and Ehime Maru, effectively ending his Navy career. Six other officers punished as well.

Apr. 23, 2001: Koizumi Junichiro wins upset victory to become Liberal Democratic Party president.

Apr. 26, 2001: New Cabinet sworn in. In a break with tradition, PM Koizumi picks the members himself, without bargaining with faction bosses.

Apr. 28, 2001: U.S. Treasury Secretary Paul O'Neill presses Japanese Finance Minister Shiokawa Masajuro to clean up bad debt burden of Japanese banks.

Apr. 28, 2001: G-7 Finance officials urge Japan to increase its growth.

Apr. 30, 2001: IMF urges Japan to accelerate structural reform in the banking and corporate sectors and to stimulate the economy.

Apr. 31, 2001: USTR adds automobile flat glass, agricultural products and public works to the Super 301 watch list.

May 3, 2001: U.S. Commerce Dept. lifts duties on Japanese supercomputers imposed in 1997.

May 7, 2001: PM Koizumi presents his policy speech to the Diet in which he pledges to pursue economic reform and reduce the national debt.

May 8, 2001: U.S. Deputy Secretary of State Richard Armitage visits Tokyo to meet with Japanese government officials and explain U.S. missile defense program. Tokyo offers its “understanding” of the program and expresses its intention to continue work on joint research for theater missile defense. Armitage confirms importance of U.S.-Japan relationship. He does not meet with FM Tanaka, which causes a stir.

May 9, 2001: Japanese nationals Serizawa Hiroaki and Okamoto Takashi are charged with stealing genetic material linked to Alzheimer’s Disease research from Cleveland Clinic, the first time that the 1996 Economic Espionage Act is invoked.

May 9, 2001: Armitage quoted that that Japan’s lack of consensus on defense is the chief obstacle to increasing U.S.-Japan security ties.

May 15, 2001: Imperial Household Agency announces the Crown Princess Masako is three months pregnant.

May 15, 2001: U.S. Secretary of State Colin Powell criticizes Japanese aid to Myanmar at Senate Appropriations Subcommittee hearing.

May 15, 2001: U.S.-Japan bilateral experts committee meets to discuss what crimes warrant hand over of U.S. soldiers to Japanese authorities.

May 15, 2001: Okinawa Gov. Inamine Keiichi meets Armitage to request a 15-year limit on the use of the proposed Marine heliport off the coast of Nago town and for better neighborliness by U.S. forces.

May 19, 2001: Seattle Mariners outfielder Suzuki Ichiro ends 27-game hitting streak, the longest in baseball this season and one game short of the club record.

May 22, 2001: Defense Agency panel submits report to Director General Nakatani Gen calling for a reinterpretation of the Japanese Constitution regarding the right to collective self-defense.

May 23, 2001: Koizumi Cabinet records 85 percent public approval rating.

May 25, 2001: METI Minister Hiranuma Takeo unveils 15-point plan to boost jobs and markets, increase patents, increase employment flexibility and open the health services and child care industries.

May 29, 2001: U.S. Navy announces that it wants Japanese MSDF divers to assist in efforts to raise the Ehime Maru from the seafloor.

June 17, 2001: Japanese government concedes that economy is “deteriorating,” the fifth consecutive monthly downgrade of economic conditions.

June 18, 2001: FM Tanaka meets with U.S. officials including President Bush and Vice President Cheney. During talks she reaffirms centrality of U.S.-Japan ties as the axis of its foreign policy, but says that it is time to reassess security ties.

June 22, 2001: Diet passes law opening door to 401(k) like savings plans.

June 24, 2001: LDP wins 53 seats in Tokyo Prefectural Assembly elections (out of 55 candidates), signaling that Prime Minister Koizumi has long coattails.

June 29, 2001: U.S. serviceman is accused of rape of an Okinawa resident.

June 30, 2001: President Bush and PM Koizumi meet at Camp David.

U.S.-China Relations:

Mid-Air Collision Cripples Sino-U.S. Relations

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As expected, U.S.-China relations were strained in the second quarter of 2001 as a result of U.S. approval of a robust arms package for Taiwan, a three-day transit visit to New York by Taiwan President Chen Shui-bian, and Bush administration fervor for developing missile defense systems. What took the two countries by surprise, however, was the April 1 accidental collision of a Chinese fighter with a U.S. Navy reconnaissance plane approximately 60 miles from China's coastline. The handling of the incident by the Chinese and U.S. governments created negative feelings and stoked nationalist sentiment in both countries. Its impact on the bilateral relationship still lingers. The plane collision stalled progress in the bilateral relationship for several months, except in the economic realm. In fact, the only bright spot in relations was the resolution of the remaining issues holding up China's entry to the World Trade Organization, reviving hopes that China's membership in the global trade club can be completed before the end of this year.

Chinese Fighter Collides with U.S. Surveillance Plane over South China Sea

Early in the morning on April 1, a U.S. EP-3 surveillance plane with a crew of 24 onboard was intercepted by two F-8 Chinese fighter aircraft as it was conducting a routine flight over the South China Sea, gathering signals intelligence from various radio and telecommunication sources in China. One of the Chinese fighters collided with the EP-3, causing the F-8 and its pilot to crash into the sea, and damaging the U.S. plane's propeller and nose cone, forcing it to land at the closest airport, Lingshui Airforce Base on Hainan Island. Both Beijing and Washington agreed that the incident occurred over international waters, but they disputed who was at fault in the collision. The pilot of the EP-3 claimed that the turboprop was flying "straight and steady, holding altitude, heading away from Hainan Island on auto-pilot when the accident occurred." After two attempts to "buzz" the U.S. aircraft – pass under the EP-3 and then make near-vertical climbs in front of it – the F-8 pilot made a judgment error and bumped into the U.S. plane. According to the Chinese account, the EP-3 made a sudden left bank and turn, flying his plane into the F-8.

China held the EP-3 crew for 11 days while it negotiated the terms of their release with the U.S. State Department and the U.S. embassy in Beijing. Although China initially demanded that the U.S. provide an official apology, bear full responsibility for the incident, and agree to cease conducting aerial reconnaissance operations against China, Chinese leaders settled for less. They accepted a letter signed by then-Ambassador Joseph Prueher in which he conveyed the U.S. government's "sincere regret" over the death of the Chinese pilot and also said we were "very sorry" that the crippled U.S. aircraft had entered Chinese airspace and landed in China without permission. Throughout the ordeal, President Bush kept a generally low profile, opting to not contact Chinese President Jiang Zemin directly via the hotline, which had been set up in 1998 to provide a direct communications link between the White House and Zhongnanhai. Following return of the EP-3 crew, however, senior U.S. officials wasted little time in distancing themselves from expressions of sorrow and regret, with Secretary of Defense Donald Rumsfeld presenting videotape to a Pentagon press conference showing how aggressive Chinese flying tactics had repeatedly endangered the lives of U.S. crews.

Almost two months after the plane collision, U.S. and Chinese negotiators finally agreed on a plan to remove the damaged EP-3 surveillance aircraft and return it to the United States. Beijing refused to allow the U.S. to repair the plane and fly it out, claiming that such a solution would be a grave insult to the Chinese people since the plane had been spying on China and illegally landed on Chinese territory. The U.S. balked at Beijing's proposal that the plane be cut up into pieces and shipped out in crates. Instead, the two sides agreed that the plane would be dismantled and flown out of China in two AN-124 cargo planes, which the U.S. subsequently hired from Russia. The process is expected to take approximately one month, with the plane removed from Chinese soil by mid-July.

In both China and the U.S., the plane collision strengthened the positions of hardliners and virulent nationalists, and generally created negative feelings. Chinese internet "chat rooms" were filled with anti-U.S. invective while American talk shows lambasted Beijing for concocting an incredulous version of the accident that pinned blame on the U.S. pilot. Congress introduced a number of resolutions demanding that the U.S. take action against China, including opposition to Beijing's bid to hold the 2008 Olympics and even to deny the continuation of normal trade status for China. (Recently, President Bush announced that the U.S. government would remain neutral China's Olympic bid.)

Once both sides approved the agreement on the return of the American plane, Beijing expressed its hope that Sino-U.S. relations could return to a "normal track." American officials reaffirmed U.S. interests in a constructive relationship with China, but reminded Beijing that Washington would not conduct business as usual after American servicemen and women had been needlessly detained for 11 days in China. In testimony presented to the Subcommittee on East Asia and the Pacific of the House International Relations Committee on June 12, Assistant Secretary of State for East Asian and Pacific Affairs James A. Kelly observed that "Recent events have called into question where we stand in our relationship with China and where we want to go."

A Robust Arms Package Approved for Taiwan

On April 23, President Bush approved the largest package of arms sales to Taiwan since the first George Bush sold F-16 fighters to the island nearly a decade ago. The robust \$5 billion package included four Kidd-class destroyers, 12 P-3C Orion antisubmarine aircraft, eight diesel submarines, Harpoon anti-ship missiles, advanced torpedoes, and minesweeping helicopters. Taipei had also sought to purchase advanced Arleigh Burke-class destroyers equipped with Aegis air defense radar, but the president opted to defer that decision, in part to avoid another rift with Beijing in the first few months of his administration. China viewed the Aegis-equipped destroyers as a potential component of a future missile defense system as well as a harbinger of closer U.S.-Taiwan defense cooperation and therefore vociferously opposed the sale. Beijing issued a strong protest after the arms package was announced, claiming that the sale constituted an “open provocation to China’s sovereignty and territorial integrity.” China further warned that the Bush administration’s action would “seriously impact bilateral cooperation in the nonproliferation field” and would have a “destructive” effect on Sino-U.S. relations.

Privately, however, Chinese officials were relieved that the Aegis system had not been approved and viewed the deferral as confirmation that President Bush seeks a constructive relationship with China. They also remained hopeful that Taiwan would be unable to acquire the submarines. The U.S. has not built diesel-powered subs in more than 40 years. The two principal sub manufacturers today are Germany and the Netherlands, and they may not be willing to put their relations with China at risk by selling the subs to Taiwan. Some Chinese even suggest that the decision to approve the submarines for Taiwan was a stroke of genius on the part of the Bush administration because it sent a reassuring signal to Taipei that the United States would maintain its commitment to the island’s defense, but would never be consummated and thus would not provoke Beijing’s ire.

Following the announcement of the arms sales decision, President Bush stated that his administration would end the policy in effect for nearly 20 years of annually reviewing Taiwan’s defense needs and instead would approve Taiwan’s weapons on an as-needed basis. This decision provoked worries from both sides of the Strait. Taipei lamented the loss of the politically symbolic annual arms-sales talks and Beijing worried that the new policy would result in the sale of more weapons to the island, including the Aegis system, which could now be approved any time.

Bush’s Doctrine for Taiwan’s Defense

On the occasion of President Bush’s first 100 days in office, he astounded long-time observers of U.S. policy toward China by telling an interviewer on *Good Morning, America* that the United States would do “whatever it took” to help Taiwan defend itself, including deploying U.S. military forces to defend Taiwan. This statement charted a new direction for U.S. policy because the Taiwan Relations Act, passed by Congress in 1979 to enable preservation of unofficial relations with Taiwan, makes no promise of U.S. intervention in defense of Taiwan. It stipulates only that the U.S. will provide to Taiwan

defense articles “in such quantity as may be necessary to enable Taiwan to maintain a sufficient self-defense capability.” Although the Act states that any military action against Taiwan would be a matter of “grave concern” to the United States, it only requires the president to consult with Congress should such military action take place.

During the presidential campaign, Bush had criticized the 29-year policy of “strategic ambiguity” of the U.S. role in a possible cross-Strait conflict and his remark suggested that the United States was ready to abandon this policy in favor of a policy of “strategic clarity.” Later that day, Bush appeared on CNN to clarify his earlier remarks and put them in the context of his administration’s broader policy toward China and Taiwan. He reaffirmed that the U.S. “will help Taiwan defend itself,” but also reiterated his administration’s support for “one China” and noted that the U.S. expects the dispute between Taipei and Beijing “to be resolved peacefully.” Moreover, Bush publicly stated for the first time that a declaration of independence by Taiwan “is not part of the one China policy.” At the State Department, spokesman Phillip Reeker said there had been no change in policy. “Our policy hasn’t changed today. It didn’t change yesterday. It didn’t change last year. It hasn’t changed, in terms of what we have followed since 1979 with the passage of the Taiwan Relations Act,” Reeker maintained.

In Beijing, President Bush’s statements likely confirmed the opinion that U.S. intervention on behalf of Taiwan would follow a Chinese attack on the island. That judgment was not new, however. It had been reached in the aftermath of the 1996 Taiwan Strait crisis, when the U.S. sent two aircraft carrier battle groups off the coast of Taiwan in response to Chinese missile firings across the Strait. The impact of Bush’s remarks on Beijing’s assessment of U.S. intentions toward China was nevertheless significant. The president’s insistence that the U.S. would do whatever is necessary to defend Taiwan increased Chinese skepticism that the United States would ever countenance the reunification of Taiwan with the mainland. It also intensified Beijing’s fears that in the short term, Sino-U.S. relations would remain tense and unstable, and in the long term, a military confrontation over Taiwan might be unavoidable. Meanwhile, the government in Taipei warmly embraced the Bush administration’s increased clarity, stating that the president’s statement made the U.S. commitment to stability in the region “more convincing.”

Military Contacts Reviewed on a Case-by-Case Basis

U.S.-China military ties virtually ground to a halt following the forced landing of the EP-3 reconnaissance plane on Hainan Island and China’s apparent unwillingness to release the crew. In a mid-April meeting between President Bush and his national security team, a decision was reached to review all proposed contacts between the U.S. and Chinese militaries on a case-by-case basis. There was confusion at the Pentagon, however, when Chris Williams, a senior aide, allegedly misinterpreted Defense Secretary Rumsfeld’s instructions and signed a directive on April 30 that suspended all military-to-military contacts with China. The White House spokesman’s office intervened after reading about the suspension because it considered a blanket suspension to be inconsistent with the defense secretary’s policy.

No direct bilateral contact between U.S. and Chinese military officers was authorized in April or May. A trip to China by Vice Adm. Paul Gaffney, the president of the U.S. National Defense University, which had been scheduled to occur in late May, was canceled. U.S. officers attending a multinational seminar on relief operations to which Chinese officers were also invited were instructed by Rumsfeld to “minimize contact” with their Chinese counterparts. According to Pentagon officials, the new policy directive was not solely a result of the April 1 mid-air collision, but rather stemmed from the judgment that the military relationship has been imbalanced in the past, with the Chinese side obtaining greater access to U.S. military facilities and information than the U.S. was able to achieve. The Bush administration seeks to strike a more balanced relationship with the Chinese military and will insist on greater Chinese transparency and reciprocity.

President Bush endorsed the policy of case-by-case review, saying that “we’re going to review all opportunities to interface with the Chinese. And if it enhances our relationship, it might make sense. If it’s a useless exercise and it doesn’t make the relationship any better, then we won’t do that.” Some Capitol Hill officials instead backed a ban on the postponement of all military contacts and insisted that the Williams memo accurately represented the administration’s policy as conveyed to them in extensive briefings that portrayed the suspension of military ties as part of an administration move to take a harder line with China. Nevertheless, in early June, following the agreement between China and the United States to return the surveillance plane to the U.S., Secretary Rumsfeld signaled that military exchanges with China would slowly resume, although they would continue to be subject to case-by-case review. In an interview with reporters traveling with him to Europe, the defense secretary said, “Now, some [exchanges] are down the road,” noting that it sometimes takes weeks or longer to arrange for contacts such as visits by military officers and warship exchanges.

In response to the collision between the U.S. reconnaissance plane and the Chinese fighter jet, Beijing selectively denied Washington’s requests for ship visits and military plane landings in Hong Kong. On April 17, a U.S. Navy Lockheed P-3C Orion submarine-hunting plane was refused permission to land in Hong Kong on a routine training session. In mid-May, China denied a request for the USS Incheon, a mine countermeasures command and control ship, to make a routine ship visit in Hong Kong scheduled for the following month. Two other visits were approved, however – one by a military passenger jet carrying U.S. congress members and another by the research and training vessel Golden Bear, operated by California State University.

The military relationship was dealt yet another blow when the U.S. Army determined in the first week of May that “U.S. troops shall not wear berets made in China or berets made with Chinese content.” The berets had been obtained under a contract with a British firm that, unbeknownst to the Pentagon, was making them in China. Roughly 600,000 berets had been contracted for, and about half of those had been delivered. Deputy Defense Secretary Paul D. Wolfowitz noted in a public statement that the Army

and the Defense Logistics Agency had been directed “to recall previously distributed berets and dispose of the stock.”

Deep Divisions over Missile Defense

President Bush dispatched Assistant Secretary of State for East Asian Affairs James Kelly to Beijing in mid-May to make the case for building and deploying missile defense systems. Beijing was upset that Deputy Secretary of State Richard Armitage opted to exclude China from his itinerary, choosing to stop in Japan, South Korea, and India, but it nevertheless agreed to cordially welcome Kelly and exchange views on missile defense. Kelly held one day of talks with Foreign Ministry officials and had a discussion over dinner with three Chinese scholars with expertise in arms control. Both sides considered the consultations valuable and they agreed to conduct further discussion on missile defense in the future, but their differences were not narrowed.

In a statement issued prior to his departure from Beijing, Kelly noted that he had stressed with his Chinese counterparts that U.S. plans for a missile defense system were aimed at defending against threats or attacks from rogue states as well as from accidental or unauthorized launches. U.S. missile defenses would not pose a threat to China, Kelly maintained. He characterized the consultations as “a good beginning to what both sides agreed would be a continuing dialogue.” In addition to missile defense, the two sides discussed other bilateral issues, including differences over Taiwan and human rights, as well as the overall situation in the Asia Pacific region. Kelly observed in his departure statement, “It was clear from these talks that we have many areas of shared interest.”

The Chinese Foreign Ministry spokesman stridently criticized U.S. missile defense plans, saying that the proposed defenses would undermine global strategic stability, would be detrimental to the mutual trust and cooperation among the major powers, would obstruct international efforts to promote disarmament and curb proliferation, and would trigger a new arms race. “China holds that the plan is harmful to other nations and brings no benefit to the United States itself,” the spokesman asserted. If the United States pursues the plan, he said, it will “lift a stone only to drop it on its own feet.” The spokesman indicated that China hoped to persuade Washington to abandon the missile defense plan by diplomatic means, but he also warned that Beijing “would not sit idly by and watch its national interests suffer harm.”

Chinese efforts to rally opposition to U.S. missile defense plans continued in early June at the 66-nation Conference on Disarmament where Chinese Ambassador Hu Xiaodi proposed a treaty to ban weapons in outer space. Hu submitted a working paper to the Plenary of the CD entitled “Possible Elements of the Future International Legal Instrument on the Prevention of the Weaponization of Outer Space.” Beijing also joined with the foreign ministers of the countries of the “Shanghai Five” – the Republic of Kazakhstan, the Kyrgyz Republic, the Russian Federation, and the Republic of Tajikistan – in late April in condemning any attempt to undermine the 1972 Anti-Ballistic Missile Treaty. And in a mid-June summit meeting in Shanghai, Chinese President Jiang Zemin

and Russian President Vladimir Putin reiterated their commonly held opposition to missile defense.

Other Irritants: Tibet, Transits, and Detention of U.S. Citizens

Over Chinese objections, the Bush administration issued a visa to Taiwan President Chen Shui-bian and permitted him to transit the United States twice, bracketing a 10-day trip to five countries in Central America. In May, Chen spent two nights in New York City where he met with New York Mayor Rudolph Giuliani and had private meetings with about 20 members of Congress who flew to New York on a plane provided by the Defense Department. In contrast to the Clinton administration, which had actively discouraged lawmakers from meeting with Chen when he passed through Los Angeles last year, the Bush administration approved the requests on the grounds that any meetings between members of Congress and foreign leaders “advance our interests.” Chen was also permitted to tour the New York Stock Exchange and the Metropolitan Museum of Art, activities that would have likely been disallowed in the past. On President Chen’s return from Central America, he spent one night in Houston, where he was greeted by Mayor Lee P. Brown and accompanied by senior Republican House member Tom DeLay to an Astros baseball game.

President Bush also invited Beijing’s ire when he met the Dalai Lama at the end of his nine-city tour of the United States. In a clear departure from his predecessor, Bill Clinton, who arranged to “drop by” a scheduled meeting between the Dalai Lama and Vice President Al Gore, Bush held a planned session with the Tibetan spiritual leader in the Yellow Oval Room of the White House residence. It did not go unnoticed in Beijing that the meeting took place on the day that the Chinese government marks the 50th anniversary of what it calls the “peaceful liberation” of Tibet. After the meeting, the White House spokesman issued a statement noting that President Bush had reiterated the strong commitment of the United States to support the preservation of Tibet’s unique religious, cultural, and linguistic identity and the protection of the human rights of all Tibetans. The president promised to seek ways to encourage dialogue between Beijing and the Dalai Lama and expressed his hope that the Chinese government would respond favorably. The Dalai Lama also met with Secretary of State Colin Powell and Paula Dobriansky, who was designated as Special Coordinator for Tibetan Issues a week prior to the Dalai Lama’s arrival in Washington, D.C. The selection of Dobriansky, concomitantly under secretary for global affairs, to fill the position mandated by Congress in 1997 marked an upgrade from the Clinton administration when an assistant secretary of state held the post.

The arrest and detention of U.S. citizens born in China is increasingly becoming a major irritant in Sino-U.S. relations. Since late last year, six U.S. citizens – none of them prominent critics of China – have been questioned and detained for varying lengths of time by China’s Ministry of State Security. In May, Li Shaomin, a U.S. citizen and Chinese American business professor at City University of Hong Kong was formally charged with spying for Taiwan. Another U.S. citizen, Wu Jianmin, a freelance journalist, remains in custody, also on suspicion of espionage. A number of Chinese

citizens with permanent residency status in the United States are also being detained on espionage charges, including Gao Zhan, a green card holder who is a sociologist affiliated with American University. In April, the State Department issued a travel advisory urging U.S. citizens and green card holders originally born in China “to carefully evaluate their risk of being detained,” even if they have traveled to China many times before without being harassed.

U.S. concern about the imprisonment of U.S. citizens and legal permanent residents and China’s crackdown on religious groups were among the topics of discussion when Assistant Foreign Minister Zhou Wenzhong visited Washington, D.C. in late June. As the two sides begin preparations for the October visit by President Bush to the APEC meeting in Shanghai followed by a presidential summit in Beijing, U.S. officials urged the Chinese to pave the way for an improvement in Sino-U.S. relations by releasing those unjustly detained. A stop in the Chinese capital by Secretary of State Powell during his planned regional tour in July was discussed, but no date was set. In a potentially important step forward for Sino-U.S. relations, an agreement was reached to hold bilateral policy planning talks on July 1-2, which will provide an opportunity for U.S. and Chinese officials to conduct a *tour d’horizon* in which they can explore the extent to which their interests coincide or diverge around the globe.

One Step Closer to WTO Accession

Sharp policy disagreements between the U.S. and China on arms sales to Taiwan, missile defense, Beijing’s detention of several Chinese American academics on spying charges, and the mid-air collision over the South China Sea did not preclude progress on trade and economic issues. Both governments recognized their common interests in economic cooperation and sought to separate trade and economic matters from other contentious issues in the relationship. This approach produced dividends in early June when U.S. Trade Representative (USTR) Robert Zoellick and China’s Foreign Trade Minister Shi Guangsheng resolved the outstanding issues holding up Beijing entry to the World Trade Organization. In bilateral talks held on June 4-8 on the sidelines of an APEC trade ministers meeting in Shanghai, consensus was reached on a range of issues, including domestic support for agriculture and the rights of U.S. businesses in such fields as insurance, distribution, and retail operations. The agreement revived hopes that China can join the global trade club within months and take part in rule-setting negotiations by the group’s members slated for November in Qatar.

Efforts to draft a document stating the terms of China’s membership foundered early this year on differences between Washington and Beijing over the degree to which China will be allowed to use subsidies to support its farmers. China had wanted the freedom to offer its farmers subsidies worth up to 10 percent of the value of their output, the level set by the trade organization for developing economies. The United States had wanted to limit that to a maximum of 5 percent, the same restriction it operates under as a developed economy. The U.S. position derived from concern that Beijing would permit significant subsidies for specialty crops such as honey, garlic, and apples that could affect U.S. producers. In a compromise, China’s subsidies will be capped at 8.5 percent, both for

general support and for each specific product. The breakthrough was enabled in part by Beijing's willingness to not invoke the WTO provision that allows a country to describe itself as a "developing country," but instead to go along with the U.S. position of discussing each issue on a "pragmatic case-by-case basis."

In the area of insurance, the two sides agreed that China would eliminate over a five-year period a 20-percent cession on policy premiums to a state-owned monopoly, which the U.S. contended undercut the 1999 market access accord. An agreement was also reached in the area of large-scale commercial insurance risk that lowered the level below which U.S. companies could be barred from the Chinese domestic market from \$120,000 to \$50,000 over a three-year period.

The next step in Beijing's quest for WTO membership is a working party meeting in Geneva scheduled to be held June 28 to July 4, where the various agreements China has negotiated bilaterally with various trading partners will be "multilateralized" to create a document outlining China's obligations as part of its accession agreement to the WTO. Negotiating this accession protocol is expected to take three to six months, leaving a narrow window of opportunity for entry this year. A press release on the Shanghai talks issued by the Office of the United States Trade Representative declared the understanding a "win-win" result for China and the United States. USTR maintained that the agreements would "propel China further along the path of economic reform, the rule of law, and toward a commercially viable WTO agreement." It also described the deal as a "victory for American farmers and ranchers, Americans with export-related jobs, and American businesses with operations in China."

The Road Ahead

China's relatively muted response to the string of objectionable actions by the Bush administration in the second quarter of 2001, including the decision to authorize a robust package of arms sales to Taiwan, the very public "transit" visit in New York by Taiwan's president, and President Bush's meeting with the exiled Dalai Lama, masks intensifying concern in the Chinese leadership about the future of Sino-U.S. relations. Beijing is worried that the Bush administration views China as an adversary and is planning to re-direct U.S. military power to better enable the U.S. to counter and defend against threats from China in the future. Reports that the U.S. is planning to assign a larger number of its strategic warheads to targets in China and develop new long-range weapons to counter China's military power have exacerbated Chinese fears.

Safeguarding China's peaceful international environment, which, above all means preserving good relations with Washington, remains a prerequisite for Beijing to achieve its preeminent long-term goal of economic development. In the short run, the Chinese are determined to join the WTO, win the bid for the 2008 Olympics, and host a successful APEC summit meeting. With these goals in mind, Chinese leaders have opted to not retaliate against Bush administration moves that they judge to be breaches of Sino-U.S. agreements and infringements of Chinese sovereignty. Beijing correctly calculates that a tough Chinese response to early administration actions would provide ammunition to

“anti-China hardliners” in Washington and possibly lock the U.S. and China in a pattern of confrontation. Chinese leaders are instead sending signals to the United States that they wish to put the EP-3 incident in the past and get the bilateral relationship on the right track. In mid-June, for example, President Jiang’s interest in restoring U.S.-China relations was conveyed to President Bush by President Putin when the two met in Slovenia.

Six months into the Bush administration, U.S. policy toward China is still in the painfully slow process of formulation. President Bush and his senior aides have asserted that the U.S. wants a productive and fruitful relationship with China. There are signs, however, that conflicting impulses within the administration could complicate policy making toward Beijing. There is yet no clear vision of Bush’s priorities and goals toward China, or toward East Asia in general for that matter. Hopefully, the administration will seize the opportunities presented in the coming quarter and beyond to fashion as well as publicly articulate a clear policy that embeds China in its broader regional and global context.

As the Bush-Jiang summit approaches, the onus is on both Washington and Beijing to seek ways to stabilize bilateral relations by developing convergent interests between the two countries while narrowing and managing persisting differences.

Chronology of U.S.-China Relations April – June 2001

Apr. 1, 2001: (Beijing time): A U.S. Navy maritime patrol aircraft on a routine surveillance mission in international airspace over the South China Sea collides with one of two Chinese fighters that were shadowing the plane. The Chinese aircraft and its pilot are lost at sea. The U.S. EP-3 plane makes an emergency landing at an airfield on China’s Hainan Island.

Apr. 8, 2001: Wu Jianmin, a Chinese American author, is detained in Shenzhen on suspicion of spying for Taiwan.

Apr. 11, 2001: Beijing turns down a U.S. request for a U.S. Navy Lockheed P-3C Orion submarine-hunting plane to visit Hong Kong on a routine training session on April 17.

Apr. 12, 2001: The Chinese government releases the 24-person U.S. crew that had been held for 11 days on Hainan Island after President Bush approves compromise language saying the United States was “very sorry” for the loss of a Chinese pilot.

Apr. 13, 2001: The Chinese government arrests 79-year old Catholic Bishop Shi Enxiang on Good Friday.

Apr. 19, 2001: The Department of State issues a public travel advisory recommending that U.S. citizens and permanent residents of Chinese descent carefully consider travel to China if they have been publicly critical of the Chinese government policies or have close connections to Taiwan or the Taiwan media.

Apr. 24, 2001: The Bush administration approves the largest package of arms sales to Taiwan in nearly a decade, including four Kidd-class destroyers, a dozen antisubmarine planes known as P-3 Orions, as well as eight diesel submarines, and a number of minesweeping helicopters, amphibious assault vehicles, and submarine- and surface-launched torpedoes.

Apr. 25, 2001: In an interview with the *Washington Post*, President Bush declares that he will scrap the annual review of arms sales to Taiwan and instead use an as-needed basis.

Apr. 25, 2001: In a taped ABC-TV morning show, President Bush says he would do “whatever it took” to help Taiwan defend itself from an attack by China.

Apr. 29, 2001: China offers to let U.S. officials inspect the damaged Navy plane on Hainan Island.

Apr. 30, 2001: President Bush announces his intention to nominate Clark T. Randt, Jr. to be U.S. ambassador to China.

Apr. 30, 2001: Pentagon memorandum signed by a senior defense adviser directs U.S. armed forces to suspend contacts with their Chinese counterparts until further notice. The order is reversed on May 2, several hours after it is reported by CNN.

May 1, 2001: Six House Reps. introduce resolution that calls a U.S. review of its relations with the PRC in light of China’s human rights record, Beijing’s actions following the collision between a U.S. Navy EP-3 aircraft and a Chinese fighter plane, and Chinese threats against Taiwan.

May 1, 2001: A team of U.S. technicians from Lockheed Martin arrives on Hainan Island to figure out how to get a damaged Navy spy plane back to the United States.

May 1, 2001: The U.S. Commission on International Religious Freedom issues its annual report on China.

May 2, 2001: The Army chief of staff determines that U.S. troops shall not wear berets made in China or berets made with Chinese content.

May 3, 2001: President Bush, condemns “the intensifying attacks on religious freedom in China” in an address to the American Jewish Committee in Washington.

May 3, 2001: The U.S., for the first time since 1947, fails to win re-election to the Geneva-based Human Rights Commission.

May 9, 2001: U.S. Senator Dianne Feinstein (D-Calif.) and Representative Tom Lantos (D-San Mateo) introduce the Tibetan Policy Act of 2001, legislation designed to safeguard the cultural, religious, linguistic, and ethnic identity of the Tibetan people and to encourage dialogue between the Dalai Lama and Chinese officials about the future of Tibet.

May 14, 2001: Assistant Secretary of State James Kelly arrives in Beijing for two days of talks on missile defense.

May 15, 2001: China rejects a U.S. request for a ship visit to Hong Kong by the USS Inchon, June 28 - July 3.

May 15, 2001: By a 415-0 vote, the House of Representatives sends H.R. 428 to the president's desk for signature. The bill requires the U.S. to initiate a plan to "endorse and obtain" observer status for Taiwan at the upcoming summit of the World Health Organization.

May 15, 2001: Mike Parmlly, principal deputy assistant secretary of state for democracy, human rights, and labor, tells members of the Congressional Human Rights Caucus that "overall, the prognosis for religious freedom in China is very poor in the short-term and may even get worse."

May 17, 2001: Secretary of State Colin L. Powell designates Paula J. Dobriansky as Special Coordinator for Tibetan Issues.

May 21, 2001: Taiwan President Chen Shui-bian arrives in New York for a historic transit stop en route to Central America for a five-country diplomatic journey.

May 23, 2001: President Bush meets the Dalai Lama in the White House residence and pledges support for his efforts to open a dialogue with the Chinese government.

May 29, 2001: The U.S. Embassy in Beijing announces that U.S. and Chinese officials "agreed in principle" that the damaged EP-3 surveillance plane would be partly dismantled and removed from Hainan on a giant Russian-designed cargo plane.

June 1, 2001: President Bush extends China's "normal" trading privileges for another year.

June 5, 2001: USTR Robert B. Zoellick visits Shanghai for a gathering of trade ministers from APEC, meets with Chinese MOFTEC Minister Shi Guangsheng.

June 6, 2001: At the 44th session of the UN Peaceful Use of Outer Space Committee, PRC delegation leader Huang Huikang calls for negotiation to conclude an international agreement on preventing arms race in outer space.

June 6, 2001: The U.S. and China agree on technical arrangements to disassemble and transport the EP-3 back to the United States.

June 7, 2001: Citing imminent danger from U.S. missile defense plans, Chinese Ambassador Hu Xiaodi China proposes a treaty to ban weapons in outer space at the Conference on Disarmament.

June 9, 2001: After four days of talks, the U.S. and China reach consensus on issues holding up Beijing's entry to the WTO and say they will work toward bringing China into the global trade body by year-end.

June 13, 2001: China participates as an observer in a multilateral mine clearing and diving exercise with sailors from 16 Pacific nations.

June 14, 2001: The U.S.-China Security Review Commission holds a hearing on "China Trade/Sectoral and WTO Issues."

June 20, 2001: Assistant Foreign Minister Zhou Wenzhong arrives in Washington, D.C. for two days of talks with U.S. officials.

June 26, 2001: Chinese Foreign Ministry official Li Baodong holds talks in Washington on human rights issues with Assistant Secretary Lorne Kramer.

June 28, 2001: Working party meeting in Geneva to discuss China's accession to the WTO.

June 26, 2001: Chinese Foreign Ministry official Li Baodong holds talks in Washington on Iraqi sanctions and human rights.

June 26-28, 2001: Former Taiwan President Lee Teng-hui visits Cornell University.

U.S.-Korea Relations:
**Good Sense in Washington,
A Big Question Mark in Pyongyang**

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This quarter opened with many unanswered questions about the direction of diplomacy on the Korean Peninsula. As the U.S. reviewed its policy toward North Korea, the South Korean government nervously watched and waited. South Korea worried especially that the suspension of inter-Korean talks – ordered by Pyongyang until the U.S. policy review was complete – could become permanent. North Korea, for its part, contributed to the chilly diplomatic atmosphere by threatening to drop its ban on missile testing or to pull out from the 1994 U.S.-DPRK Agreed Framework, which froze Pyongyang’s suspected nuclear weapon program, if the U.S. maintained a “hard line.”

By early June, the direction of the new Bush administration’s policy toward North Korea became clear. President Bush decided to “undertake serious discussions” with Pyongyang in an attempt to reach a resolution of outstanding security issues, including, for the first time, North Korea’s conventional force posture. While the North agreed to pursue the U.S. offer of talks, it did not publicly signal any flexibility on the issues under discussion. And Kim Jong-il continued to avoid making any commitment on a return summit visit to South Korea during 2001. Now that U.S.-North Korea diplomatic talks are underway, Pyongyang’s true diplomatic intentions will soon become clear, and we will learn how far Pyongyang is willing to go to settle issues that are crucial to future peace and stability in Northeast Asia.

The Regional Context

During most of April, the international political news, from a Korean perspective, was dominated by the controversy over a new Japanese textbook that seemed to distort or cover up war crimes committed by the Japanese Imperial Army in Korea and elsewhere in Asia. South Korea recalled its ambassador from Tokyo in protest and later postponed joint naval exercises with Japan scheduled for June. For its part, Tokyo denied government responsibility for the new textbook and did not express any sympathy for the substance of the South Korean position. As this controversy festered and gathered momentum in South Korean public opinion, observers worried about its deleterious impact on U.S.-South Korea-Japan trilateral coordination toward North Korea.

In early May, a delegation from the European Union, led by Swedish Prime Minister Goran Persson, achieved the first diplomatic breakthrough in negotiations with North Korea in 2001. During two days of talks in Pyongyang, Persson made clear the EU's serious concerns about North Korea's weapons proliferation as well as its dismal human rights conditions. He strongly supported South Korean President Kim Dae-Jung's policy of engagement and explored various ways of increasing North Korea's trade and investment activities with the EU. As result of the talks, North Korea announced that it would extend its moratorium on missile testing until 2003 and enter into discussions on human rights with the European Union. This was the first time that North Korea had ever agreed to discuss human rights with any outside government.

Presumably as a follow-up to the May 2-3 talks between Kim Jong-il and Prime Minister Persson, the EU announced in mid-May that it was establishing diplomatic ties with North Korea. This announcement was the culmination of an approximately 18-month effort by North Korea to establish diplomatic relations with the member states of the EU. It was symbolic of North Korea's strategy to break out of its perceived diplomatic isolation and build political and commercial relations to overcome its serious domestic economic problems. Nonetheless, observers noted both the limits of European influence on North Korea and the limited extent to which the EU could actually assist North Korea, so long as U.S.-North Korea ties remained strained.

The larger effect of the EU-North Korea talks was to restore some positive momentum to the reconciliation process on the Peninsula. By putting the EU squarely behind President Kim's engagement policy, Prime Minister Persson ratcheted up the pressure on Washington to produce a new North Korea policy that did not move in contrary directions.

The late May visit of Chinese leader Li Peng to South Korea seemed to reflect South Korea's urgent need to build support for its engagement policy while the U.S. policy review was still underway. Li publicly proclaimed China's strong endorsement of North-South reconciliation and said China would urge North Korea's leader to move forward with that process. The visit served as a reminder that the only powerful country that had good relations with both South and North Korea is China. The implication that China could foster the inter-Korea reconciliation that Seoul was seeking – in the absence of a meaningful U.S. negotiating initiative – undoubtedly focused the minds of U.S. policy makers.

An IAEA team went to Pyongyang on May 22-26 to discuss North Korean compliance with the international safeguards regime. Compliance is a necessary precondition for the hand-over of key components of light water reactors, as outlined in the 1994 Agreed Framework. The IAEA did not reach any agreement with North Korea and subsequently announced that it was still unable to begin the process of verifying DPRK compliance. Since the process of IAEA certification is expected to take two to three years, it is critical that the process begin.

The U.S. Takes the Hint

The first indication of the new direction in U.S. policy toward North Korea came during the visit of Deputy Secretary of State Richard Armitage to Seoul on May 9. Armitage ostensibly visited Seoul to provide a briefing on U.S. plans for missile defense; he did not seek South Korea's endorsement of the policy. But the headlines in Seoul stressed Armitage's statement that he expected the U.S. to resume its negotiations with North Korea in the near future. The deputy secretary also brought a letter from President Bush strongly endorsing President Kim's engagement policy. Armitage's message had a leavening impact on public diplomacy at a time when impartial observers wondered whether the Bush administration would continue its "hard line" and refuse further negotiations with North Korea altogether.

At trilateral talks with Japan and Korea in late May, the U.S. briefed its close allies on the results of its North Korea policy review and the outlines of Washington's new North Korea policy. Led on the U.S. side by recently confirmed Assistant Secretary of State James Kelly, the trilateral talks also served to re-establish the importance of the Trilateral Coordination and Oversight Group (TCOG) process itself, which some conservative Bush advisers had called into question during the presidential campaign.

The long-awaited announcement of the Bush administration's new policy toward North Korea came on June 6. President Bush directed his national security team to "undertake serious discussions with North Korea on a broad agenda to include: improved implementation of the Agreed Framework relating to North Korea's nuclear activities; verifiable constraints on North Korea's missile programs and a ban on its missile exports; and a less threatening conventional military posture." The new policy sets forth a "comprehensive approach" toward North Korea, includes a strong endorsement of President Kim's "Sunshine Policy," and seeks "to encourage progress toward North-South reconciliation."

According to the Bush administration, if "North Korea responds affirmatively and takes appropriate action, we will expand our efforts to help the North Korean people, ease sanctions, and take other political steps."

In several respects, the new Bush policy represents a continuation of the Clinton administration's policy toward North Korea. It affirms that the U.S. intends to pursue a diplomatic solution to security issues with North Korea. It specifically continues President Clinton's efforts to negotiate limits on North Korea's long-range missile development program and to ban its missile exports altogether. And it endorses the Agreed Framework, which froze and will ultimately serve to dismantle North Korea's nuclear weapons program. The Framework provides the foundation for U.S. diplomatic engagement with North Korea in the broadest sense.

The Bush administration policy also contains two important new elements. It explicitly calls for progress in North-South reconciliation and it introduces the question of conventional force deployments into the U.S.-North Korea talks. The first element should significantly diminish the concerns of some South Korean officials and observers that the U.S. does not consider inter-Korean reconciliation important or even desirable from a strategic standpoint. An exclusive U.S. focus on North Korea's nuclear and missile threat – together with the national missile defense (NMD) program as a means of defending against those threats – had the potential for undermining South Korea's engagement policy and creating a split between Washington and Seoul.

The new Bush policy also stresses the importance of negotiating “a less threatening conventional military posture” of North Korean military forces on the Peninsula. During the Clinton administration, the U.S. took a minimalist approach to conventional force issues. Under the rubric of “tension reduction,” U.S. participants at the Four-Party Talks (U.S., China, the ROK, and the DPRK) addressed aspects of conventional forces, but they broadly deferred to their South Korean colleagues who had the “diplomatic lead” on this issue. The U.S. approach of moving from “easy to hard” confidence building measures fit well with the Pentagon's general unwillingness to discuss the “status of U.S. forces” on the Peninsula, which North Korea repeatedly demanded.

In keeping with its new “comprehensive approach,” the Bush administration evidently believes it is essential to address the conventional threat from North Korean forces before the U.S. can fully normalize diplomatic relations. If handled correctly, this new policy would allow the U.S. and South Korea to discuss far more effective arms control and confidence building measures with North Korea than were considered in the past. The parties may be able to negotiate a mutually beneficial monitoring regime that would reduce the risk of surprise attack to both North and South Korea. Moreover, the new policy could eventually allow the parties to reshape the deployments of *all* military forces on the Peninsula, with an eye to increasing stability and significantly lowering the risk of war.

Shortly after Washington announced its new policy, President Kim renewed his call for Kim Jong-il to visit South Korea by the end of 2001 for a second summit. North Korea had earlier suspended talks with the South and said it could not make a decision on a second summit, so long as U.S. policy was in limbo. To underscore this point, North Korea castigated the United States in propaganda broadcasts during April and May for taking a “hard line” and trying to perpetuate the Cold War on the Peninsula.

North Korea and South Korea's Hyundai Group did agree in early June to open an overland route to Mt. Kumgang, through the DMZ, during the second half of 2002. The announcement took on particular significance since North Korea had previously stopped construction on its portion of the new rail link through the DMZ that was agreed upon at the June 2000 summit.

The effect of the newly announced U.S. policy and President Kim's appeal to Kim Jong-il was not clear at the end of the quarter. Many observers argued that the ball was now in Pyongyang's court whether to seek a fundamental transformation in relations with both Washington and Seoul. It seemed to these observers that a second Korean summit meeting that addressed core political, economic, and military issues could make the North-South reconciliation process irreversible.

North Korea's public reaction to the new U.S. policy reiterated its standard negotiating positions, while welcoming the general prospect of dialogue with the U.S. Pyongyang said it would seek compensation from Washington for delays in building two light water reactors under the 1994 Agreed Framework. The DPRK also indicated it would not agree to discuss its own conventional forces until the U.S. withdrew all troops from South Korea. Pyongyang's willingness to resume negotiations with the U.S. was also reflected in its agreement to a mid-June diplomatic meeting in New York on "procedural issues" that the State Department called "productive."

Economy and Politics

In April, the extent of South Korea's economic slowdown became clearer. The International Monetary Fund, which had earlier estimated a relatively modest 6.5 percent growth rate in 2001, lowered its projection to 3.5 percent. Most observers attributed the drop to the effects of a global slowdown and the adjustments due to restructuring in the domestic economy. Since April, there have been mixed signals on the direction of the economy, but the slowdown seems to have moderated.

Nevertheless, it is difficult to tell whether the economy has hit bottom, since exports continued to shrink during the quarter and corporate capital investment has remained weak. Seoul seems to believe that a global economic rebound and continuing domestic reforms will return the economy to a growth path of 5-6 percent in the second half of 2001.

Particularly disconcerting, especially to foreign observers, were the apparently successful efforts of large *chaebol* to weaken reform measures adopted after the 1997-98 economic crisis. Under the guise of demanding further "reform," the Korean Federation of Industries effectively lobbied the government in mid-May to ease ceilings on the amount of payment guarantees that a parent company can grant overseas subsidiaries. The payment guarantee, imposing limits on the overseas subsidiaries of South Korea's 30 largest business units, was enacted in late 1998 to discourage excessive borrowing.

In mid-June, Deputy Prime Minister Jin Nyum said the government might reverse its financial regulation that limits *chaebol* ownership of shares in local banks. That limit was a way of preventing the *chaebol* from unduly influencing the lending decisions of banks. Critics now fear that *chaebol* may use their increased ownership of the local banks to obtain easy access to cash in order to fund unwise investments. In the big picture, giving *chaebol* greater ability to dominate South Korea's financial institutions could significantly retard overall reform efforts since the 1997-98 crisis is often attributed to the poor health of the banking and finance sector.

Labor reacted with more protests and demonstrations this quarter to restructuring efforts that it considered to be unfairly targeting workers. Unions pressed for more job security as well as higher wages and shorter work hours. On June 12, 55,000 workers including employees of South Korea's two major national airlines stayed away from their jobs and caused short-term disruptions. But the labor action ended shortly thereafter as the majority of strikers returned to work.

President Kim's political popularity remained low throughout the quarter. The South Korean public focused on weakness in the economy and could see little silver lining in North Korea's suspension of inter-Korean talks during the Bush administration's policy review. The credit and popularity President Kim earned from his initiatives toward North Korea seemed largely to have dissipated. Compounding President Kim's popularity problem was an embarrassing appointment of a new minister of justice, which had to be withdrawn within 24 hours. That mishap almost led to a mutiny by members of his own political party.

At the end of June, South Korean prosecutors began a criminal investigation of six leading newspaper companies for tax evasion and failing to report over \$400 million in corporate income. The opposition party charged that the tax inquiry was intended to muzzle President Kim's domestic critics. But the head of the National Tax Service strongly denied any political motivation for the probe.

More broadly, politicians of all parties are now looking ahead to the December 2002 presidential election and prospective candidates have already begun jockeying for position. Recent polls show opposition leader Lee Hoi-chang ahead of the pack with the so-called "seven dwarves" from the ruling and opposition parties trailing behind. Leaders of President Kim's party are particularly worried about finding a new candidate from among their ranks to successfully retain control of the presidency.

Analysts predict that regional loyalties will again play a major role in South Korea's presidential election. Since President Kim's election in 1997, critics have accused him of unfairly appointing numerous officials from his home province of Cholla-do, which had suffered from strong discrimination in the past. This has created resentment and visceral opposition in South Korea's other major provincial areas. In addition to regionalism, the ideological divide between rich and poor, which deepened as a result of the 1997-98 financial crisis, will have a major impact on the upcoming election.

Trade Issues

Conflict between the U.S. and South Korea on trade issues flared at the end of the quarter, as the Bush administration called for an International Trade Commission (ITC) “Section 201” investigation of Korea’s exports of steel to the U.S. The investigation will focus on whether the South Korean government gave unfair assistance to its steel industry, allowing it to undercut domestic U.S. steel producers. The ROK currently has an approximately 7 percent market share in the U.S.

The Section 201 investigation could result in a U.S. decision to impose punitive tariffs on South Korean steel. The South Korean government strongly objected to the investigation, which could cause a loss of approximately 40 percent of ROK steel exports generally, if tariffs are ultimately applied.

In late May, members of Congress passed a concurrent resolution calling on South Korea to adopt “practical measures” to increase the number of foreign cars that are sold in the ROK. Last year, while the U.S. bought approximately 500,000 South Korean cars, less than 1,000 American cars were sold in Korea. Compared to Japan, where U.S. companies hold a 6-8 percent share of the domestic auto market, in the ROK, that share is 0.4 percent.

Under pressure from Seoul, Hyundai is reportedly planning to import large numbers of American cars from Chrysler, its strategic partner, and then lease them to local businesses for use as taxis and commercial vehicles. The goal is to mollify American automakers, who point to the asymmetry in U.S.-South Korea auto sales as an example of unfair Korean import barriers.

Finally, the U.S. kept the ROK on the Priority Watch List at the end of April, despite South Korea’s enactment of fairly draconian measures in February to enforce intellectual property rights. Microsoft and the Business Software Alliance reportedly lobbied the United States Trade Representative (USTR) heavily to keep Korea on the Priority Watch List until the longer-term impact of the new measures could be ascertained. South Korea’s Ministry of Foreign Affairs and Trade, which pushed for greater enforcement of intellectual property rights, privately expressed great disappointment that USTR had not reacted positively and decisively to its efforts.

Future Prospects

Now that the U.S. policy review on North Korea is complete, the hard diplomatic work begins – negotiating the terms of agreements with Pyongyang. The U.S. has committed itself to “undertake serious discussions” with North Korea, despite the skepticism of hardliners in the Bush administration. From a U.S. domestic political standpoint, the burden now falls on the pragmatists and moderates to show that their preferred approach works – and that the North Korean threat to both South Korea and the United States can be dealt with in a diplomatic fashion. Fortunately for the Bush administration

pragmatists, the new political make-up of the Senate ensures stronger support for their efforts from Capitol Hill – a luxury that the Clinton administration did not have as it weathered years of Republican right-wing attacks for “appeasing Pyongyang.”

Of course, the main responsibility for progress in U.S.-North Korea talks as well as in inter-Korean relations now falls on Pyongyang. Or, as leading commentators have pointed out, the ball is in Kim Jong-il’s court. North Korea previously attacked the U.S. for Bush’s apparent “hard line” and justified its suspension of talks with the South on the basis of the pending U.S. policy review. Now that the policy review is over – and the U.S. has agreed to seriously negotiate – Pyongyang no longer has any excuse for failing to pursue an engagement policy of its own. By the end of the next quarter, we should know North Korea’s real intentions – whether it really means to reach a settlement of outstanding security issues with the U.S. and South Korea or whether it’s simply playing for time and more untied humanitarian aid.

Chronology of U.S.-Korea Relations **April – June 2001**

Apr. 11, 2001: South Korea indicates plan to import U.S. autos to relieve trade friction.

Apr. 25, 2001: IMF lowers South Korea’s economic growth forecast from 6.5 percent to 3.5 percent for 2001.

May 1, 2001: Bush administration targets South Korea for possible trade sanctions.

May 2, 2001: EU delegation led by Swedish PM Persson visits Pyongyang for talks.

May 3, 2001: North Korea extends ban on missile testing until 2003 and agrees to human rights talks with EU.

May 9, 2001: U.S. Deputy Secretary Richard Armitage visiting Seoul says U.S. will resume talks with North Korea.

May 11, 2001: Armitage and Assistant State Secretary James Kelly in Seoul, meet with Kim Dae-jung.

May 14, 2001: EU establishes diplomatic ties with North Korea.

May 18, 2001: South Korean government loosens restrictions on 30 large *chaebol*, allowing them greater access to overseas financing.

May 20, 2001: Ruling and opposition parties agree on economic restructuring measures.

May 23, 2001: Chinese leader Li Peng, visiting Seoul, calls for closer inter-Korean relations.

May 23, 2001: President Bush designates Thomas Hubbard as ambassador to South Korea.

May 24, 2001: President Kim urges Kim Jong-il to set date for visit to South Korea.

May 26, 2001: U.S., South Korea, and Japan conduct trilateral talks on North Korea in Hawaii.

May 29, 2001: North Korea proposes North-South civilian “grand symposium” to celebrate summit anniversary.

May 30, 2001: GM submits takeover proposal for ailing Daewoo Motor Company.

May 31, 2001: South Korea announces “deregulation” measures for *chaebol*, giving in to their demands.

June 3, 2001: Several North Korean cargo vessels violate South Korean coastal limits.

June 5-12, 2001: ROK FM Han Seung-soo meets with Secretary of State Colin Powell in Washington.

June 6, 2001: South Korean FM requests UN secretary general to visit two Koreas to promote peace.

June 6, 2001: President Bush announces results of U.S. policy review – to undertake comprehensive and “serious negotiations” with North Korea on Agreed Framework, missiles, and conventional forces.

June 9, 2001: U.S. DPRK resume joint MIA search.

June 10, 2001: Hyundai Group announces agreement with North Korea to build an overland route to the Mt. Kumgang tourist site.

June 12, 2001: 55,000 workers strike to protest corporate restructuring and to improve working conditions.

June 13, 2001: U.S. and North Korea resume diplomatic dialogue in New York City.

June 15, 2001: On North-South summit anniversary, President Kim calls for Kim Jong-il return visit to South Korea.

June 18, 2001: Rejecting arms reductions, North Korea says compensation for light water reactor delay is top agenda item for U.S. talks.

June 19, 2001: U.S. refuses to provide compensation to North Korea for reactor delay.

June 21, 2001: U.S. defense secretary and South Korea defense minister meet in Washington.

June 22, 2001: U.S. requests Sect. 201 investigation of South Korean steel imports.

June 24, 2001: South Korean Navy fires warning shots at intruding North Korean fishing boat.

June 26, 2001: U.S. envoy Jack Pritchard meets with DPRK counterpart Li Hyong-chol in New York.

June 29, 2001: National Tax Service refers six media firms to prosecutor's office for tax evasion.

June 30, 2001: Seven North Korean defectors, all family members, arrive in Seoul from Beijing via Manila.

U.S.-Russia Relations: Bush at Ljubljana: No Reagan at Reykjavik

by Joseph Ferguson

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During their June 16 summit meeting in Ljubljana, U.S. President George Bush and Russian President Vladimir Putin managed to dramatically improve the general tone of U.S.-Russian relations. The first quarter of the year witnessed an increase in hostile rhetoric by both nations, punctuated by diplomatic expulsions. The second quarter was a time of verbal reconciliation and promises of a constructive relationship. The word “partnership” even crept back into the dialogue. However, the summit must have been a major disappointment for those that expected more substance and fewer atmospherics. The five major issues in the bilateral relationship are national missile defense (NMD), NATO expansion, freedom of the press in Russia, the war in Chechnya, and economics. At the summit meeting this seemed to indicate their ranking in order of importance. If this is the case, this is bad news for both Russia and the United States. This is an indication that in Russia there is a continued obsession with Cold War issues and that the United States has perhaps written Russia off as an important nation beyond the clout delivered by its nuclear arsenal.

The Turnabout

Early in the year, Bush administration officials promised to be tough on Russia, and the Clinton administration’s record on Russia was continually criticized and even held up to ridicule. To paraphrase talk heard in Washington in January, though Russia is not an enemy, it is also not a strategic partner of the United States. Secretary of Defense Donald Rumsfeld seemed to personify the new administration’s policy toward Russia. When he ignored Putin’s national security chief Sergey Ivanov (now defense minister) at a February security conference in Germany, many interpreted this as an ominous sign of things to come. Early on, it was even suggested in Washington that Bush had nothing to say to Putin, therefore no meeting was on the agenda.

By May, however, the attitude in the United States seemed to change. Perhaps this change came about when Bush administration officials realized that building an NMD system and unilaterally abrogating the Anti-Ballistic Missile Treaty (ABM) would alienate many allies in Europe. When Bush announced his intention to pursue a national missile defense system in his May 1 address in Washington, he reportedly phoned Putin beforehand to apprise him of the plans. This was reportedly seen as a conciliatory gesture in Moscow. Furthermore, the fact that the announcement was vague

and utterly lacking in details reassured many in Russia that the U.S. plan was still far from complete and that deployment was two decades or so away. Bush also dispatched emissaries Paul Wolfowitz from the Defense Department and Stephen Hadley from the National Security Council in an attempt to explain to Moscow U.S. plans. Though Russian leaders continued to insist that the ABM Treaty was the keystone of the Cold War arms agreements structure, at least the two sides began talking.

The rhetoric emanating from Moscow, though never as harsh as that coming from the U.S., also cooled down a bit during the spring. All through the harsh days of winter, Putin and his entourage had maintained a guarded civility when discussing the United States. The Russian press was slower in following this line, but by May the change was evident. A columnist for the *Nezavisimaya Gazeta* asked, "Is there any alternative to cooperation?" Another article in the *Nezavisimaya Gazeta* suggested that discussions over NMD could bring the two sides closer together. *Izvestia* proclaimed that the "devil is in the details" of NMD, and explained that the United States was a long way off from convincing its European allies and from deployment, suggesting that Russia had little to fear. They were reassured when Sen. Carl Levin, the new Democratic head of the Armed Services Committee, hinted to a reporter from *The New York Times* that the NMD system was unlikely to make much headway during Bush's term of office.

During his mid-June tour of Europe, President Bush stated, "Russia is not the enemy of the United States. The Cold War is over, and the mentality that used to grip our nations during the Cold War must end." Bush was speaking of the need to move past the ABM Treaty, a "relic of the Cold War." However, many of the new leaders in the Kremlin are still hung up on Russia's past and are loath to exit the Cold War structure that afforded Russia (or the Soviet Union) so much clout.

President Putin no doubt experienced a bit of *schadenfreude* witnessing the Europeans' resistance to any unilateral deployment of an NMD system. Russian leaders suspect that they might be able to get something out of the deployment of an NMD system. In fact, the idea was already floated that the United States may purchase Russian-built S-300 surface-to-air missiles as part of a system constructed with European and Russian assistance. There is also talk that the United States may write off part of Russia's debt in exchange for an agreement to modify or abolish the ABM Treaty.

Russian leaders, however, are aware that they are unlikely to have much leverage over NATO expansion because it has been uniformly welcomed across Europe. It appears that in 2002 at least two of the Baltic republics (Lithuania and Estonia) will be asked to join. There is little Russia can do about this, particularly when a majority of the former Soviet republics have expressed interest in joining NATO as well. Russia's plan now seems to hinge on Russia gaining membership one day. Though Russian leaders know this is far into the future, they can gain an acknowledgment from the West that this is at least possible.

Some observers in the West have concluded that President Bush failed to establish the high ground in his meeting with Putin and was outmaneuvered by the crafty ex-KGB

agent. This was the conclusion reached by both *The New York Times* and the *Financial Times*. *The New York Times* suggested that Putin threw Bush across the judo mat at Ljubljana. A column in the *Moscow Times* suggested that if the summit was judged such a great success by both sides, then relations truly have deteriorated over the past several years. Critics argue that Bush should have gone into the summit with a clearly defined agenda, and he should have stuck by the agenda and not worried about atmospherics.

Clearly both leaders judged the summit a success, and it is no doubt important to establish a friendly rapport, especially so early in the two administrations. It was in fact a public relations exercise. But many argue that Putin came away the winner, as he avoided tough questions on Chechnya and freedom of the press in Russia, while putting off a Bush announcement that NMD was to go ahead for sure. Putin also warned later that if the United States were to unilaterally abrogate the ABM Treaty, all arms control agreements would be null and void. He also suggested as a response that Russia would enhance its MIRV capabilities. Putin came away seeming to be a forceful and decisive leader, while Bush hardly seemed the president of the greatest power on earth. Bush's own Republican colleagues in the Senate even questioned his judgment and his performance at Ljubljana.

Former Russian President Mikhail Gorbachev has written about the Reykjavik summit of 1986, the first summit between then U.S. President Ronald Reagan and Gorbachev, which at the time was seen as a failure. Gorbachev describes how Reagan came in with a clear agenda and how he stayed with it. Though no agreement on nuclear arms reduction was reached and both leaders left disappointed, Gorbachev came away with a clear admiration for Reagan's will and a clear understanding of where the Soviet Union needed to go in order to meet the U.S. halfway. For those in the West who had hoped that George W. Bush would run his foreign policy like Ronald Reagan, the first summit was a sign that Bush at Ljubljana was no Reagan at Reykjavik.

The Eurasia Factor

Early in April, Secretary of State Colin Powell hosted peace talks in Key West, Florida between Azerbaijani President Haydar Aliyev and Armenian President Robert Kocharyan in an effort to settle the long-standing conflict over the Nagorno-Karabakh region. U.S.-led peace talks are clearly linked to energy concerns and in particular to the proposed Baku-Ceyhan pipeline that originates in Azerbaijan. At first the Bush administration seemed disinclined to push the pipeline project, but after recent large finds in Kazakhstan and with the rise in fuel prices in the United States during the spring, the White House seems to be reconsidering.

Russia followed the talks with interest, and it too wishes to be included to protect the interests of Armenia, the country with whom it is closest in the Caucasus region. Russia is worried about U.S. attempts to become the regional peacemaker and power broker. This is understandable considering the fact that Russia's emasculated influence is really felt only in the former Soviet republics to the south.

Russia is also looking to be included in any peace-making efforts in the Middle East and the Balkans, also traditional Russian/Soviet spheres of interest. President Mohammad Khatami's election to a second term in Iran was a positive development for Washington, especially those who wish to normalize U.S.-Iranian relations. Russia will also carefully watch this development. Further to the east, India's tacit agreement to support U.S. efforts to develop an NMD system put Russia in an awkward position. Moscow's traditional ally seems inclined to further improve relations with Washington.

Much was written of the fact that Putin arrived at the summit in Ljubljana fresh from a meeting with Chinese President Jiang Zemin in Shanghai. In fact, Putin's trip to China was scheduled long before the decision was made to meet with Bush in Slovenia. The Shanghai Five summit was a continuation of an ongoing dialogue and joint effort by Russia, China, Kazakhstan, Kirgizstan, Tajikistan, and now Uzbekistan to combat terrorism linked to separatist movements in each of the participating countries. This dialogue can be expected to continue for many years, even if joint action proves difficult to implement.

Many observers might have been reading too hard into the timing of the Putin trips to Shanghai and Ljubljana. Nevertheless, Russia wants to make clear to the West that it does have the China option. As an article in the *Nezavisimaya Gazeta* stated, Russia has strategic interests in the east and the west and is unlikely to abandon or favor one over the other. The question remains as to how China and Russia will respond to the deployment of an NMD system. Russia appears willing to bargain or to live with the fact, raising no more than a protest. For China an NMD or theater missile defense system (TMD) threatens not only its strategic arsenal, but also potentially the Taiwan equation. Russia could be expected to make more trouble were TMD to affect the situation in Chechnya. Similarly China is much less concerned about NATO expansion for obvious reasons. It remains to be seen whether Beijing and Moscow will continue to support each other's positions, even when they are not vital interests, and when doing so threatens to poison relations with Washington. Many feel that China and Russia will remain unified on these issues; others are less sure.

Japan has thrown a slight wrench in U.S. plans in the Pacific for NMD. Japan has heretofore been a proponent of TMD, but has always been less inclined to support outright a U.S. NMD system. In recent weeks, Japanese leaders have made statements to the fact that NMD was not on the Japanese agenda. Prime Minister Koizumi Junichiro and Foreign Minister Tanaka Makiko are both thought to hold personal doubts about an NMD system. Japan's chief of the Defense Agency Nakatani Gen made clear that Japan would not agree to help develop an NMD system, though it would continue research toward the development of a Pacific-based TMD system. This undoubtedly gives Moscow more confidence that it can bring the United States to the table for some sort of agreement. The Japanese pronouncements do little for China because TMD is equal to the task of NMD in the Pacific, as China's nuclear missile force is much smaller than Russia's force.

Chronology of U.S.-Russia Relations April-June 2001

Apr. 3, 2001: U.S. Secretary of State Colin Powell convenes a meeting in Key West, Florida with Azerbaijani President Haydar Aliyev and Armenian President Robert Kocharyan to discuss the normalization of the long-standing conflict over the Nagorno-Karabakh region.

Apr. 3-4, 2001: German Gref, Russia's minister for economic development and trade, visits Washington to meet with Bush administration officials and U.S. business leaders.

Apr. 5, 2001: U.S. Defense Secretary Donald Rumsfeld tells U.S. allies that the United States intends to deploy limited missile defense and that moving beyond the 1972 ABM treaty is "simply inescapable."

Apr. 6, 2001: It is announced that President Bush has nominated U.S. Ambassador to NATO Alexander Vershbow as the next ambassador to Russia. Vershbow is seen by many Russians as a hardliner in favor of further NATO expansion along Russia's borders.

May 1, 2001: In a speech at the National Defense University, President Bush outlines his plan to go ahead with the development of NMD despite international opposition. In a conciliatory gesture he phones Russian President Putin before the speech.

May 1-3, 2001: Russian Deputy PM and Finance Minister Aleksei Kudrin visits Washington and New York where he meets with officials from the IMF, the World Bank, and from the Bush administration, including Vice President Dick Cheney and Secretary of the Treasury Paul O'Neill.

May 11, 2001: Deputy Secretary of Defense Paul Wolfowitz and Assistant National Security Advisor Stephen Hadley arrive in Moscow to discuss U.S. missile defense plans.

May 16, 2001: The State Department announces that the bureau that covered former Soviet states will be folded into the European bureau, in an apparent downgrading of relations with Russia.

May 17-18, 2001: Russian FM Igor Ivanov in Washington for two days of meetings with his counterpart U.S. Secretary of State Colin Powell. Ivanov also meets briefly with President Bush.

May 25, 2001: Bush administration officials announce that the U.S. intends to offer Russia military aid, joint anti-missile exercises, and possible arms purchases to ease Russian objections to U.S. plans for a missile defense system.

June 5, 2001: Russian Defense Minister Sergei Ivanov warns that if the U.S. withdraws from the ABM Treaty, Russia will consider itself free from 32 other strategic security accords.

June 9, 2001: Secretary of Defense Rumsfeld holds talks at a meeting of the NATO-Russia Permanent Joint Council at NATO headquarters in Brussels with Russian Defense Minister Sergei Ivanov on a new framework for U.S.-Russian relations. Rumsfeld also meets with the defense ministers of the Baltic republics and reassures them that Russia will have no veto over NATO expansion in the Baltics.

June 13, 2001: The Federal Security Service (FSB) reprimands a U.S. lecturer, Elizabeth Sweet, for asking her students at Omsk State University to prepare a report on the region's social and economic situation. The FSB worried that such information from "unofficial sources" could damage the "image and competitiveness of our businesses."

June 14, 2001: Shanghai Five summit convenes. Participants (China, Kazakhstan, Kirgizstan, Russia, Tajikistan, and new member Uzbekistan) discuss counter-measures against terrorism in the region, but they also issue a joint statement criticizing the proposed U.S. NMD system.

June 15, 2001: President Bush announces plans for NATO expansion in a major speech in Warsaw. In his speech Bush promises, "No more Yaltas."

June 16, 2001: In Ljubljana, Slovenia, Presidents Bush and Putin meet for the first time.

June 18, 2001: President Putin grants a long interview in the Kremlin with U.S. journalists. He gives a conflicting picture of his talks with President Bush and of his attitude toward the United States.

June 20, 2001: Conservative U.S. senators, led by Jessie Helms, criticize President Bush's "chumminess" with President Putin. Helms says the Russian is "far from deserving" of the praise Bush lavished upon him.

June 13-21, 2001: Adm. Dennis Blair, USCINCPAC, leads a delegation of military officers and specialists to Moscow, Khabarovsk, and Vladivostok.

U.S.-ASEAN Relations:

Wanted: More Attention from the United States

by Lyall Breckon

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U.S. relations with Southeast Asia took second place during the quarter to issues on the Korean Peninsula and with China, and relations with the new government in Japan. ASEAN governments welcomed statements by the Bush administration that the United States would pay more attention to Asia, including specifically the ASEAN region, and expressed the hope that U.S. involvement would expand. Disappointing economic news set back hopes for an accelerating recovery to earlier growth levels. Singapore's Prime Minister Goh Chok Tong, in a June visit to Washington, made a plea for the U.S. to help in finding solutions to Indonesia's disarray, urged that it manage relations with China in ways that would ensure stability, and warned that if the U.S. did not give greater weight to Southeast Asian concerns, it could find itself with diminishing influence in East Asia as a whole. Meanwhile, China continued to court the ASEAN governments through high-level visits, stressing the benefits China brought to Southeast Asia and urging support for its efforts to foster "multi-polarity" – i.e., reduced U.S. influence. The U.S.-Vietnam bilateral trade agreement moved toward legislative approval in both countries, but sharp differences continue over Vietnam's treatment of ethnic minorities and dissidents. Malaysia's Prime Minister Mahathir Mohamad said he wants a new, invigorated relationship with the United States, but his crackdown on political reformers at home continued to evoke U.S. criticism. As Indonesia went from crisis to crisis in its unsteady political evolution, its friends, including the United States, found few avenues for constructively influencing its development.

The United States and ASEAN

U.S. relations with ASEAN as an organization moved forward during the quarter in preparation for the annual set of ministerial-level meetings in Hanoi in July, which Secretary of State Colin Powell is slated to attend. On May 17, Assistant Secretary of State for East Asia and Pacific Affairs James Kelly met in Hanoi with senior officials of the ASEAN Regional Forum (ARF) – the 10 ASEAN member countries and 13 other Asia Pacific states, including in addition to the U.S., Japan, China, Russia, India, and the two Koreas. Senior officials reportedly agreed on the need to support Indonesia's territorial integrity, as well as East Timor's emergence. ASEAN would like to see expanded involvement by the United States in the region, including prompt ratification of the Vietnam trade agreement, a review of U.S. sanctions on Cambodia and Myanmar, and resumption of military cooperation with Indonesia.

ASEAN environment ministers struck a more critical note in a May 15 meeting in Phnom Penh, joining European leaders and others in expressing “deep concern” over the decision of the Bush administration not to accept the Kyoto Protocol on global warming.

Rivalry with China?

While U.S. attention was focused more on Northeast Asia, China was assertively pursuing relations with its southern neighbors. PRC Premier Zhu Rongji visited Thailand in May in the course of a five-nation tour, characterizing his stopover as “a visit between family members.” China is Thailand’s fourth-largest trading partner. Bangkok is attentive to many of China’s concerns, strictly limiting activities in Thailand by members of the Falun Gong spiritual movement and refusing to permit visits from the Dalai Lama. Arriving in Beijing for a visit May 20, Deputy Thai Prime Minister and Defense Minister Chawalit Yongchaiyut told the press he would exchange views with Chinese leaders on new military strategies, in light of the ongoing U.S. defense review.

Also in May, Li Peng, second in command in China’s Communist Party, spent four days in Cambodia, following up recent visits by PRC President Jiang Zemin, Defense Minister Chi Haotian, and Minister for Foreign Trade and Economic Cooperation Shi Guangsheng. China’s aid to Cambodia is extensive and it is also carrying out development projects in Myanmar, Laos, and Vietnam. Li Peng went on to Brunei, where he told Sultan Hassanal Bolkiah – who himself had visited China just days earlier – that China hoped Brunei and other ASEAN countries would “play a greater role in the process of the world’s multi-polarization.”

Public comment by Southeast Asian governments on the April 1 incident in which a Chinese fighter collided with a U.S. Navy EP-3 surveillance aircraft generally followed a middle course. Singapore Prime Minister Goh expressed confidence that it would not dominate U.S.-China relations. A senior Thai Foreign Ministry official voiced concern for the effect on regional security. But Malaysian Prime Minister Mahathir said “no country in the world would want that they be spied on.”

Philippine President Gloria Macapagal-Arroyo, asked for comment on the missile defense issue, said her country was America’s “best friend” but not Washington’s pawn, and urged that both sides try to reach agreement. Philippine Vice President and Foreign Affairs Secretary Teofisto Guingona, Jr. on April 17 downplayed reports that China was expanding its structures on Mischief Reef in the Spratly Islands, claimed by both countries, but a later report that a dozen or so Chinese warships had been seen in the Spratlys and nearby Scarborough Shoal was portrayed as a “major disturbance” – if true – by a presidential spokesperson. Manila’s agenda was loaded with internal problems during the quarter, including unruly demonstrations by supporters of former President Joseph Estrada and a series of grisly kidnappings, including of Americans, by the Abu Sayyaf guerrilla group in Mindanao.

Turmoil in Indonesia

Political turmoil in Indonesia, including moves toward the impeachment of President Abdurrahman Wahid, and congressional sanctions that curtail most interaction between the U.S. and the Indonesian Army (TNI), put sharp limits on the U.S. ability to influence developments in that country. With Parliament's vote of no confidence on June 1 clearing the way for consideration of Wahid's dismissal by the People's Consultative Council in August, the president's attention is centered almost exclusively on staying in power. Major Cabinet changes, including replacement of the respected senior minister for political and security affairs, made it difficult for Indonesia's friends to identify effective interlocutors.

The army gained respect in June for refusing Wahid's request to declare a state of emergency, which would have given him additional powers to use in fending off impeachment. However, under either Wahid or his probable successor, Vice President Megawati Sukarnoputri, it is doubtful that the TNI would accept a level of accountability for abuses in East Timor and elsewhere adequate to satisfy its human rights critics. Sentences of 16 to 20 months imposed on six militiamen for the brutal murder of three UN aid workers, including one American, in Atambua in West Timor last September drew harsh criticism from many observers, including the State Department. The U.S. did continue contacts and exercises with the Indonesian Navy and Air Force in May. (More on military exercises below.)

Turmoil in Aceh continued to prevent the resumption of gas production by Exxon Mobil. On May 20, a bomb damaged the company's pipeline from the production fields to the processing facility at Arun, and more bombs went off near the pipeline June 25. Production ceased in March because of security concerns, and Indonesia has reportedly lost more than \$300 million in export earnings. Jakarta has shown signs of impatience about delays in resuming production and threatened to take over operations. The Arun field is a lucrative target for separatists, affecting both foreign exchange earnings and investor confidence.

U.S.-Vietnam Relations Progress Unevenly

Both Washington and Hanoi moved during the quarter toward approval and entry into force of their long-delayed bilateral trade agreement, which would provide Vietnam greater access to the U.S. market and clear the way for it to join the World Trade Organization (WTO). Domestic discontent and unrest in Vietnam posed potential obstacles, however.

Continuing unrest in the Vietnamese countryside, particularly among largely Christian minorities in the Central Highlands, elicited more heavy-handed countermeasures by Hanoi. On June 16 the government announced the trial of 53 persons in two Central Highlands provinces, Gia Lai and Dac Lac, for "damaging national security" and creating disturbances. A parallel campaign against prominent urban dissidents, including Buddhist and Catholic clergy, drew condemnation and calls for their release from the

United States and countercharges from Hanoi that Washington was interfering in Vietnam's internal affairs. U.S. opponents of the trade bill have cited these cases as evidence the trade bill should be blocked.

The opportunities for Vietnam from increased U.S. market access are substantial. Trade officials in Hanoi pointed out April 26 that two-way trade rose to \$1.12 billion in 2000, up from \$222 million in 1994, and that the United States is Vietnam's ninth biggest investor, at \$1.478 billion. The trade agreement would lower tariffs from a current average of 40 percent to around 5 percent.

Domestic unrest also contributed to an important leadership change in April, as the Ninth Party Congress, dissatisfied with failure to deal with economic issues and government corruption and ineffectiveness, replaced Le Kha Phieu as party leader with National Assembly Speaker Nong Duc Manh. Manh, perhaps not coincidentally a member of the Tay minority, has traveled abroad more widely than his predecessors, including to the United States.

On June 8 Hanoi announced the termination of Russia's 25-year lease on Cam Ranh Bay, a major U.S. base during the Vietnam War used since 1979 by military forces of the former Soviet Union and Russia. Russia still maintains a communications intelligence facility. Hanoi navigated carefully between the United States and China in commenting on the future of Cam Ranh. Both the U.S. and China – and by some accounts, even India – were reportedly eyeing the base for its strategic location. Prime Minister Phan Van Khai said June 6 that “we will not allow any foreign nation to use the Cam Ranh Bay base” for military purposes and denied that the United States had approached Vietnam. (In Washington, a RAND report suggested that Vietnam might grant the U.S. military access to Cam Ranh in the future, if there is a chance of confrontation with a hostile China.) Vietnamese foreign affairs officials have said in the past that Hanoi is considering development of Cam Ranh as an industrial and trade center, along the lines of the former Subic Bay naval complex in the Philippines.

Ambassadors changed in both capitals this summer. U.S. Ambassador Pete Peterson announced in May that he would leave his post July 15. The first U.S. ambassador to Vietnam after the war, his personal qualities and his status as a former prisoner of war enabled him to move the relationship from the past into the future. A month later, Hanoi announced it would replace Vietnamese Ambassador to the U.S. Le Van Bang – also a well liked and effective diplomat, who worked hard to shepherd the relationship through normalization. His successor will be Nguyen Tam Chien, who was Vietnam's ambassador to Japan from 1992 to 1995 and has occupied senior positions in the Foreign Ministry dealing with ASEAN, economics, and international organizations.

Malaysia Suggests Invigorating Relations

Malaysian Prime Minister Mahathir Mohamad announced April 5 that he had told U.S. Ambassador Lynn Pascoe he wants to invigorate relations with the United States and minimize misunderstandings. His announcement was clearly aimed at the new team in Washington. The Clinton administration had taken a high-profile stance against Mahathir's vendetta against his former deputy, Anwar Ibrahim, and Anwar's imprisonment. In a speech in Kuala Lumpur in 1998, then-Vice President Al Gore compared Malaysia unfavorably with Vietnam, among other countries, prompting angry charges of interference in the country's domestic affairs. Mahathir's campaign to squelch his domestic opponents continues to generate mutual criticism, however. Deputy Prime Minister Abdullah Badawi rejected the "deep concern" expressed in early June by the U.S. State Department over the arrest of four more Malaysian opposition politicians.

Mahathir's conciliatory announcement may also spring from a desire to reassure U.S. investors at a time when Malaysia and other slumping economic "tigers" are trying to get back on their feet, and China is competing effectively with them for the new direct foreign investment that will be an important factor in their recovery.

For most of Prime Minister Mahathir's tenure, bilateral relations at the working level have been more cooperative than the rhetoric between the two capitals would suggest, including on defense relations. U.S. Seventh Fleet Commander Vice Adm. James Metzger, with his flagship, visited Malaysia in early April, calling on the Malaysian Navy chief and other officials. Malaysia's government-controlled news agency *Bernama* reported April 29 that Malaysia might be the first foreign customer for Boeing's F/A-18E/F Super Hornet fighter aircraft.

Military Exercises Edge Closer to a Multilateral Framework

Previous issues of *Comparative Connections* have reported the intent of U.S. Commander in Chief, Pacific, Adm. Dennis Blair to broaden the U.S. program of bilateral exercises in ways that would increase U.S. engagement in Southeast Asia and encourage multilateral cooperation among the countries that take part. Results of these efforts could be seen in wider participation in a series of major combined exercises in the region.

"Cobra Gold 2001," the 20th iteration of a U.S.-Thai military exercise involving some 13,000 troops, was conducted May 15-29 in the Third Army region of northern Thailand. The exercise this year included significant changes. Its focus was on peacekeeping and disaster relief, forces from Singapore participated for the first time, and there were observers from nine other nations – Australia, Indonesia, France, Japan, the Republic of Korea, Malaysia, Mongolia, and the Philippines. China and Vietnam were invited as well, but declined.

“Cooperation Afloat Readiness and Training” (CARAT), in which a U.S. Navy task force is exercising with naval and other forces from the region, began in Indonesia May 13, continued in the Philippines and Thailand in June, and will move on to Singapore, Malaysia, and Brunei in July and August. The exercise this year includes 1,400 American personnel, two U.S. Navy frigates, and an amphibious ship.

The first Western Pacific Mine Countermeasures Exercise, sponsored by Singapore, was held June 12-22, including participants from Australia, China, France, India, Indonesia, Japan, Malaysia, Papua New Guinea, Russia, the Republic of Korea, Thailand, and Vietnam as well as the United States. The objective was to train participating forces in maintaining safe navigation through Southeast Asia’s waterways. The U.S. Navy contributed three mine countermeasures ships to the exercise.

“Balikatan,” an annual combined joint exercise with the Philippines, was held April 27-May 10, with some 2,000 personnel from each country. There was no third-country participation. It occurred during the run-up to Philippine legislative and local elections, and got less public attention than it did a year ago, when it resumed after a hiatus of several years.

Prospects

Looking ahead, the U.S. agenda is certain to include profound concern about Indonesia’s future and the potential it could have for spreading instability to its neighbors and to the nearby sea lanes on which the global economy depends. Helping Indonesia through its complex transition is essential, but there are few handles on the problems that beset it. An approach that avoids confrontation, works closely with ASEAN partners and Australia, and tries to find ways quietly to strengthen positive forces – including in the army and police – will need to be combined with patience to see these efforts through a period of years, not months.

At their ministerial meetings in July the ASEAN countries will want the United States to clarify its views on relations with China and China’s role in Asia, and to listen to the Southeast Asian perspective on the importance of stable big power relationships for their sub-region. They will welcome statements that the United States is paying more attention to Asia, but will want details.

Chronology of U.S.-ASEAN Relations

April – June 2001

Apr. 2, 2001: Abu Sayyaf guerrillas in the southern Philippines threaten to behead U.S. citizen Jeffrey Schilling, whom they kidnapped on the island of Jolo in August 2000.

Apr. 4, 2001: Indonesian Defense Minister Mahfud attacks the United States for maintaining an embargo on aircraft parts that made it difficult for an Indonesian aircraft manufacturer to complete orders from South Korea.

Apr. 5, 2001: Malaysia's Prime Minister Mahathir Mohamad says he told the U.S. ambassador that Malaysia wants to improve relations with the Bush administration and minimize misunderstanding between the two countries. At the same time, he expressed regret that the United States had been "spying" on China, leading to the April 1 incident in which a Chinese fighter collided with a U.S. Navy EP-3 aircraft.

Apr. 7, 2001: The U.S.-ASEAN Business Council calls on ASEAN to accelerate corporate and financial reforms, in order to attract more foreign investment, though U.S. investment in ASEAN increased by 30 percent since 1997.

Apr. 7, 2001: A helicopter accident in Quang Binh province of Vietnam kills seven Americans and nine Vietnamese, members of a team investigating a site reportedly containing the remains of American servicemen killed during the Vietnam War.

Apr. 9, 2001: Indonesian FM Alwi Shihab defends an April 4 meeting between U.S. Ambassador Robert Gelbard and leaders of the Aceh Independence Movement (GAM), noting that he had been informed of the outcome of the meeting and that the U.S. supports Indonesia's territorial integrity.

Apr. 9, 2001: U.S. Seventh Fleet Commander Vice Adm. James Metzger calls on Malaysian Navy chief Abu Bakar, during a visit of his old flagship, the USS Blue Ridge, at Port Klang.

Apr. 11, 2001: A Philippine government spokesman says that troops rescued Jeffrey Schilling from his Abu Sayyaf kidnappers on the island of Jolo. Schilling denied that he had conspired with the guerrillas.

Apr 12, 2001: A State Department spokesman commends decisions by the Royal Cambodian Government to grant access by the UNHCR to 24 Vietnamese highlanders who recently fled into Cambodian territory, and allow resettlement for those determined by the UN to be refugees.

Apr. 19, 2001: Thai FM Surakiat Sathaianthai calls on Secretary of State Colin Powell during a visit to Washington.

Apr. 23, 2001: The Philippine government rejects a demand from the political arm of the communist New Peoples' Army for the release of the two convicted killers of U.S. Army Col. Nick Rowe (a former POW in Vietnam) in Manila in 1989.

May 4, 2001: Three East Timorese militia members are sentenced to 16 to 20 months in prison for the brutal murder of three UN aid workers, including one American, in September 2000. Outside observers, including the United States, condemn the sentences as too lenient.

May 16-18, 2001: Assistant Secretary of State for East Asia and the Pacific James Kelly visits Hanoi to attend the ARF meeting; tells Vietnam's FM that the Bush administration wants to continue to improve relations with Vietnam.

May 24, 2001: U.S. and Canadian diplomats meet with Mondol Kiri province officials to press the Cambodian government to give refugee status to persons fleeing from Vietnam; Cambodia reportedly sent some 100 refugees back, in violation of UNHCR rules.

May 27, 2001: Twenty people, including three Americans, are kidnapped by Abu Sayyaf guerrillas from a resort near Palawan Island. On May 29, they threaten a mass killing of some of the hostages.

May 29, 2001: Vietnam sentences a Vietnamese-born American citizen, Bui Huu Tai, to death for drug trafficking.

June 8, 2001: President Bush sends the Vietnam trade agreement to Congress for approval. (The prime minister of Vietnam sent the agreement to the president of Vietnam later in June with a recommendation for ratification by the National Assembly.)

June 11, 2001: Singapore Prime Minister Goh Chok Tong meets with President Bush, Secretary of State Colin Powell, and other senior U.S. officials, to discuss free trade negotiations, U.S. Navy aircraft carrier use of pier facilities in Singapore, and regional issues including support for Indonesia's territorial integrity.

June 14, 2001: A U.S. Navy ship takes part in a six-nation minesweeping exercise hosted by Singapore, and including Japan, Australia, Thailand, and Indonesia.

June 15, 2001: *The Los Angeles Times* reports that the Bush administration had decided to restore some of the military contacts with Indonesia that had been terminated in 1999.

June 20, 2001: The Indonesian Army commander in Aceh says three battalions of army forces will be deployed to protect the 80 km gas pipeline from the Arun gas field in support of a planned resumption of production by Exxon Mobil.

June 22, 2001: The trial of three U.S. citizens in Phnom Penh for involvement in a failed attempt to overthrow the Cambodian government ends with life sentences for the Americans and various jail terms for 21 other persons.

June 29, 2001: President Arroyo says she has asked the U.S. to help with surveillance and equipment in the effort to quell the Abu Sayyaf terrorist group in Mindanao.

China-ASEAN Relations: Making the Rounds

by Carlyle A. Thayer*
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China's relations with Southeast Asia during the second quarter witnessed the normal pattern of high-level visits. In April, PRC Vice President Hu Jintao traveled to Hanoi to attend a party congress and Fu Quanyou, chief of staff of the People's Liberation Army (PLA), visited Yangon. The following month Li Peng, chairman of the National People's Congress (NPC), paid his first visit to Cambodia and Brunei, while Premier Zhu Rongji journeyed to Thailand. The deputy prime minister of Laos and the king of Malaysia both visited Beijing in April. Sampao Chusri, supreme commander of the Thai Armed Forces, and Chavalit Yongchaiyudh, Thai minister of defense, made separate visits in May and June, respectively. Private Chinese fishing vessels continued to poach in waters claimed by the Philippines and Vietnam, triggering at least one shooting incident. With the exception of Chinese naval activity in May-June in the South China Sea, it was business as usual in the second quarter of the year.

Party Congress in Hanoi

On April 16, the eve of a visit by Hu Jintao to attend the Ninth Congress of the Vietnam Communist Party (VCP), *Nhan Dan* newspaper reasserted Vietnam's territorial claims in the East Sea (South China Sea). In the lead-up to the congress, the incumbent party secretary general, Le Kha Phieu, came under severe internal challenge for poor leadership. Among the charges leveled at him was his pro-China stance, including concessions to Beijing in their border negotiations. Diplomats stationed in Hanoi reported that Beijing had lobbied strongly for Phieu's retention. China dispatched Hu Jintao and a large delegation to attend the congress. Hu is touted to be the next leader of the Chinese Communist Party (CCP). On the day after his arrival, Vietnamese party officials agreed to jettison Phieu and elect Nong Duc Manh to the top post. Both sides papered over the issue. Hu stated that China was willing to join with Vietnam and "push bilateral traditional friendship to a new height." Immediately after the congress, Manh reassured his Chinese guests by pledging "the relationship between Vietnam and China will develop better and better in the days to come."

These sentiments were given concrete form in late May when it was disclosed that annual two-way trade between China and Vietnam had reached \$2.5 billion in 2000 and China was now ranked as Vietnam's fifth largest trading partner. This was an 82-fold increase in the value of trade since 1991 when relations were normalized. In June, Trade Minister Vu Khoan visited Beijing. He and his host expressed the desire to double bilateral trade by 2005. Khoan made a special plea to China to import more crude oil, coal, rubber, and marine products. China reaffirmed that it would continue to give priority to Vietnamese goods in an effort to reduce the trade gap.

At the Ninth Congress (April 19-22), Vietnam adopted a 10-year socio-economic plan that called for "population settlement in crucial regions, frontier and border gates, and islands, in conformity with national defense and national security strategies." The report also called for "build[ing] logistic bases in a number of islands for forward movement into open seas and closely combined economic development with marine security protection." The objective was to "form a sea and island economic development strategy" and "move actively toward the sea and control the territorial sea." Foreign Minister Nguyen Dy Nien, when asked by the media whether or not this was a new policy, replied, "Pending agreement on the code of conduct, maritime economic development will continue." Nien also noted that "there remains some differences" in negotiating a code of conduct for the South China Sea with China.

Li Peng Visits Cambodia and Brunei

In May, Li Peng made a 10-day trip to Cambodia, Brunei, and South Korea as part of a strategy to highlight China's regional diplomatic role and to assuage concerns about the negative impact of China's impending membership in the World Trade Organization (WTO). Li's visit to Cambodia and Brunei marked the first time the chairman of China's NPC had visited these two countries.

Li made an official goodwill visit to Cambodia on May 18-21 at the invitation of Norodom Ranariddh, president of the National Assembly, and Prime Minister Hun Sen. In the previous six months China's president, defense minister, and foreign trade minister had all called in at Phnom Penh. Li held separate discussions with his two hosts and Chea Sim, head of the Cambodian People's Party. He also had an audience with King Norodom Sihanouk. Li pushed strongly for an increase in exchanges between the legislatures of the two countries, especially to foster cooperation in international affairs.

Prime Minister Hun Sen used his meeting with Li Peng to lobby for increased Chinese financial support. Hun Sen requested \$48 million in assistance to repair the 200 km road linking Kratie, Stung Treng, and Laos and \$12 million in credit or interest-free loans to pay for the demobilization of 15,000 soldiers. He also sought the disbursement of \$50 million that China had previously pledged for engineering support. Li promised to take back these proposals to Beijing for consideration.

Li Peng's visit inevitably raised the question of China's past support for the Khmer Rouge. Opposition leader Sam Rainsy called Li the "butcher of Tiananmen" in a written statement opposing Li's visit. Foreign diplomats speculated that in order not to embarrass Li Peng, Cambodian officials had put on hold consideration of an international tribunal to try the Khmer Rouge. The Cambodia media reported that China was implacably opposed to the international tribunal and has exerted pressure on Phnom Penh not to proceed with it. The media also speculated that China was wooing Cambodia for the purpose of increasing its influence in ASEAN (*Phnom Penh Post*, May 25-June 7, 2001). King Sihanouk's official biographer argued that China was attempting to simultaneously weaken Hun Sen's links with Vietnam and counter U.S. influence (*Bangkok Post*, May 23, 2001).

Li Peng's goodwill visit to Brunei served to mark the 10th anniversary of the establishment of diplomatic relations. In discussions with Sultan Haji Hassanah Bolkiah, Li promised to maintain high-level exchanges and expand economic and trade cooperation.

Zhu Rongji Visits Thailand

At the same time Li Peng was traveling in the region PRC Premier Zhu Rongji visited Pakistan, Nepal, Maldives, Sri Lanka, and Thailand. Zhu's four-day visit to Thailand was his first as China's premier. Zhu held talks with Prime Minister Thaksin Shinawatra, Deputy Prime Minister and Minister of Defense Chavalit Yongchavalit, and parliamentary leaders. He was also given an audience with the king. Trade and investment issues and the war against illegal drugs dominated discussions.

Bilateral trade between China and Thailand jumped from \$4.3 billion in 1999 to \$6.2 billion in 2000, making China Thailand's fourth largest trading partner. However, Thailand had a trade deficit of \$533 million. Prime Minister Thaksin lobbied his guest for greater market access (for rice, rubber, shrimp, sugar, tapioca, and fruit), financial assistance, special quotas and tariff cuts, infrastructure investment, and assistance in stopping the illegal trafficking in amphetamines and other drugs.

Zhu responded by promising that China would continue to buy sugar, rice, and rubber from Thailand after it joined the WTO. Even though China had a rice surplus, Zhu committed China to continued purchases in order to support Thailand's rice price stabilization scheme. Zhu also offer similar price support with respect to rubber. But Zhu argued that the two sides should consider not only traditional commodity trade but trade in goods with high added value such as mechanical and electrical products.

Thaksin requested that China place Thailand on a par with Myanmar and Laos by extending preferential taxation rates on goods traded between northern Thailand and Yunnan province. Zhu replied that he would have to study China's laws before replying. Thaksin pressed Zhu for a commitment to a \$4 billion bilateral standby currency swap agreement. Zhu agreed "in principle" and left the matter for resolution by the two central banks.

Finally, Thaksin asked for Zhu's support in upgrading trilateral talks on anti-drug efforts by including Laos. Zhu responded by offering to host the first regional summit on narcotics trafficking. "But," he noted, "Thailand should solicit further ideas from Myanmar and Laos." Thaksin was informed that China would set up an anti-drug liaison unit at its Bangkok embassy. An editorial in the *Bangkok Post* (May 22) noted, "Zhu's trip resulted in only a small step forward [on illegal drug problem], when he could have done more."

Discussions between Zhu and Chavalit focused on transport and communication infrastructure projects. Zhu promised to invest in Bangkok's elevated railway, to provide \$4 billion to finance a high-speed train link between Thailand and China, and to develop a road network to link southern China and northern Thailand via Laos. Zhu and Chavalit also discussed navigation on the Mekong River and China's aviation policy. In an immediate follow up to Zhu's visit, China's minister of communications, Huang Zhendong, visited Thailand on June 7 to develop plans for maritime cooperation. He held discussions with his counterpart, Wanmuhammadnoor Mathaon, on issues raised during Premier Zhu's visit. Thailand agreed with a Chinese initiative for Chinese cargo ships to use Thai ports as bases to transport Thai exports. China also offered to assist in helping Thailand develop its shipping capacity.

Fishing in Troubled Waters

The third China-Philippines Experts' Working Group Meeting on Confidence Building Measures in the South China Sea was held in Manila on April 3-4. The meeting was co-chaired by Willy Gaa, Philippine assistant foreign secretary, and Fu Ying, director general of China's Department of Asian Affairs, Ministry of Foreign Affairs. The meeting focused on disputes in the South China Sea and Scarborough Shoal (Huangyan Island). A statement issued after the discussions declared, "the two sides agreed to refrain from making any actions or provocative statements that might complicate or escalate the situation." The two sides also agreed "not to allow bilateral differences to affect the overall development of Philippine-China relations." Both sides agreed to expand military dialogue and cooperation, study a mechanism for settling fishing disputes, discuss three projects proposed by China on environmental protection, and plan for a joint search and rescue exercise. Fu Ying was later received separately by Philippine President Gloria Macapagal-Arroyo and Vice President Teofisto Guingona.

On April 23, the Philippine Navy reported that 10 Chinese fishing vessels were spotted poaching in Philippine waters off Thitu and Nanshan Islands and Second Thomas Shoal. On May 1, the Philippine Navy patrol boat *Kanluran* fired warning shots on a Chinese vessel fishing in the same area. The *Kanluran* then confiscated five sampans and other equipment that was left behind. At the end of the month Philippine maritime police detained two Chinese fishing vessels and their crew of 34 for fishing illegally in Philippine waters off Palawan. Chinese spokespersons down played each of these incidents. On June 10, the Vietnamese Coast Guard seized four Chinese vessels and their crew of 51 after they were found fishing illegally in the waters off central Vietnam.

Chinese Naval Activities

The presence of Chinese warships in the South China Sea became a concern during the second quarter. On April 16, for example, a Philippine military official disclosed that China had upgraded its communications facilities and improved structures on Mischief Reef. According to the official, “One thing is sure – [China has] installed modern communications equipment there, far more sophisticated than before.” The *Washington Times* revealed that in early May U.S. intelligence had detected signs China’s South Sea Fleet was preparing for large-scale military exercises in an area from Hainan to the Paracels in the South China Sea. A PLA advance team was observed on Woody Islands in the Paracels. The Chinese exercises were timed to coincide with Cobra Gold, a multilateral Thai-U.S.-Singapore military exercise held in Thailand.

On May 18, two Chinese Jianghu-class frigates and a suspected intelligence-gathering ship were spotted off Scarborough Shoal. Helicopters launched from these ships were observed flying in the area. These Chinese actions raised concerns in Manila that Beijing was contemplating erecting structures on Scarborough Shoal similar to those on Mischief Reef. In June, more than a dozen Chinese warships, including Luhu-class destroyers and Jianghu-class frigates, transited the South China Sea. These naval deployments coincided with the largest and most complex Chinese war games in the Taiwan Strait simulating a mock attack against Taiwan.

Policy Implications

China’s growing economic and commercial ties with Southeast Asia should be welcomed by the United States. These ties increase Chinese interest in seeing the region remain peaceful and stable. Southeast Asian states share concerns about Chinese attempts to manipulate ASEAN through its political relations with individual members. Regional states are also concerned about China’s commitment to the status quo in the South China Sea. China’s actions this quarter have given rise to the perception that China is continuing with its policy of creeping assertiveness. The Bush administration needs to fashion a response that addresses these concerns. Strong U.S. support for ASEAN and the maintenance of the status quo in the South China Sea should be central planks in a new U.S. policy.

**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.*

Chronology of China-ASEAN Relations

April-June 2001

Apr. 2, 2001: Vietnam's trade minister, Vu Khoan, signs a decision on the Regulation of Chinese Transit Goods that allows the transportation of goods from China via Vietnam to a third country or from a third country via Vietnam to China.

Apr. 3-4, 2001: The third China-Philippines Experts' Working Group Meeting on Confidence Building Measures in the South China Sea is held in Manila.

Apr. 7-8, 2001: ASEAN finance ministers/deputy ministers hold their fifth meeting in Kuala Lumpur. They conclude with a meeting with the economic ministers from China, Japan, and South Korea (ASEAN Plus Three).

Apr 10-12, 2001: The Sino-ASEAN Symposium on Information and Telecommunication Technology is held in Shenzhen, China.

Apr. 16-23, 2001: Somsaavat Lengsavad, deputy prime minister and FM of Laos visits China.

Apr. 18-22, 2001: China's vice president, Hu Jintao, leads delegation to Hanoi to attend the ninth Congress of the Vietnam Communist Party.

Apr. 23, 2001: The Philippine Navy reports that 10 Chinese fishing vessels had intruded into Philippine waters off Thitu and Nanshan Islands and Second Thomas Shoal.

Apr 24-May 2, 2001: Malaysia's Yang di-Pertuan Agong (King) and Sultan Salahuddin Abdul Aziz Shah make a state visit to China.

Apr. 25, 2001: Two Vietnamese naval ships seize *Danzhou 72007*, a Chinese fishing boat with 11 crew members in the southern fringe of the Tonkin Gulf.

Apr. 25, 2001: Gen. Fu Quanyou, chief of the PLA General Staff, leads a goodwill delegation to Myanmar.

May 5-12, 2001: Le Changchung, member of the CCP Politburo and secretary of the Guangdong province CCP committee, leads a party delegation to Thailand, Malaysia, and Singapore.

May 1, 2001: A Philippine Navy patrol boat fires warning shots at a Chinese fishing vessel in waters off the coast of Palawan island.

May 4, 2001: ASEAN Plus Three economic ministers meet in Malaysia.

May 5, 2001: China's MOFTEC Minister Shi Guangsheng visits Cambodia.

May 7, 2001: Myanmar's minister of agriculture and irrigation, Maj. Gen. Nyunt Tin, visits China.

May 8-11, 2001: Myanmar hosts a series of meetings on cooperation in drug control in East Asia with senior officials and ministers from Cambodia, China, Laos, Myanmar, Thailand, Vietnam, and the United Nations Drug Control Program.

May 12, 2001: “Voice of Vietnam” radio opens a new bureau in Beijing.

May 15-29, 2001: Cobra Gold multilateral military exercise is held in Thailand.

May 15-16, 2001: APEC High-Level Meeting on Human Capacity Building is held in Beijing under the co-chairmanship of President Jiang Zemin and Sultan Haji Hassanal Bolkiah of Brunei.

May 17-18, 2001: Vietnam hosts a preparatory ARF Senior Officials Meeting in Hanoi.

May 17-20, 2001: A delegation of Vietnam’s Planning and Investment Ministry, led by Minister Pham Xuan Gia, visits China to hold working sessions with Wang Chunzheng, minister of the State Development Planning Commission.

May 18, 2001: APEC Study Center (ASC) Consortium meeting is held in Tianjin, China.

May 18, 2001: Cheng Binhquan, vice chairman of the Guangdong province CCP committee, visits Vietnam and is received by Deputy PM Nguyen Manh Cam.

May 18-21, 2000: Li Peng, chairman of the Standing Committee of China’s National People’s Congress, pays goodwill visit to Cambodia.

May 19, 2001: Vietnam’s Deputy FM Le Cong Phung chairs meeting of ASEAN Plus Three deputy FMs in Hanoi, which reviewed implementation of the Joint Statement of East Asia Cooperation.

May 19, 2001: ASEAN officials hold a dialogue on the Protocol to the Southeast Asia Nuclear Weapons Free Zone Treaty with officials from the five nuclear powers – China, France, Russia, United Kingdom, and the United States.

May 19-22, 2001: Chinese Premier Zhu Rongji makes an official visit to Thailand.

May 21-23, 2001: Li Peng pays goodwill visit to Brunei.

May 22, 2001: Chinese FM Tang Jiaxuan holds talks in Beijing with Brunei’s FM Pengiran Muda Mohamad Boikiah.

May 22, 2001: Sampao Chusri, supreme commander of Thai Armed Forces, visits China at the invitation of Fu Quanyou, chief of the PLA General Staff.

May 22-June 7, 2001: The third meeting of the Vietnam-China Joint Committee for Border Demarcation is held in Beijing.

May 23, 2001: Nong Duc Manh, newly elected secretary general of the VCP, receives China's ambassador, Qi Jianguo, and states that "Vietnam will spare no effort to strengthen friendly cooperation with China."

May 23-25, 2001: Asia-Europe Meeting (ASEM) is held in Beijing. The Third ASEM foreign ministers meeting is held from May 24-25.

May 25, 2001: Guangzhou Radio announces that a designated area around the Paracel Islands will be closed for live fire exercises by Chinese naval vessels from May 27- June 3.

May 29, 2001: Seventh China-ASEAN Senior Officials Consultations held in Boao, China.

May 31, 2001: Pham Thuy Thanh, spokesperson for the Ministry of Foreign Affairs, states Vietnam's concern over proposed Chinese military maneuvers near the Paracel islands.

June 6-7, 2001: APEC trade ministers' meeting is held in Shanghai.

June 7, 2001: China's minister of communications, Huang Zhendong, visits Thailand to develop plans for maritime cooperation.

June 7-11, 2001: Singapore Senior Minister Lee Kuan Yew visits China to attend the seventh anniversary of the establishment of the Suzhou Industrial Park, Jiangsu province. Lee is also received by President Jiang Zemin and Li Peng, chairman of the National People's Congress.

June 8, 2001: Vietnam's minister of trade, Vu Khoan, attends second APEC Investment Mart in Shandong province.

June 10-11, 2001: Vu Khoan pays official visit to China to hold working sessions with State Councillor Wu Yi, FM Tang Jiaxuan, MOFTEC Minister Shi Guangsheng, and Wang Jiarui, deputy chairman of the CCP's International Liaison Department.

June 20-22, 2001: Thai Defense Minister and Deputy PM Chavalit Yongchaiyudh visits China.

June 22, 2001: Thai Deputy PM Pongpol Adireksarn makes working visit to China and meets with Premier Zhu Rongji.

June 26, 2001: A four-nation shipping service on the Lancang-Mekong River, involving China, Laos, Myanmar, and Thailand, is launched.

June 29, 2001: Ho Tien Nghi, general director of the *Vietnam News Agency*, visits China at the invitation of Tian Congming, president of the *Xinhua News Agency*. Nghi is received by Premier Li Peng.

China-Taiwan Relations: A Fragile Calm

by David G. Brown
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Cross-Strait relations have been buffeted by a series of strains in recent months – Washington’s announcement of a large arms sales package to Taiwan, President Bush’s statement that he would do “whatever it took” to defend Taiwan, President Chen Shui-bian’s meetings with congressional leaders during transit visits to the U.S., and former President Lee Teng-hui’s visits to Japan and the U.S. Unlike what happened in 1995, these events have not led to any increase in tensions across the Taiwan Strait. While cross-Strait relations have remained stable and calm, former President Lee’s public support for Chen will raise concerns in Beijing and potentially reignite cross-Strait tensions. Economic relations continue to develop, despite the global slowdown. However, economic and political problems have derailed the expected liberalization of cross-Strait investment restrictions.

Potential Strains

In mid-April both Japan and the U.S. issued visas to former President Lee Teng-hui. China had put on a full court press to persuade the Japanese government not to issue a visa to the man it labels as the “chief representative of the Taiwan independence forces.” In the end, the Mori government issued Lee a visa only for a medical visit to his Japanese cardiologist. China reacted by postponing a planned visit to Japan by National People’s Congress Chairman Li Peng. In late June, Lee made a return visit to Cornell University for the dedication of a research center named in his honor. The PRC did not make a major fuss about this visit.

In late April, the Bush administration announced its first package of arms sales for Taiwan. The list included four Kidd-class destroyers, eight diesel submarines, 12 P-3 surveillance aircraft, and a number of other items. The package did not include the item that Beijing had most strenuously objected to, Arleigh Burke-class destroyers equipped with the Aegis battle-management system. That said, objectively, the sum – \$5 billion – and the new and more advanced technology incorporated exceeded the quantitative and qualitative limits the U.S. had accepted in the arms sales communiqué it signed with Beijing in 1982. Nevertheless, Beijing’s reaction was limited to nearly *pro forma* diplomatic protests.

A day later in an ABC interview, President Bush stated that the U.S. would do “whatever it took” to defend Taiwan from an attack by China. Subsequently, the White House issued a release quoting Bush to the effect that the U.S. maintained its “one China” policy, opposed Taiwan’s pursuit of independence, and remained committed to the peaceful settlement of cross-Strait issues through dialogue. Although Bush summarized that therefore “nothing has really changed,” his original statement was a significant policy shift reflecting the administration’s desire to communicate with “strategic clarity” its intention to come to Taiwan’s assistance. These remarks were deeply troubling to Beijing, but again its initial reaction was limited to a sharp statement that the president’s remarks were leading Washington down a “dangerous road.”

In late May and early June, President Chen transited the U.S. on the way to and from visits in Central America. To show that, unlike the Clinton administration, it would treat the president of a friendly democracy with due courtesy, the Bush administration significantly eased the restrictions that had been put on Chen’s activities during previous transit stops, while continuing to use the terminology of “transit” rather than “visit.” Chen met with Congress members during both transit stops and engaged in a variety of other public activities. Again, Beijing’s protests were low level and *pro forma*.

Beijing’s Restrained Reaction

In 1995, the U.S. handling of then President Lee’s visa request and his subsequent visit to Cornell University provoked a significant downturn in U.S.-China relations, caused Beijing to terminate discussions between its Association for Relations Across the Taiwan Strait (ARATS) and Taipei’s Straits Exchange Foundation (SEF) concerning a second Koo-Wang meeting, and led to two rounds of provocative PRC missile tests that produced the March 1996 crisis in the Strait. If history were to repeat itself, any of this spring’s external strains might have produced a new crisis. The contrast with 1995 was striking. Not only was there no crisis, but there was no noticeable change in the pattern of calm cross-Strait relations seen since last summer.

There are several possible explanations for Beijing’s restraint. Chen’s role in these events conformed to Beijing’s assessment of Chen and hence did not require any new policy. While suspicious of Chen, Beijing remained confident that he would not take overt steps toward independence. Moreover, the PRC leadership is preoccupied with more pressing domestic challenges. Beijing was already holding in abeyance contacts with Chen’s administration, while keeping the pressure on Chen to accept its “one China” precondition for talks. The united front approach to the opposition in Taiwan may have limited Beijing’s ability to react harshly. Perhaps China, or at least some in Beijing, had learned from earlier experiences that hostility and threats toward Taiwan were counterproductive to Beijing’s goal of reunification.

The reaction may have been restrained because Beijing is still assessing the Bush administration and could see positive as well as negative aspects to the U.S. handling of Taiwan issues. On arms sales for example, Beijing was relieved that the Aegis-equipped destroyers were not included and may have concluded that the sale of the other most

troubling system, the submarines, might never take place because of the Dutch and German governments' unwillingness to issue needed licenses. Moreover, in his public statements, Bush had repeated U.S. opposition to independence for Taiwan (for Beijing, the most important of Clinton's "three no's"). With Sino-U.S. relations already badly strained by the aircraft collision, Beijing had multiple reasons for not wanting a confrontation with the U.S.

Cross-Strait Dealings

Whatever the reason, cross-Strait relations continued in a pattern that has become familiar since last summer. Beijing continued to reject any talks with the Chen administration and to respond to each of Taipei's overtures for talks with the standard refrain that Chen must first accept the "one China" principle. When Chen, on his tour of Central America, voiced what were termed "five new no's" to guide a policy of reconciliation with Beijing, the PRC spokesman derided Chen's statement as playing with words.

Beijing continued to cultivate the opposition, giving high-level treatment to several delegations from the Kuomintang (KMT) and People's First Party (PFP). The most prominent of these was a visit that former KMT Premier and current KMT Vice Chairman Vincent Siew undertook to promote his concept of a cross-Strait common market. Beijing gave Siew public courtesies typical of a state visit and arranged meetings with senior officials in Shanghai and Beijing, including Vice Premier Qian Qichen. In giving positive spin to the visit, Beijing omitted any public reference to aspects of Siew's positions with which it does not agree, such as his endorsement of "one China, respective interpretations." In addition, Beijing made no public comment on Siew's proposal for a cross-Strait common market, the promotion of which was the primary purpose of his trip.

The PRC chairmanship of APEC occasioned two visits by Taiwan Cabinet members to China, the first such Cabinet-level visits since then Taiwan Finance Minister Shirley Kuo attended an Asian Development Bank meeting in Beijing in 1989. Council for Economic Planning and Development (CEPD) Chairman Chen Poh-chih participated in an APEC meeting in Beijing and joined a group audience for APEC ministers with President Jiang Zemin in April. In June, Taiwan Economics Minister Lin Hsin-yi attended an APEC trade ministers meeting in Shanghai. On the fringes of the APEC gathering, Lin, a KMT member serving in the DPP-led Cabinet, had an unprecedented bilateral meeting with his Chinese counterpart Minister of Foreign Trade and Economic Cooperation (MOFTEC) Shi Guangsheng – a meeting that was not reported in the official PRC media. The two discussed cross-Strait economic issues, with Lin pressing Taiwan's case for an agreement to protect Taiwan investments in the PRC and Shi urging the opening of direct cross-Strait trade. Unfortunately, their meeting was marred by Taiwan's protest over Beijing's failure to address Lin as "minister" in its invitation to attend the APEC meeting.

During recent months, the scope of travel occurring under the "mini three links" framework has gradually expanded. In May, the first PRC cargo ship docked in Kinmen. In June, both sides authorized a ferry to bring a large group of pilgrims from Kaohsiung

to Xiamen traveling via Kinmen – the first example of Kinmen being authorized to facilitate what amounted to direct travel from Taiwan to the mainland. In May, a potentially serious incident involving PRC naval personnel detaining the Taiwan fishing boat, Tsaifu 1, off the northern coast of Taiwan for reportedly selling diesel fuel to PRC fishing vessels was defused through effective communication between the Taiwan Coast Guard vessel, which came to the scene, and PRC naval personnel. While resolved peacefully, this incident illustrates the potential for military-to-military conflict in the strait and the need for some means of communication between the two militaries. In late June, under Red Cross auspices, Beijing repatriated four criminals wanted in Taiwan and Taipei repatriated seven Chinese aircraft hijackers.

In addition, in late May and June the PRC conducted combined services exercises on Dongshan Island across the strait from Taiwan. While the PRC affiliated press in Hong Kong played up these exercises as the largest in recent years, Beijing officially described them as routine, a characterization with which both Taipei and Washington agreed. In late June, Taiwan conducted a test of its Patriot missile defense system.

Politics May Reignite Tensions

In June, former President Lee Teng-hui made public his political support for President Chen in the run-up to the December Legislative Yuan elections. First, Lee gave an interview suggesting that as many as 35 independent and KMT legislators might cooperate with the DPP after the election to give Chen a majority in the new legislature. Then on June 16 Lee joined Chen on the podium of a public ceremony to launch the “Northern Taiwan Society,” a group of pro-independence academics and leaders. The charter of the society endorsed Lee’s view of cross-Strait relations as state-to-state relations and Lee’s “no haste” policy for restricting Taiwan investments on the mainland.

Lee’s embrace of Chen will be seen in Beijing as a potentially troubling development. An internal debate on the implications of this is already occurring. If – and at this point it is a big if – after the election Chen is able to organize with Lee’s help a majority in the Legislative Yuan, Beijing’s current confidence that Chen will not take steps in the short term toward independence would be shaken. Beijing would have to recognize that its united front tactics to isolate Chen had failed and would then be concerned that a more secure Chen, influenced by Lee, might deviate from the “five no’s.” Chen needs to recognize the dangers that Lee’s embrace represent for his own management of cross-Strait relations. Timely reaffirmation of his inaugural and cross century statements are the minimum that should be done to give Beijing some reassurance that Lee will not gain influence (surely one thing Lee seeks) over the direction of cross-Strait policy.

Economic Developments

The growth of cross-Strait trade has slowed considerably this year. Taiwan’s Board of Foreign Trade has reported that cross-Strait trade grew a mere 2 percent in the first quarter, down from the 25 percent growth rate of the year 2000. The principal influence behind this deceleration has been the world-wide downturn in the information technology

(IT) sector, particularly in the U.S. Over half of Taiwan's global exports are in electronics and other high-tech products.

Nevertheless, economic factors continue to stimulate Taiwan investments in the mainland, which are heavily focused in the IT sector. Putting numbers to pervasive anecdotal information, Taiwan's Investment Commission has reported that Taiwan investments in the mainland increased by one-third to reach just over \$1 billion in the first five months of 2001 and that 45 percent of these investments were in electronics. In April, PRC Ministry of Foreign Trade and Economic Cooperation officials said that 70 percent of PRC computer products were manufactured by Taiwan invested enterprises (TIEs). In May, a high-powered PRC IT delegation, including Ministry of Information Industry officials and executives from Legend and other leading PRC IT firms, went to Taiwan for an annual trade show and announced a number of major new deals. As has so often been the case, the private sector is ahead of Taiwan's official policy on cross-Strait economic issues.

Despite the economic logic behind this investment drive, the long awaited liberalization of the investment restrictions in Lee Teng-hui's "no haste, be patient" policy has still not been concluded by the Chen administration. In April, the Mainland Affairs Council (MAC) reported that it had completed its review and forwarded it to the Cabinet where it languishes. Although Chen himself repeated early this quarter that the policy would be liberalized, the decision to do so has been delayed. Insiders report that security concerns related to opening direct travel are one factor delaying the review. Intra-DPP differences and economic factors are also involved. Some in the DPP continue to be concerned about PRC economic leverage over Taiwan. The economic downturn in Taiwan and rising unemployment have been cited publicly by CEPD Chair Chen Poh-chih as a reason for discouraging investment in the mainland. In late June, MAC Deputy John Teng warned Taiwan investors about the dangers of investing in the mainland. Delay has also affected the plans announced last October to authorize group tours from the mainland beginning in June. Those plans have not been implemented and in late June, Premier Chang said discussions with the PRC would be needed to address some aspects of the plan.

While many businessmen chose to circumvent the investment controls through a variety of financing maneuvers, the restrictions still frustrate the business community. This frustration was manifested in criticism of government policy by Formosa Plastic Chairman Wang Yung-ching and others. In late June, Wang went so far as to call on Chen to accept the "one China" principle as a basis for resuming cross-Strait dialogue. As a partial measure, the Executive Yuan announced in late May that Taiwan banks would be allowed to open representative offices in the mainland. Now that the U.S.-PRC consensus on agricultural subsidies has restored momentum to China's WTO accession, the prospect of Taiwan and China's accession will increase pressure on the Chen administration to move ahead on cross-Strait economic issues.

Policy Implications

Although cross-Strait relations have remained calm despite potentially disruptive developments, those relations will remain fragile and vulnerable absent productive dialogue between Beijing and Taipei. U.S. Assistant Secretary of State James Kelly was correct in congressional testimony when he stressed the importance of resuming a dialogue that is productive and the wisdom of further developing mutually beneficial economic relations.

Chronology of China-Taiwan Relations April - June 2001

Apr. 2, 2001: Mainland Affairs Council (MAC) sends report on “no haste” policy to Cabinet for review.

Apr. 4, 2001: People’s First Party (PFP) delegation is received by PRC Vice Premier (VP) Qian in China.

Apr. 13, 2001: Premier Chang says there is no timetable for revising “no haste” policy.

Apr. 14, 2001: Taiwan FM Tien says Taipei could understand U.S. decision to defer sale of Aegis.

Apr. 20, 2001: U.S. and Japan issue visas to former Taiwan President Lee Teng-hui.

Apr. 22, 2001: Lee Teng-hui arrives in Japan for medical treatment.

Apr. 23, 2001: White House releases list of arms sales approved for Taiwan totaling about \$5 billion.

Apr. 24, 2001: President Bush states the U.S. would do “whatever it took” to help defend Taiwan.

Apr. 25, 2001: White House releases statement reiterating U.S. “one China” policy and opposition to independence for Taiwan.

Apr. 26, 2001: PRC Foreign Ministry says Bush taking U.S. down “dangerous road.”

Apr. 26, 2001: Lee postpones visit to U.S.

Apr. 27, 2001: For anniversary of 1993 meeting, SEF’s Koo Chen-fu invites counterpart to Taiwan; Beijing reiterates Taipei must accept “one China.”

May 10, 2001: President Chen says Taiwan values Washington ties but does not wish to provoke PRC.

May 11, 2001: Former KMT Premier Vincent Siew meets VP Qian; Beijing does not comment on Siew's cross-Strait common market proposal.

May 14, 2001: World Health Organization again rejects Taipei's bid for observer status.

May 14, 2001: Taipei Council for Economic Planning and Development head attends APEC meeting in Beijing.

May 15, 2001: Taiwan fishing boat incident with PRC Navy is defused.

May 17, 2001: PRC indicts U.S. academic Li Shaomin on charges of spying for Taiwan.

May 18, 2001: Chen expresses hope to attend APEC, meet Jiang: PRC rejects idea.

May 21, 2001: Chen in transit through New York; meets U.S. congressmen.

May 24, 2001: Former KMT Secretary General John Chang meets VP Qian.

May 27, 2001: In Guatemala, Chen states conciliatory "new five no's."

May 29, 2001: PRC Foreign Ministry dismisses Chen's remarks.

May 29, 2001: Chen again rejects "one country, two systems" formula.

May 29, 2001: High-level PRC IT delegation visits Taipei for trade show.

May 30, 2001: Taipei authorizes Taiwan banks to establish representative offices on mainland.

June 4, 2001: Chen transits Houston; is hosted by congressmen.

June 5, 2001: Economics Minister Lin has meeting with MOFTEC Minister Shi at APEC.

June 8, 2001: Ferry takes pilgrims from Kaohsiung via Kinmen to Xiamen.

June 16, 2001: Lee Teng-hui publicly supports Chen Shui-bian.

June 18, 2001: Macedonia shifts diplomatic relations from Taipei to Beijing.

June 19, 2001: Taiwan test fires Patriot missiles.

June 26, 2001: PRC Foreign Ministry describes Lee Teng-hui as “chief representative of Taiwan independence forces.”

June 27, 2001: Lee Teng-hui attends dedication of research center at Cornell University in the U.S.

June 27, 2001: MAC Deputy Teng urges business to see risks of investing in mainland.

June 27, 2001: Taipei and Beijing repatriate criminals and hijackers under Red Cross auspices.

June 28, 2001: Beijing says DPP Chairman Hsieh can not visit Hong Kong until DPP accepts “one China” principle.

June 29, 2001: Draft KMT platform advocates goal of cross-Strait “confederation.”

North Korea – South Korea Relations: States Stalled: Business as Usual?

by Aidan Foster-Carter
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The weather forecast for the Korean Peninsula is, as ever, changeable. In recent years the Koreans, especially the North, have swung between extremes of flood and (as this year) severe drought. Politics oscillates similarly. For half a year after the June 2000 first ever North-South summit, inter-Korean contacts developed so fast that this journal created a slot for a burgeoning new bilateral relationship. Yet a year after that breakthrough meeting – an anniversary that neither side celebrated officially on any scale – the peace process appears sadly stalled.

The past quarter saw almost no formal contacts between the ROK and DPRK. None of the several channels that had been opened – ministerial talks, family reunions, rail and road reconnection, economic negotiations, and more – convened as such between April and June. Neither was there progress on agenda items thus far unfulfilled, above all a return visit to Seoul by Kim Jong-il. Indeed, in June two new twists – Northern incursions into Southern waters, and a refugee family's bid for asylum – highlighted obstacles to better ties. North Korean media also reverted to attacking Seoul, albeit with less vituperation than directed at the U.S.

Pyongyang's pullback was its reaction to what it perceived as a hostile stance by the incoming Bush administration. U.S.-DPRK ties as such are not my bailiwick here. As Ralph Cossa and Scott Snyder have pointed out, there was no necessary logical reason for North Korea to react as it did. Arguably a more subtle ploy could have taken the opposite line. To intensify outreach to Seoul, cold-shouldering the U.S. would have intensified the palpitations some in Washington could not suppress a year ago at the sight of the two Koreas seeming to get along so well. But subtlety is not the DPRK's strong suit; at best, Robert Manning's stark characterization of Kim Jong-il – tactical genius, strategic fool – applies. So it was wholly predictable that those in Pyongyang who hesitate, or have much to lose from an outbreak of peace – Korean People's Army (KPA) hawks, as Selig Harrison has suggested – would seize with gusto the excuse to take their bat home (or at least call time out) and revert to old snarl mode: mainly toward the U.S., but also the ROK.

In that sense I share the view, widespread in Seoul, that Bush's policy review on North Korea did South Korea no favors: taking the wind, which was already dropping, out of the sails of Kim Dae-jung's Sunshine Policy. One can only hope momentum will be

restored now the U.S. has decided to resume dialogue with the DPRK – assuming the latter responds. Yet that is not the end of the matter, happily. It is both factually and politically wrong – indeed, it plays into Pyongyang’s hands – to see the U.S. as the key to everything. The last quarter was not in fact devoid of inter-Korean contact. Semi-officially (a gray area that both Koreas long since got down to a fine art), this period saw both a large Southern gift of fertilizer and a worthwhile if low-key party at Kumgangsan to mark the summit anniversary. Moreover local governments continued to cooperate, especially in Kangwon, even if central authorities did not.

Above all, in a key difference from past false dawns (1972, 1985, 1991), business and civilian links, which used to march in step with the state, continue despite the freeze in official ties. If most other bilateral relations reviewed in this journal are mainly between governments, inter-Korean ties – a special case in many ways: e.g., neither government technically treats them as *foreign* – must be viewed on a wider canvas. A glance at China-Taiwan ties, which have a 10-year head start, shows how business and other privately forged links can become a crucial counterpoint to and influence on the strictly inter-governmental dimension. Information technology (IT) is just one area where incipient North-South ties may have radical implications. In its own way, the spotlight on refugee issues as the quarter ended also highlights the role of individuals as against states. Inter-Korean relations operate on both dimensions, which interact in often complex ways.

Fertilizing Peace: Let Salmon Spawn

At the government level it was a quiet, or at least one-sided, quarter. The main action was a new Southern donation of 200,000 tons of fertilizer, announced on April 26 and shipped in batches soon after. As well as its practical value and timeliness (May being the latest it can be of use), fertilizer is symbolic: it was the first topic of earlier “unofficial” talks, which led in time to the summit. Facing a dire drought and another poor harvest, Pyongyang could hardly refuse. But it did not reciprocate on any front, rebuffing Seoul’s calls to resume dialogue as well as Kim Dae-jung’s ever more plaintive requests to Kim Jong-il to set a date for visiting Seoul.

The North’s stance also ruled out any official con-celebration of the anniversary of last year’s summit. Instead each side held its own meetings and seminars. Semi-officially, however, a gathering of non-governmental organizations (NGOs) and others at Mt. Kumgang brought together several hundred people from each side. By all accounts this was a festive and informal occasion, with individuals from North and South able to pair off for private conversations and ignore the official speeches. An older anniversary days later, that of the outbreak of the Korean War on June 25, 1950, was marked with the usual anti-U.S. stridency in Pyongyang, while in Seoul an ever more vitriolic right-wing press took Kim Dae-jung to task for not mentioning that North Korea started it.

However, provincial governments are cooperating even if central ones are not. The vanguard here is Kangwon, which contains Mt. Kumgang and is bisected by the demilitarized zone (DMZ). The ROK’s Kangwon is helping its Northern counterpart on several fronts: releasing salmon spawn into Northern rivers, sending insecticide and

sprayers to fight a plague of pine needle-eating gall flies, and offering farm aid. Small beer, yet it all helps break down barriers and cements Kumgang's role as a meeting point. (Hyundai's boats ferried all of the above back and to.)

Hyundai: Another Door Opens?

But this role for North Korea's famed mountain resort is jeopardized by problems at the company that pioneered it. Hyundai's financial woes and the death of its Northern-born founder Chung Ju-yung have put in question these politically crucial yet uneconomic activities. Hyundai Asan's cruise tours have taken over 400,000 Southerners to Mt. Kumgang – but have lost \$300 million, mainly due to a huge \$12 million monthly fee payable to Pyongyang for six years.

Now help is at hand from both sides. In June Seoul finally agreed to bail out Hyundai Asan. It is to form a consortium with the state-run Korea National Tourist Organization (KNTO), which has been lent 90 billion won from inter-Korean cooperation funds. Similarly, months ago state-owned Korea Land Corp (Koland) quietly took a major stake in Hyundai's planned export industrial zone at Kaesong near the DMZ. While politically understandable, this aid will renew criticisms of official favoritism toward Hyundai. It also shows, arguably, how the Sunshine Policy can conflict with Kim Dae-jung's other main project, economic reform.

Earlier, Hyundai reported concessions by Pyongyang too. The North will be more flexible on payments – or maybe not, now that KNTO and Southern taxpayers are footing the bill. (The \$22 million that was overdue was paid in early July.) More significantly still, North Korea has apparently agreed to open a land route to the Kumgang zone from late next year. If true, this has a three-fold importance. Economically, Hyundai will save a fortune if it can bus tourists rather than ship them. Strategically, any breach of the DMZ has obvious security implications. Skeptics fear creating a new invasion route, but optimists see any move to make the front line more of a front door as a plus for peace. But all this needs to be discussed; so this plan is also politically positive, as it means Pyongyang must soon resume official contacts with Seoul.

For now, caution remains appropriate. The DPRK has floated many a balloon that later sank without a trace. Many in South Korea are cynical: all the more so in that North Korea has yet to finally ratify the earlier agreed road and rail link north of Seoul, on which it has also stopped work for most of the quarter (although as of June troops and equipment were said to be back on site). So, as ever, it remains to be seen if the DPRK will deliver. None of this may suffice to save the cruise tours, which were due to be suspended from June 30.

Tantalizing Business: Is IT It?

If Hyundai's push north was motivated more by sentiment than profit, other Southern firms remain cautious. The Seoul daily *JoongAng Ilbo* noted on June 24 that “not a single direct investment has been made between the two [Koreas] since the summit”, despite agreements signed last December (but as yet unratified) to facilitate business.

One hundred fifty-two Southern firms make goods – ranging from handbags and lightbulbs to computers and TVs – on a contract basis in the North, but few are ready to commit more fully. As South Korean firm LG put it, “We are not expanding . . . because inter-Korean relations are unstable and North Korea’s intentions are unclear.”

Yet the Taiwan-China precedent shows that political volatility need not preclude business cooperation. For the Koreans too the only way is up, even if the pace is slow. Two hopeful signs are a range of IT initiatives and the first joint venture in mining: a tantalum mine at Apdong, just north of the DMZ, with an annual output of a million tons but idle for the past three years. The partners are the North’s Samcholli and the South’s Sungnam. A contract is due in July and Sungnam plans to send equipment “across the border” (sic) in August.

This tantalizing prospect, for a condenser material used in mobile phones, points to one area where business cooperation is taking off: information technology. Samsung uses Northern programmers at a research center in Beijing and revealed on June 27 that it has applied to open an office in Pyongyang. On other fronts, the DPRK Education Ministry and a Christian group in Seoul are to build an IT college in Pyongyang. Its graduates may be hired by Koryo Business Town, an IT center involving Ntrack, a Southern venture startup. A competitor, hanabiz.com, plans a rival IT complex linking China and North Korea across the Yalu River. But the most serious contender may be BIT Computer, whose president Cho Hyun-jung has visited Pyongyang twice this year. Having lectured to local IT experts in February, he was back in June to plan a long overdue Internet link for the DPRK, initially to be via satellite, which he said could be operational as early as August.

Dotcom and DPRK history alike warn against counting any such chickens until they hatch. If they do, like all inter-Korean endeavors they offer opportunity and risk alike. Kim Jong-il hesitates to extend his own Web access to his subjects, while some in Seoul fear to arm the enemy with equipment or skills that could be turned against them. (A more rational U.S. paranoia would worry more about a North Korean hacker attack on Pentagon computers, than a rough rocket being lobbed Alaska-ward.) In theory, the ROK still bans the sale of Pentium-class computers to the North – even while one Southern firm, IMRI, has monitors made there. As long as Kim Dae-jung remains in power, cooperation will be encouraged whatever the risks. But if the opposition Grand National Party’s (GNP) Lee Hoi-chang succeeds him in 2003, as looks likely, Seoul may well revert to a more cautious stance – especially if Pyongyang has still not made significant concessions.

Civility Grows

Yet it may prove harder to curb what by then will be a significant new dimension: the ever growing substratum of grassroots North-South links formed by individuals and groups, who under the Sunshine Policy for the first time pretty much have *carte blanche* to act. Unification Ministry data show that in May, besides \$43.6 million in official aid (168,000 tons of fertilizer and 35,000 tons of corn), civic groups including the Federation of Korean Industries gave aid worth \$7.7 million, mainly medical or agricultural. Three

hundred twenty-eight South Korean civilians went north in May, boosting the five-month total to 499, three times as many as in the same period in 2000. As well as academic and other delegations, these include families quietly meeting kin: at vast expense, yet more fulfilling than the all too brief public spectacle of official family reunions. Though still small scale, in the Korean context all this is revolutionary and hopeful.

As is “Dr. Corn,” Kim Soon-kwon, a professor of plant genetics (and a devout Christian) who first came to fame for breeding new corn varieties for African conditions, and went north on June 25 for at least his 13th visit. This time he was due to inspect seeds sown in May and to discuss developing more drought-resistant strains of maize. An earlier seed that he developed by cross-breeding Northern and Southern varieties (a nice metaphor) is already grown in over 5,000 North Korean villages and has been credited with raising yields by a quarter. Funding problems had held up his activities for some months, but evidently he is back in business.

Testing the Waters

Sadly, generous souls like Kim Soon-kwon are not the whole story. One can never be sure of plain sailing between the Koreas, and in early June this was no metaphor. Without warning, DPRK merchant ships began taking short cuts through Southern waters (e.g., between Cheju and the South Korean mainland) and crossing the Northern Limit Line (NLL), the marine extension of the DMZ that Pyongyang has never officially accepted. Those attuned to anniversaries recall that two years ago, just one year before the summit, incursions by crab fishing boats in the West (Yellow) Sea led to the first inter-Korean naval battle since 1953. ROK ships ramming the intruders were fired on and returned fire, sinking one DPRK patrol craft and crippling others.

Not this time. To the disgust of Seoul’s conservative press and the opposition Grand National Party, the Northern freighters were allowed passage. The leak of transcripts of radio contacts to a GNP member of Parliament, querying the government’s version of events, suggests that the ROK Navy too was vexed at the lack of a more forceful response. That the North for its part did not scruple to shoot at a Southern fishing boat straying over the NLL added to the cries of appeasement. Eventually, on June 24 the ROK Navy did fire warning shots at an intruder. (Despite these antics, in July, the ROK is opening waters hitherto off-limits near the NLL for fishing with prior notification.)

This odd episode, which may or may not be ended, prompts two thoughts. The first and main one concerns Pyongyang’s motives. Now, as in 1999 – but all the more so since the summit – if North Korea wanted to discuss fishing or transit, why could it not just ask? To act as it did can only be construed as provocation. It certainly provoked a fine old row in Seoul, exposing a potentially ominous if unsurprising faultline between the Southern soldiery and their current political masters. But one need not be a hawk to query the latter’s supine reaction, especially in contrast to their firm response two years ago. That brief firefight did not derail the push for “sunshine”; even at the time, fertilizer deliveries in the same waters continued as normal. Yet since the summit the South has bent over backward to avoid upsetting the North whatever it does. That has to be a double mistake: inviting charges of appeasement at home, while Pyongyang could be

forgiven for assuming it can play Seoul for a sucker *ad infinitum*. Why “fair but firm” reciprocity should apparently be anathema to the Blue House remains a mystery.

Refugees and Human Rights

No sooner had this episode died down, than another incident exposed a parallel weakness in Seoul’s strategic armor. On June 26, a family of seven North Koreans took sanctuary in the United Nations High Commission for Refugees (UNHCR) offices in Beijing, demanding to be recognized as refugees and allowed to go to Seoul. Apparently arranged by the Japanese NGO RENK (Rescue the North Korean People), this cleverly spotlighted an issue all governments would rather ignore. Tens of thousands of North Korean refugees (estimates run as high as 300,000) live precariously in northeastern China – in constant fear of deportation to jail or torture, yet rarely helped by an ROK anxious not to offend Beijing. China insists there are no refugees and restricts UNHCR from working along the border, a stance that arguably breaches its obligations in international law.

In this case, with a vote imminent on Beijing’s bid to host the 2008 Olympic Games, after three days the family were allowed to leave “on humanitarian grounds” (but not as refugees) for a third country, and then flew on from the Philippines to Seoul – like the elite northern defector Hwang Jang-yop in 1997. But the wider issue remains and after this publicity will be harder to sweep under the carpet. Indeed their success can only encourage others, though China will doubtless tighten security. Despite all obstacles, the numbers of Northern defectors who make it to Seoul are rising fast: to 312 in 2000 and 226 so far this year. Few as they are – compared to Germany pre-1990, or refugee flows elsewhere, or the potential exodus – they are already straining the South’s paltry resettlement facilities. Much as it hopes for a soft landing, Seoul should surely have contingency plans for a deluge. Hopefully it has.

While there are responsible as well as self-serving reasons not to want to open the floodgates, to suppress this humanitarian issue is as unacceptable politically as it is morally. It must be tackled at its root, which is the DPRK’s dual dereliction: starving its people in the first place, then criminalizing them merely for seeking to eat – a response as stupid as it is vicious, since it turns the victims into that hitherto rarest species, enemies of the regime. Yet one doubts if the present ROK government will do much (the next one may be a different matter). With the U.S. in turn preoccupied with security issues, among the DPRK’s interlocutors it is European nations who are keenest to press on human rights concerns. Unyielding as ever, in this case North Korea criticized UNHCR and warned that inter-Korean relations may suffer even more.

The Weather Forecast: An End to Drought?

In June, rain finally ended months of drought in the Korean Peninsula. Will the Peninsula’s parched politics be similarly refreshed? ROK officials profess optimism; but then they would, and it may just be whistling in the dark. Straws to clutch at include the apparent concessions to Hyundai and on a second trans-DMZ route, but one would rather see the original one revived first. Also, with less than 20 months until Kim Dae-jung is

replaced by someone unlikely to be as bold or as kind, hopefully Kim Jong-il grasps that the window is closing. (If he realized this vis-à-vis Clinton, he failed to move far or fast enough.) A visit to Seoul next year, despite the delay, might boost the otherwise forlorn electoral hopes of the ruling Millennium Democratic Party.

But the dear leader also has domestic preoccupations. His 60th birthday next February might be marked by a long overdue party congress, with a possible turn to economic reform. Or he may prefer to engage with the U.S. and keep the inter-Korean process on hold or low-key. In that event, the onus will be on business and citizens to maintain the momentum and continue laying the groundwork for cooperation, against the day – hopefully not so distant – when their governments return in earnest to the tasks they launched amid such high hopes just a year ago.

Chronology of North Korea - South Korea Relations April – June 2001

Apr. 5, 2001: Seoul papers report an upsurge in Pyongyang media attacks on South Korea – such as calling its defense minister a “warmonger” – not heard since last year’s summit.

Apr. 12, 2001: North Korea’s Red Cross rebuffs a request by its Southern counterpart to resume talks on letter exchanges. This is the first official North-South contact since March 13.

Apr. 16, 2001: The Federation of Korean Industries announces a donation of a million sets of winter underwear to North Korea, which has just had its coldest winter in decades.

Apr. 26, 2001: South Korea decides to donate 200,000 tons of fertilizer to North Korea, worth \$52 million.

May 1, 2001: Northern and Southern trade unions celebrate May Day jointly at Mt. Kumgang.

May 10, 2001: South Korean officials say that North Korea has withdrawn its workforce and construction equipment, raising doubts that rail links can be reconnected by September.

May 24, 2001: The ROK government says it has abandoned plans for a joint celebration with the DPRK of the first anniversary of the inter-Korea summit meeting.

May 24, 2001: Not for the first or last time, Kim Dae-jung publicly asks Kim Jong-il to set a date for his return visit to Seoul.

June 2, 2001: Three DPRK cargo ships separately sail into or through South Korean waters, prompting controversy in Seoul over an alleged lack of military reaction.

June 6, 2001: The UN Command reports that North Korea has not responded to its proposal for a meeting of chief secretaries of the Armistice Commission to discuss maritime issues.

June 7, 2001: Kim Dong-shin, South Korea's defense minister, threatens force against any DPRK vessel that violates Southern waters, hours after one crossed the NLL.

June 10, 2001: Kim Yoon-kyu, president of Hyundai Asan, reports North Korea has agreed to open an overland route across the DMZ to Mt. Kumgang from next year.

June 14-16, 2001: Several hundred Koreans from Northern and Southern NGOs hold a semi-official celebration of the first anniversary of the North-South summit at Mt. Kumgang.

June 15, 2001: After a warning from the ROK Navy, the DPRK freighter Taedonggang moves outside the Northern Limit Line, the first Northern boat to respond to such warning.

June 24, 2001: Two ROK gunboats fire nine warning shots at a DPRK fishing vessel that violates Southern territorial waters in the most serious skirmish for two years.

June 25, 2001: North Korea marks the anniversary of the start of the Korean War as "Anti-U.S. Day." Kim Dae-jung calls for a North-South peace treaty, but pledges to defend the NLL.

June 26, 2001: Seven North Koreans of the same family, named Jang, take refuge in the UNHCR office in Beijing. They demand refugee status and safe passage to South Korea.

June 27, 2001: Samsung says it is seeking permission to open an office in Pyongyang.

June 29, 2001: The Jang family are allowed to leave China: on humanitarian grounds, but not as refugees. They reach Seoul on June 30, via Singapore and the Philippines.

China-Korea Relations:
**Economic Interests Uber Alles:
Hitting the Jackpot through Sino-Korean Partnership**

by Scott Snyder
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Driven by continuously expanding dividends from economic cooperation, Sino-Korean government and party contacts were particularly intense in the second quarter of this year. National Party Congress Chairman Li Peng and Chinese Communist Party international liaison department head Dai Bingguo visited Seoul, while South Korean Prime Minister Lee Han-dong, Foreign Minister Han Seung-soo, and Millennium Democratic Party Chairman Kim Joong-kwon paid visits to Beijing. The political prizes: strong Chinese political and psychological support for inter-Korean reconciliation at a time of difficulty in U.S.-South Korean relations and surprisingly rapid Chinese acquiescence to the early departure of a North Korean refugee family that sought asylum in late June at the Beijing offices of the UN High Commission for Refugees.

The underlying driver for such political cooperation is the economic jackpot of major South Korean participation in the opening of the Chinese CDMA (code-division multiple access) mobile phone market, combined with continued strong Korean private sector performance as a transit point and leading supplier of low-priced, quality consumer goods to the Chinese market. These burgeoning economic interests continue to overshadow possible political problems on the horizon, including the question of how to deal with future North Korean refugee cases, perceived dangers to Korean interests inherent in a potentially more confrontational U.S.-PRC relationship, and Chinese national interests and intentions as Beijing strengthens its economic and political role and support for the North Korean leadership.

Powerful Economic Payoffs of Sino-Korean Cooperation

The mutual economic benefits and logic of enhanced Sino-South Korean trade and investment can not be overemphasized and are rarely overshadowed by political considerations. ROK exports and foreign direct investment in China continue to show high rates of growth despite overall stagnation in export growth resulting from the recent slowdown of the global economy and decreased demand from the United States. For instance, South Korea's May exports showed a 7 percent decline and U.S.-bound exports dropped by 9 percent over the previous year, but exports to China remain an engine for double-digit export growth at 10 percent over last year's level. Sino-ROK bilateral trade

reached over \$31.3 billion and South Korean foreign investment in China reached over \$29.3 billion in 2000. Perhaps for the first time, \$130 million in foreign direct investment from South Korea to China during the first quarter of this year exceeded Korean investment in the United States during the same period, with China capturing over 28 percent of total Korean foreign direct investment during that period. Given the strong negative influence of the downturn of the U.S. economy on Korean economic growth prospects, it is not surprising that circumstances might draw the Korean business sector to pay even stronger attention to China as an engine for profits and economic growth estimated to continue at about 8 percent annually for the foreseeable future.

Most Koreans do not regard China's economic rise as a temporary phenomenon but as a fundamental fact of life and as a once-in-a-lifetime business opportunity. The need to maintain access to such opportunities as an engine for South Korea's own economic prosperity will increasingly be an important consideration as South Korea manages its official relationship with China. The South Korean Prime Minister's Office has projected that Sino-ROK trade will grow from the current \$30 billion/year level to over \$100 billion/year within the next five years, and many Korean analysts expect the overall size of the Chinese market to overtake that of the United States within the next decade.

In almost every South Korean business sector, the prospect of a growing Chinese market is weighing heavily on Korean calculations, with mixed effect and in some cases with important implications for global supply and demand in specific sectors as Korean producers gear up to capture Chinese market share. According to Yoo Jin-seok of the Samsung Economic Research Institute, "China will certainly one day emerge as Korea's fiercest competitor. But this is not necessarily a horror story for Korea, since China is also expected to emerge as Korea's largest export market. Accordingly, how Korea copes with the emergence of China as an economic power will determine the speed and the quality of Korea's economic growth."

The ROK's transportation sector is experiencing rapid growth as an intermediate transshipment point for the entry of goods into the Chinese northeast, primarily due to a lack of capacity and quality of service in China's own transportation sector. Expanded Korean air service at Incheon International Airport since the end of March has provided a regional gateway offering direct cargo and passenger service to many Chinese regional hubs, and Pusan surpassed Kaoshiung as the third busiest container port in the world during 2000 on the strength of its role as an off-loading and transshipment point to smaller Chinese harbors in the East China Sea that lack large container capacity.

South Korean growth plans in infrastructure development are geared primarily to help meet the vast projected Chinese demand for goods and to enhance Korea's role as the primary logistics hub for transshipment of key goods to the Chinese market. The Korea International Trade Association recently released a report suggesting that Pyeongtaek Port, originally developed as a secondary port about 70 kilometers south of Incheon, could be developed to circumvent Pusan as a primary port for export of Korean goods at low cost to the Chinese market, and recommends its expansion from the current size of 24,000 TEU (20-foot equivalent units) to 414,000 TEU by 2011. Korea's second largest

container port at Gwangyang as well as the Mokpo Port in southwest Cholla province are also slated to open expanded facilities within the next few years. The Korea National Oil Corp. (KNOC) recently signed a lease contract with China International United Petroleum & Chemicals (UNIPEC), to jointly stockpile 2 million barrels of crude oil in an arrangement motivated by China's lack of suitable capacity and South Korea's need for increased emergency oil reserves.

The biggest anticipated prizes for the ROK are in the telecommunications sector, and the initial payoff has come in the form of a \$150 million contract to Samsung Electronics to develop 1.13 million CDMA lines in Shanghai, Fujian, Tianjin, and Hubei. The South Korean government has spent considerable time and effort lobbying Chinese counterparts to support South Korean participation in China's CDMA development at virtually every senior leadership meeting since November 1998, including a visit to Beijing for meetings with PRC President Jiang and other senior Chinese leaders by Minister of Information and Communications Yang Seung-taik less than one month before the results of the first round of bidding were announced in May. Although LG Electronics got shut out of its bid to provide CDMA lines to four additional cities, the Samsung Electronics contract is likely bring with it sales of hundreds of millions of dollars worth of Korean-made telephone hand sets in the Chinese market, including those from SK Telecom and other Korean sectoral leaders. To promote Korean CDMA-related exports projected to exceed \$300 million/year, the Ministry of Information and Communication organized a road show to Beijing and Shanghai in June that resulted in export contracts worth \$41 million for the 30 Korean companies, including a \$10.6 million contract in Shanghai for Withus, a venture firm that produces repeaters used in CDMA mobile networks. China's total demand for CDMA infrastructure is estimated to be over \$2.7 billion this year and \$8.2 billion by 2003.

The drive to gear production in response to strong demand in the Chinese market is resulting in some investment and production decisions that are counter-intuitive if one takes into account only South Korea's own domestic market situation. Perhaps the best example is the recent decision by Samnam Petrochemical to expand production of TPA (teraphthalic acid), a key raw material used in polyester fiber, by over 30 percent in the next few years, despite the fact that domestic demand for TPA has decreased with the decline and transfer of Korea's textiles industrial production overseas, including to China. However, Chinese demand for TPA is projected to increase by over 15 percent annually through 2005, and Samnam is positioning itself to meet China's increased demand. Likewise, LG-Caltex is increasing production of para-xylene and benzene in anticipation of increased Chinese demand. The Korea Trade-Investment Promotion Agency (KOTRA) projects that Chinese demand for synthetic resins, which now account for 30 percent of Korean exports to China, will climb to over 24 million tons by 2005, while China's production capacity is likely to expand to only about 14 million tons by that time, leaving a more than 10 million ton shortfall to be met through imports.

Korean manufacturers are also focusing on China's manufacturing sector, and many Korean companies have already made significant inroads. KOTRA reports that a recent survey of Chinese consumers in Beijing revealed that over 20 percent of respondents

picked passenger cars as a product associated with Korea, with 16.7 percent and 11.8 percent choosing mobile phones and TV sets, respectively. LG Group has invested a total of \$1.44 billion to build 24 production bases in China including plants in Tianjin, Changsha, and Beijing, and has established itself as a major provider of reasonably priced household goods for the Chinese consumer market, now including production and sales of 10 models of DVDs at its Shanghai VCR plant. Its total production volume in China is expected to reach \$3.56 billion this year, a level sufficient to warrant a visit to LG's Pyongtaek plant by National People's Congress Chairman Li Peng during his visit in May. Kumho Tire has captured the number one position in China's tire replacement sector, and is projected to top \$100 million in sales for the first time this year. Daewoo Heavy Industry and Machinery Co. has sold 5,000 excavators since 1994, and its Chinese investments have been profitable since 1998. Daewoo attributes its success to the introduction to the Chinese market of installment payment plans to finance the purchase of its equipment. Samsung Electronics Co. launched production last month in Xuzhou of its high-tier Zipel refrigerator models as part of an effort to capture market share in China's high-end refrigerator consumer market.

The steel sector is likely to be a venue for stiff competition led by South Korea's POSCO vs. China's up-and-coming Baoshan Steel, with China's upcoming WTO entry likely to enhance Baoshan's competitiveness in international markets. China has increased year-on-year production in May by 6.6 percent, outstripping the 1.8 percent increase in Korean steel production during the same period despite a slowdown in the global steel industry and likely political repercussions as European and U.S. steel producers moved to protect their markets against global overcapacity by lobbying the U.S. government to initiate anti-dumping investigations. South Korean automobile manufacturers, including Hyundai-KIA Motors Co., are also seeking tie-ups in China. These efforts are consistent with recent predictions by the POSCO Research Institute that Chinese automobile demand will increase by 8.8 percent per year through 2005 and will increase to about 18 percent per year through 2010.

South Korean Prime Minister Lee Han-dong lobbied for the entry of more South Korean banks and insurance companies into the Chinese financial sector during his May visit to Beijing. The Korea Asset Management Corp. signed a provisional contract in June with China Great Wall Asset Management Corp. to sell its expertise in the disposal of distressed assets to the Chinese company and assisted China's Huarong Asset Management Corp. in the sale of asset-backed securities (ABS) worth 1 billion yuan. Samsung Fire and Marine Insurance Company has signed a letter of intent with the People's Insurance Company of China as a vehicle for advancing into China's auto insurance market.

ROK ties at the provincial level have also expanded as Korean trade and investment have become a more significant factor in the Chinese market. Liaoning Provincial Governor Bo Xilai led 600 government and business leaders from 14 different provincial cities for a trade show in Seoul last June, generating 24 agreements worth \$220 million in new investment. Trade with Liaoning province alone represents \$2.5 billion, or almost 10 percent of Korea's overall trade with China, and the governor announced construction of

major new expressways from Dandong, bordering North Korea's Sinuiju, to Shenyang and Dalian, hinting that in the future there may be direct expressway links between Shenyang and Seoul. KITA has also sent delegations as far as Chongqing and other western cities in China to develop Korean trade and investment ties with other provinces.

China's projected November entry into the World Trade Organization continues to be a mixed picture as it represents expanded market opportunity in China at the likely expense of Korea's long-term global economic competitiveness. The Korea International Trade Association has projected that China's WTO entry will widen Korea's bilateral trade surplus with China by \$540 million per year, but that Korean exports will decrease to third countries by \$80 million per year as a result of enhanced Chinese competitiveness in global trade.

For instance, Chinese exports are increasingly posing problems for South Korean agricultural producers, who are losing price competitiveness against inflows of China's inexpensive agricultural products. The export of Chinese garlic to the ROK had become a major trade issue last year, but this year was resolved quickly, as Seoul imposed emergency import curbs on Chinese garlic while simultaneously fulfilling its agreement to fully finance the import quota for Chinese garlic that had been determined as part of last year's settlement of the issue. Although China retaliated last year against Korean garlic import curbs by hiking tariffs on mobile phone equipment and Korean polyethylene exports, the Korean government was unsuccessful in its attempt to convince the Korean manufacturers to buy part of the garlic to be purchased under last year's garlic quota agreement, and eventually ended up purchasing garlic directly to meet the quota. Although Prime Minister Zhu Rongji took issue with Korean curbs on Chinese poultry imports in his meeting with Prime Minister Lee Han-dong, Korea has thus far avoided escalation of disputes over the flood of Chinese agricultural goods that has led this year to major trade tensions between China and Japan.

Sino-Korean Political Dialogues and Cooperation Regarding North Korea

Although the burgeoning Sino-Korean economic relationship has been the primary driver for a flurry of party and government exchanges between Seoul and Beijing during the past quarter, the consistent political objective of Kim Dae-jung has been to maintain momentum for inter-Korean reconciliation and cooperation. For its part, Beijing has been one of Kim's chief international cheerleaders and collaborators, along with the EU, during a period of difficulty and stagnation in the U.S.-ROK relationship following President Kim's March summit meeting with President Bush in Washington, D.C. China's interests in stimulating inter-Korean reconciliation have been consistently and clearly expressed. The economic and political interests of China and South Korea in supporting North Korean economic and political reforms are complementary, and China's political interest in enhancing its role as a significant player and partner of both Seoul and Pyongyang is unmistakable. In fact, as long as South Korean President Kim Dae-jung pursues his Sunshine Policy, improved relations between Beijing and Pyongyang are bound to help Beijing to assert influence and gain credit with Seoul. Chinese Communist Party leader Dai Bingguo's April visit to Seoul was in line with just

such an effort, as one of his primary purposes was to consult with Seoul over plans for PRC President Jiang Zemin to visit Pyongyang as early as September.

Moreover, China is a useful economic conduit and partner in North Korea's economic rehabilitation under current circumstances, particularly as political considerations in light of South Korea's own economic slowdown make it more difficult for President Kim to fulfill the promise of economic assistance that has been key to progress of his Sunshine Policy with North Korea. It has no doubt been in China's own interest to step up assistance to DPRK National Defense Commission Chairman Kim Jong-il in recent months, particularly following Chairman Kim's visit to Shanghai in January. Liaoning Provincial Governor Bo Xilai's pragmatic hopes that rail and highway connections may run via North Korea between Seoul and Shenyang neatly underscore the complementarity of Beijing's economic and political interests, particularly at a time of tension in the U.S.-PRC relationship. The steady flow of party and state leadership contacts has included Chinese encouragement for Kim's political efforts with North Korea as a constant refrain. South Korean diplomats take some small credit for facilitating communications at a critical point in the U.S.-PRC negotiations following the April 1 emergency landing of a U.S. EP-3 reconnaissance plane on Hainan Island, and the prospect of U.S.-PRC confrontation is distinctly unwelcome to the South Korean government's current focus on inter-Korean reconciliation. The most concrete immediate fallout from such tensions has been the increased trouble for South Korean servers that were inadvertently affected by Chinese and American hacking of Web sites on the opposing side.

Although the logic of complementary Chinese and South Korean government interests in dealing with North Korea is impeccably clear, there are already signs that the level and quality of Sino-South Korean cooperation could become a political issue if there are continued tensions in the U.S.-ROK relationship in the run-up to South Korea's presidential campaign next year. Although the emerging theme of opposition party political criticism may be "Who Lost Washington?" and the real target and terms of debate are likely to be shaped by Kim Dae-jung's efforts to conciliate North Korea, the PRC is also a potential unwitting victim of such a debate to the extent that Beijing is perceived as providing political aid and comfort to Kim rather than simply acting on the basis of its own crass – and entirely politically justifiable – economic interests with South Korea.

Clouds on the Horizon?: North Korean Refugees

One indicator of the powerful coincidence of economic and political interest between Beijing and Seoul has been Beijing's swift dispatch of a North Korean family that sought asylum at the offices of the UN High Commission for Refugees (UNHCR) in Beijing during the last week of June. Following the "Hwang Jang-yop precedent" by which the Chinese government allowed a high-ranking defector to depart for Seoul via a third country in 1997, the Chinese government quickly opted to allow the North Korean family to leave on humanitarian grounds via a third country to Seoul, and the family landed in Seoul within four days of their petition to the UNHCR in Beijing.

At first glance, Beijing's handling of the issue was a brilliant exercise in pragmatic decision-making, given that Beijing's own reputation and good behavior were on the line more than ever less than three weeks prior to the International Olympic Committee's decision regarding who will host the 2008 Olympic Games. However, this incident may be a warning sign of potential political turmoil to come over how the Chinese and South Korean governments have ignored the plight of North Korean refugees in China. This issue could become a lightning rod in South Korean domestic politics, a challenge for Sino-Korean relations, and may even become yet another issue of contention between Beijing and Washington.

To understand the symbolic importance of this issue, it is necessary to recall that the Chinese government repatriated a group of seven North Koreans who had been declared as refugees by the UNHCR in December of 1999, heightening concerns among South Korean NGOs who had been trying to assist North Korean refugees in the China-North Korea border area. Since that time, the Seoul-based Commission to Help North Korean Refugees is one group that has steadily built ties with the United Nations and other prominent activists as a vehicle for strengthening the role of UNHCR in responding to the plight of North Korean refugees by challenging and lobbying the Chinese government on this issue. Such groups have also spent much effort developing an "underground railway," through which North Korean refugees might travel to Ulan Bator or as far away as Guangzhou and Southeast Asia to apply for asylum with the South Korean government. These activists may have also assisted the North Korean family to apply for asylum with the UNHCR office in Beijing, and may be preparing to use this case as a vehicle for launching a more visible public campaign against Chinese refugee policy in the North Korea border region.

Despite growing domestic pressure in South Korea to pay greater attention to these matters, the Kim Dae-jung administration has sought to manage this issue through "quiet diplomacy," presumably including a tacit deal between Beijing and Seoul to simply look the other way while South Korean NGOs do as much as they can to take care of refugees on the border. However, this tacit agreement appears to be unraveling, and some South Korean groups, such as the Join Together Society, that had been active along the border have recently been detained and/or forced to curtail their operations in China because they began to attract too much attention to be ignored by the local authorities. Other factors likely to play into this issue include the enhanced interest among some senior members of the Bush administration and an increased interest among Republican staff members and Congressmen on Capitol Hill. Another factor will be an increasingly fractious debate over such "lightning rod" issues in the run-up to the South Korean presidential election campaign, with the distinct likelihood that there will be a political commitment to a more activist approach on these issues, possibly at the expense of further immediate progress in inter-Korean rapprochement. Despite an extraordinarily sunny outlook for Sino-Korean economic relations, new storm clouds may be gathering on the distant political horizon.

Chronology of China-Korean Relations

April - June 2001

Apr. 9-12, 2001: Dai Bingguo, head of the international liaison department of China's Communist Party, visits Seoul and meets President Kim Dae-jung.

Apr. 14-19, 2001: South Korean Information and Communication Minister Yang Seung-taik visits China as a presidential envoy with prominent South Korean business leaders.

Apr. 20, 2001: Minister Yang meets with Chinese PM Zhu Rongji to discuss ways to boost bilateral cooperation in the CDMA (code-division multiple access) industry in Beijing.

Apr. 24, 2001: ROK Commerce, Industry, and Energy Minister Chang Che-shik and Shi Guangsheng, China's minister of foreign trade and economic cooperation, sign an agreement to establish a joint committee as a standing body to encourage bilateral trade and investment.

Apr. 26, 2001: The Korea Asset Management Corp. becomes special advisor to China Huarong Asset Management Corp. for the first asset-backed securities issuance in China, worth \$150 billion.

Apr. 26, 2001: Samsung wins bidding to build 1.13 million CDMA networks, or 9 percent of the 13.3 million up for bids in the first auction, in four Chinese cities – Shanghai, Tianjin, Fujian, and Hebei – in a joint venture with Shanghai Bell.

May 6, 2001: Cheil Industries announces that it has relocated part of the facilities at its main plant in Kumi, North Kyongsang Province, to its Chinese operation in Tianjin.

May 17, 2001: The Korea Logistics Network Corp. (KL-Net) says that trade between South Korea and China will face less paperwork after an electronic data interchange (EDI) system comes on line this year.

May 21-22, 2001: Financial officials from South Korea and China open two-day talks in Seoul on increasing cooperation in the financial sector.

May 23-27, 2001: Chairman of the Standing Committee of the National People's Congress Li Peng visits Seoul to reaffirm "comprehensive cooperative relations" and to strengthen Sino-Korean economic ties through a visit to LG Electronics, one of the biggest foreign producers of consumer goods in China.

May 24, 2001: South Korean national police issue a warning on the increasing number of computer hacking attacks originating from China in the aftermath of the U.S.-China spy plane incident.

May 25-29, 2001: Kim Joong-kwon, chairman of the ruling Millennium Democratic Party (MDP), visits China at the invitation of the CCP to discuss inter-Korean rapprochement and cooperation, East Asian peace, and the recent Japanese textbook issue.

May 26, 2001: South Korean FM Han Seung-soo hints at allowing the Dalai Lama to visit during a meeting with his Chinese counterpart in Beijing.

June 8, 2001: Seoul puts in place emergency import curbs against Chinese garlic until the end of 2002 to protect Korean growers. The Trade Commission also decides to finance the cost of exhausting the import quota for Chinese garlic when private companies do not completely use up the quota during 2001 and 2002.

June 18-22, 2001: ROK PM Lee Han-dong visits China to discuss strengthening economic ties and new developments in inter-Korean relations.

June 19, 2001: Bo Xilai, governor of Liaoning Province, announces during an investment fair in Seoul that his government is now building expressways linking Dandong, located across from North Korea's Shineuiju City, with the provincial capital of Shenyang and Dailian, respectively.

June 24, 2001: Korean telecom equipment companies participating in a road show in China net contracts worth \$51.6 million, according to the ROK Ministry of Information and Communication.

June 30, 2001: The South Korean government welcomes to Seoul seven North Korean defectors who had sought asylum at the UNHCR office in Beijing.

June 30, 2001: A fishery agreement signed in April between South Korea and China comes into force. The four-year agreement allows South Korea to send 1,402 fishing boats into the Chinese EEZ for a quota of 90,000 tons of fish, while 2,796 Chinese fishing boats are allowed to operate in South Korea's EEZ for a catch of 164,400 tons.

Japan-China Relations: Trouble Starts with "T"

by James J. Przystup
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Over the March-June quarter, a stream of sensitive issues converged to roil Japan's relations with China. In short order, the government's approval of new history textbooks; the approval of a visa for Taiwan's former President Lee Teng-hui; a looming trade war; Foreign Minister Tanaka Makiko's attempts to deal with Taiwan and the visa issue; and finally Prime Minister Koizumi Junichiro's expressed intention to visit the Yasukuni Shrine kept bureaucrats, diplomats, political leaders, and the media busy in both Tokyo and Beijing.

At the same time, Sino-American relations also moved in a downward spiral. The long standoff over the EP-3 surveillance aircraft, the Bush administration's plans for missile defense, a rumored shift in the focus of United States security strategy from Europe to Asia, and an increasing tendency to define U.S.-China relations in adversarial terms posed increasing challenges to Japanese diplomacy. Tokyo found itself on the sidelines but increasingly being drawn into the middle.

Trade Tensions with China

Reacting to a continuing surge in Chinese agricultural exports and to pressures from Japan's politically influential agricultural sector, and with an important Upper House election in sight, the Japanese government, on April 23, imposed temporary safeguards on the importation of leeks, shitake mushrooms, and straw used in fashioning tatami mats from China. The import curbs are to last 200 days.

An *Asahi Shimbun* report of the action also pointed to growing protectionist pressures across Japan's agricultural and industrial sectors with respect to imports from South Korea and Taiwan. Within a month of the announcement, Japan's footwear, towel, and necktie industries were lining up to seek similar import relief. In Tokyo, the government defended the decision as being in accord with World Trade Organization (WTO) permitted actions, while arguing that the strict and careful implementation of the safeguards would not allow it to be considered a retreat to protectionism. Meanwhile Japanese trading companies, with significant interests in China, found the decision regrettable, saying that it failed to advance free trade and would only serve to increase costs to the Japanese consumer.

In Beijing, Gao Yan, spokesperson for the Ministry of Foreign Trade and Economic Cooperation (MOFTEC), asked the Japanese government to rescind the decision, while making clear that, should the safeguards continue in effect, China would have to consider an appropriate response. Gao charged that the actions did not comport with WTO rules. Less than two weeks later, during the ASEAN Plus Three meeting in Cambodia, MOFTEC Minister Shi Guangsheng announced China's intention to take retaliatory steps.

Initially, this involved tightening the inspection of wooden shipping crates used in the export of Japanese goods. A survey of 486 Japanese companies, conducted by Japan's Ministry of Economics, Trade, and Industry (METI) from April through mid-May, revealed only 21 cases in which Japanese exports were affected. METI did not consider China's action as retaliation against Japan's safeguards. At the same time, within METI, it was reported that officials strongly believed that China would not go beyond the tightening of inspection standards in response to safeguards.

On June 5, at a separate Japan-China meeting during the APEC trade ministers' meeting in Shanghai, Shi Guangsheng cited Japan's imposition of safeguards as a move against free trade. Later at a joint press conference, Shi warned that if Japan "repeats its assertions, we will have the right to take additional action."

On June 19, Beijing did just that, announcing its decision to raise tariffs on imports of automobiles, cell phones, and air conditioners from Japan. The Foreign Ministry's deputy press spokesperson, Zhang Qiyue, made clear that "We want Japan to correct its erroneous decision and recognize the negative impact of such a decision on trade between China and Japan." At the Japanese Embassy in Beijing, a senior official considered the targeted goods as "symbolic items" (automobiles, mobile phones, and air-conditioners account for only 1.8 percent of Japan's trade with China); the real impact, he judged, will be to "cause major psychological damage to Japan."

The message was clearly heard in Tokyo. Prime Minister Koizumi responded by saying that "it is appropriate to listen to what they have to say" and calling for talks with Beijing in order to "improve the situation in a calm and constructive manner." Japan, he advised, "had better not take the types of steps that could rock the boat." Japanese press analysis viewed Beijing's action as largely symbolic but aimed at producing a negotiated settlement of the trade issues.

Two days later, Beijing announced the new tariff rate, a 100 percent duty, on automobiles, cell phones, and air conditioners, starting June 22. In response, METI Minister Hiranuma Takeo, labeled the Chinese action "not justifiable in light of the World Trade Organization's agreement and even the Japan-China trade accord" and urged that it be "retracted as soon as possible." In Beijing, the Japanese ambassador filed a protest with MOFTEC. The next day in Tokyo, the Foreign Ministry's spokesperson defended the government's safeguards decision as WTO compliant and appealed to Beijing to "solve the issue constructively and calmly based on WTO agreements and the Japan-China trade agreement."

Textbooks and History

On April 3, Japan's Ministry of Education gave final approval to textbooks for the coming school year. Among the texts approved was one submitted by the Association for the Writing of New History Textbooks (see "The Past is Always Present," *Comparative Connections*, Vol. 3 No. 1).

China's response came the following day. In Beijing, Foreign Minister Tang Jiaxuan called in Japan's ambassador, Anami Koreshige, to protest Tokyo's decision. The foreign minister noted that China had "urged the Japanese government to stop the release of the textbook that denies and whitewashes the history of Japanese aggression." Tang observed that Japan had "disregarded China's solemn position" and that as a result China "is strongly dissatisfied with and indignant at the Japanese action."

Tang went on to warn that once used the textbook "will definitely poison the Japanese education on history and lay a landmine of hidden danger for the future of Japan." Concluding, the foreign minister stressed that the "political basis of Sino-Japanese relations lies in the appropriate view and handling of the aggressive history of the Japanese militarists." He urged Japan to "learn from the past experience and face up to the future."

In Tokyo, the Foreign Ministry's deputy spokesperson, Harada Chikahito, reiterated the statement of Chief Cabinet Secretary Fukuda Yasuo that textbook authorization in Japan rests on the "basic principle that a diverse range of textbooks employing the creativity and originality of the private-sector authors and editors will be published, without the government defining specific historical perspectives or outlooks." As for the government's basis recognition of its history, Harada referred to the statement of then Prime Minister Murayama Tomiichi on Aug. 15, 1995. He went on to point out that there is "no change" in this position in the present government.

In an April 29 interview published in the *Asahi Shimbun*, newly appointed Foreign Minister Tanaka Makiko was asked her thoughts on the Chinese and Korean reaction to the new history textbooks. She replied that, even before entering her new office, she felt there were some people who were intent on "twisting reality" and that this was even true with some members of the Diet in their approach to handling post-war problems. Tanaka remarked some members had made "unbelievable pronouncements." With regard to the textbook issue, Tanaka said she would make every effort through diplomacy to move things in a positive direction.

On May 24 Tanaka met with Tang in Beijing. Tang is reported to have told Tanaka that the textbook issue raised fundamental problems with respect to whether or not Japan had truly confronted its history of aggression and how the next generation will be taught. Tanaka told her Chinese counterpart that she was truly troubled with regard to the matter. That said, she went on to point out that authorized textbooks should not be understood as having to be in agreement with the views of the government. As for the eight points raised by China for correction, Tanaka said that they were under careful investigation by

the Education Ministry. This position, the *Asahi Shimbun* report of the meeting noted, differed from that of the previous government.

On June 1, the textbook went on sale in Tokyo and across Japan the following week. According to the *Asahi Shimbun*, one store in Tokyo sold 245 copies in two days, while a second sold 150 in three days.

Taiwan, Lee Teng-Hui, and History

In April, the long-building controversy over whether to allow Taiwan's former President Lee Teng-Hui to visit Japan reached a denouement. Since leaving office in May last year, Lee, and pro-Taiwan supporters in Japan, on several occasions had made clear his interest in visiting Japan, although he never filed a formal visa application. Thus, when asked at an April 6 press conference about the issuance of a visa for Lee, the Foreign Ministry's spokesperson replied that, while he was aware of media reports, the government had "not yet received an application for a visa."

On April 10, the *Asahi Shimbun* reported that the government had decided not to respond to a visa request from Lee. But, the *Asahi* also reported that close associates of Prime Minister Mori Yoshiro were advocating that, on humanitarian grounds, Lee be granted a temporary visa to allow him to visit Japan for treatment of his heart condition. Nevertheless, given the on-going textbook controversy and China's strong opposition to a Lee visit, the Foreign Ministry and pro-China factions within the Liberal Democratic Party (LDP) argued that granting the visa would be tantamount to pouring gasoline on an already smoldering fire.

Thus, at an April 10 press conference, the Foreign Ministry took the line that it had not received a formal visa application from Lee. However, an *Asahi* story from Taipei reported that Lee had submitted a visa request to Japan's unofficial relations office. The *Asahi* story also reported that the Japanese office in Taipei denied that a visa application had been made.

Over the next nine days, an intense public debate played out among pro-Taiwan and pro-China factions within Japan's political parties, the Foreign Ministry, and Japan's top political leadership, in particular between Prime Minister Mori and Foreign Minister Kono Yohei. Meanwhile, the Chinese Foreign Ministry was making it clear that China was "resolutely opposed to a visit however it was packaged," and hoped that the Japanese government would take steps to prevent it. China's *Xinhua* news agency argued that Lee was no ordinary citizen and that his purpose was clearly political. Accordingly, it asked that Japan take steps so as to not damage the bilateral relationship.

On April 20, the Japanese government announced its decision to grant Lee a visa, on humanitarian grounds, for medical treatment and on the condition that he not engage in any political activity.

Beijing was not buying the visa on any grounds or under any conditions. On the same day, China's ambassador to Japan, Chen Jian, met with Vice Foreign Minister Kawashima Yutaka to protest the decision. Chen made clear that China saw the visit as a plot to advance Taiwan's independence and as trampling on the foundations of Sino-Japanese relations. At a time when relations were already troubled by the textbook issue and Japan's failure to respond to Chinese concerns about history, the emergence of Taiwan as an issue made a Chinese response inevitable.

In Beijing, China's Vice Foreign Minister Wang Yi called in the Japanese ambassador and made "solemn representations" with respect to the visa decision. Wang pointed out that China had "through various channels repeatedly expounded the serious political nature of Lee's visit and demanded that Japan observe the fundamental principles of the Sino-Japanese Joint Statement and the Sino-Japanese Joint Declaration and deter Lee from visiting Japan." He made clear that China saw Lee's activities as aimed at "splitting China" and that Lee's purpose in coming to Japan was "to peddle his 'Taiwan Independence' policy and seek support there." The vice minister referred to Japan's clear commitments to support Beijing's "one China" principle and emphasized that "nothing is more important than keeping one's word in dealing with relations between two countries."

Shortly thereafter Beijing announced the postponement of Li Peng's scheduled May visit to Japan as well as that of a delegation of officials from Liaoning Province, led by Governor Bo Xilai. (On June 13, Beijing announced that the Bo visit would take place at the end of June.)

That evening, Foreign Minister Kono spoke with reporters to announce that the decision to grant the visa "would not have any influence whatsoever with respect to Japan's relations with China. Japan was not taking a 'Two China's' or 'one China, one Taiwan' policy."

Lee visited Japan April 22-26. The Japanese press reported that *Xinhua* did not make any reference to Lee's arrival in its domestic market. This was interpreted as meaning that China, while expressing its intention to protest the visa strongly, was, at the same time, restraining domestic criticism of Japan and hopeful of developing relations with Japan after the LDP election to replace Prime Minister Mori.

While paying careful attention to China's attitude, Japanese sources felt that the growing economic interdependence between the two countries would serve to limit damage to the relationship and that China was prepared to separate economics, culture, and sports from politics. The head of Marubeni's Economic Research Institute, Miama Testuhide, predicted that retaliatory actions, like the postponement of Li Peng's visit, would have little influence on the large-scale plant projects in which Japanese companies were engaged.

Chinese reporting on the visit, while criticizing Japan for granting the visa, portrayed the visit as a setback for Lee, noting Lee was not allowed to meet with pro-Taiwanese

members of the Diet and the media at the airport; neither was the ROC flag allowed to be displayed in front of his lodging. In short, he was given the cold shoulder in Japan and returned disheartened to Taiwan.

A New Team and the Visa Issue

In late April, Japan had a new prime minister, Koizumi Junichiro, and a new foreign minister, Tanaka Makiko. Tanaka is the daughter of former Prime Minister Tanaka Kakuei, who normalized relations with China in 1972. Both Koizumi and Tanaka early on made clear the importance they attached to Japan's relations with China and their intention to repair relations with China. Beijing welcomed the new team in Tokyo and expressed its hopes for an improvement in Sino-Japanese relations.

Shortly after entering office, on May 7, the new foreign minister called her Chinese counterpart, Tang Jiaxuan, and announced her intention to meet with him later in the month during the Asia-Europe Meeting (ASEM) in Beijing. Both agreed to work together to repair the bilateral relationship. On the textbook issue and Japan's recognition of history, Tanaka pointed to the 1995 statement of former Prime Minister Murayama and noted that there was no change in the government's position. As for Taiwan, Tanaka made clear that Japan's position toward the Taiwan problem rests on the 1972 joint communiqué, is unchanging in support of the "one China" principle, and does not support Taiwan's independence. Finally, with respect to the visa issue, Tanaka said any future application would be handled with careful deliberation in accordance with the above stated principles.

However, the press was soon reporting that more may have been said on the visa issue. A *Sankei Shimbun* report quoted China's Foreign Ministry spokesman to the effect that during the May 7 telephone conversation, Tanaka told Tang that "even if there is a request, Japan will not recognize it." The *Asahi Shimbun* quoted Japanese Foreign Ministry-related sources to the effect that Tanaka told Tang that the Mori government "had decided the issue without paying sufficient attention to the matter. Hereafter, if there the same application is made, it would have to be said to be unreasonable."

The matter came to the attention of the Upper House Budget Committee on May 21. When questioned about the conversation, Tanaka gave a diplomatic non-response, saying that in the issuing of any visa the government would follow customary practice, consider the circumstances, and act accordingly. The foreign minister, however, denied remarks attributed to her during the conversation to the effect that the previous government had decided the visa issue "without sufficient attention." When the prime minister was asked what he thought of Tanaka's response, he replied that he had "no problem whatsoever." However, a press report commented that if Tanaka had acted on her own during the May 7 conversation and, without gaining Cabinet consensus and assent, committed the government, her words could severely constrain future diplomacy toward China.

On May 24, Tanaka and Tang met in Beijing during the ASEM meeting. Again, the visa issue surfaced. Various Japanese press sources reported that the Chinese foreign minister

had requested that Tanaka not allow Lee to enter Japan again. This led to questions whether Tang had “requested” or merely “asked” or simply “hoped” that Japan would endeavor not to allow this to happen again. Both ministers reiterated well-worn talking points on the textbook issue, on Taiwan, and on the developing issue of Prime Minister Koizumi’s visit to the Yasukuni Shrine.

A New Prime Minister Deals with History

During the LDP campaign to succeed out-going Party President and Prime Minister Mori Yoshiro, each of the four major candidates made clear his intention to visit the Yasukuni Shrine. Candidate Koizumi thought it only “natural” for a political leader to do so and declared that, if elected prime minister, he would make an official visit to honor Japan’s war dead. At Yasukuni, the spirits of Japan’s war dead are enshrined, including those of class-A war criminals like war-time Prime Minister Tojo Hideki.

On April 24, China’s Foreign Ministry spokesman expressed the hope that candidates contending for the prime minister’s position would respect communiqués that are the foundation of Sino-Japanese relations and not take steps that would worsen relations. As prime minister, Koizumi shifted to a more ambiguous position on the Yasukuni visit. On May 9 Chief Cabinet Secretary Fukuda told reporters that a decision with respect to visiting the shrine would be decided after carefully considering the situation at the time and then a decision would be made as to whether to make a public visit. In any case, he emphasized that issue remained undecided. On May 10, Koizumi told the Lower House that his intention of paying his respects to the war dead remained unchanged, but that it was his intention to do so in a private capacity.

Beijing’s response came the next day through the Foreign Ministry’s spokesperson, who labeled Yasukuni as “the symbol of expansion and aggression” and asserted that “the crux of the matter is how the Japanese government and Japanese leaders see and approach its history of aggression.” On May 17, Beijing raised the level of its representation when Vice Foreign Minister Wang Yi called in the Japanese ambassador. Going beyond the spokesperson’s comments, Wang stressed that “as the largest victim nation of the war of aggression launched by Japanese militarism, China naturally opposes visits to the Yasukuni Shrine in whatever form by government leaders of Japan.” He went on to charge that such acts “are apparently aimed at fundamentally shaking the political foundation of bilateral relations.”

On May 18, prior to departing for the ASEM meeting in Beijing, Foreign Minister Tanaka was questioned about Yasukuni visits. While stating that she had no intention of visiting the shrine as foreign minister, she announced that on April 30, shortly after assuming office, she did visit Yasukuni on her way home. During the Tanaka-Tang meeting on the May 24, Tang told Tanaka that Japan should “learn from lessons of the 1980s and the 1990s when the issue greatly impaired Japan’s relations with its Asian neighbors.” He hoped that Japan would “honor its solemn commitments of looking squarely at and introspecting Japan’s history.”

At the end of the month, the prime minister told the Diet of his intention to visit the shrine on August 15 in order to demonstrate Japan's peace-loving nature and commitment never to resort to force. He saw his visit as defusing Yasukuni Shrine as a diplomatic issue, while recognizing that Japan would have to make sincere efforts to ease resentments and promote mutual understanding. Also at the end of the month, Chinese President Jiang Zemin, for the first time, weighed in on the issue. Addressing a group representing the ROK's governing Millennium Democratic Party, Jiang stated that Koizumi's intention to visit the shrine "overlooks that its conduct would pay tribute to the spirits of Japanese militarists."

ODA: More Cuts Coming

In early June, Finance Minister Shiokawa Masajiro told fellow LDP members of his intention to cut Japan's foreign assistance program another 10 percent in the coming fiscal year, 2002. This would come on top of the 3 percent cut in the current fiscal year. Without specifying a number, Prime Minister Koizumi has likewise raised the issue of further cuts in the foreign assistance budget. In the context of budget cutting, Foreign Minister Tanaka remarked that not even China is sacred ground.

Also, in contrast to past practices of authorizing a lump sum for China over an extended five- or six-year period, the government will evaluate and approve individual projects on a yearly basis. At the same time, Tokyo will shift the geographic focus of its Overseas Development Assistance (ODA) funding from China's eastern coast to the western interior. Operationally, Tokyo will shift from large-scale infrastructure projects to projects focused on the environment, human resource development, and China's WTO accession.

The LDP-led review and restructuring of Japan's ODA program and the China package is being driven by Japan's long economic slump, its constrained financial picture, as well as by China's accelerating growth, its military build-up, the textbook issue, and an overall worsening in Japanese feelings toward China.

Return of the Chinese Ships

At the end of April, reports of Chinese research ships operating in Japan's Exclusive Economic Zone resurfaced. A month later, in a *Sankei* op-ed, Hiramatsu Shigeo, a professor at Kyorin University, charged that the three ships operating in Japanese waters were mapping contours of the sea-bed and not conducting scientific research as allowed under the prior notification agreement agreed to in February. While the professor was concerned that such activities were detrimental to Japan's interest, he noted that the Foreign Ministry saw them as scientific research activities and thus not a problem.

In June, the *Sankei* reported that the Foreign Ministry had allowed 11 of the 13 Chinese ships, which had applied under the prior notification, to carry out scientific research. The problem, according to a *Sankei* source, was that the activities again related to mapping the sea-bed and were "illegal." Moreover, the article noted that Chinese research

activities are now taking place in waters closer to the Japanese home islands where deposits of oil and natural gas are considered likely to exist.

And the Good News

Even as the safeguards issue roiled economic relations, Japanese companies continued to develop positions in the China market.

In April, Isuzu announced that it would begin to import buses, which it is manufacturing in China with its joint venture partner. This would mark the first full-scale importation into Japan of vehicles produced in China. Isuzu is also producing light trucks and buses in China for the domestic market. Isuzu's Chongqing plant has the capacity of producing 100,000 light trucks per year, while the Guangzhou plant can produce 1,000 buses. Meanwhile Honda announced that it was considering importing scooters manufactured in China or India with the intention of selling at a price under 100,000 yen.

In May, Sony was working on developing a partnership with Liuhewantong Micro-Electronic Technology Corporation to design large-scale integrated circuits for household appliances.

Japan's Recruit Group was reported to launch a project that would invite Chinese technicians to Japan as part of a business partnership with China's Beidafungzheng, a software leader in the domestic market. Japan's General Engineering announced plans to open an IT training school in Beijing in conjunction with several Chinese universities. The purpose is to send Chinese graduates to work in Japan.

Nippon Steel agreed to provide China's Baoshan Iron and Steel with technical assistance in the construction and operation of two new plants to produce plate steel and cold rolled steel. The new plants will be located at Baoshan's Shanghai complex.

Canon announced that it will construct a photocopier plant in Suzhou to manufacture for both China's domestic and export markets. Plant construction is scheduled for completion in 2004. When up and running it is estimated that the plant will employ 3,500 and produce 20,000 machines per month

Telecommunications tie-ups also advanced in June with KDDI announcing agreement with China Unicom on a comprehensive business and technology tie-up. China Unicom, with a 22 percent share of China's cell-phone market, will benefit from KDDI's technologies, which allow Internet and international communication access from hand-held phones. At the same time, KDDI will gain a foothold in China's booming cell-phone market in advance of China's entry into the WTO. Also, NTT Communication reached agreement on business cooperation with China Telecom with the same objective of strategically positioning NTT in China's telecommunication market prior to its accession to the WTO.

Japan and the U.S.-China relationship: On the Sidelines but...

Over the past three months, developments in U.S.-China relations, in particular the long standoff over the EP-3 aircraft and the Bush administration's plans for missile defense, not only posed immediate diplomatic problems for Tokyo but previewed future trends and choices.

At the Foreign Ministry's April 3 press conference, Spokesperson Hattori Norio was asked, in relation to the EP-3 incident, if the government "was nervous about the increased antagonism between China and the United States?" Hattori's diplomatic answer was that "good relations between the United States and the People's Republic of China are critical for the peace and stability of this region." Thus the Japanese government hoped to see a resolution of the issue in "a very swift and smooth manner."

Missile defense raised a number of issues for Japan.

One is constitutional: Can Japan participate in the Bush administration's missile defense plan without violating constitutional restrictions on the right of collective self-defense? The Bush administration's position on missile defenses publicly had erased the existing demarcation line between national and theater missile defense. Thus, if a missile were launched and intercepted without knowing its actual target, it would be difficult to argue that Japanese participation in the destruction of the missile was solely for the defense of Japan.

A second issue is Beijing's resolute opposition to missile defense in any form. In a number of conversations, which were leaked to the press, Foreign Minister Tanaka repeatedly expressed concerns with the Bush administration's plans.

The Japanese press reported on the shifting focus of United States strategy, from Europe to Asia, comprehensively covering the May 15 RAND report on Asia strategy, its definition of China as the major challenge, and its "engagement-containment" approach to Beijing. Reporting on the Bush administration's missile defense consultations, the *Nihon Keizai Shimbun* on June 8 asserted that the U.S. "has formed an encircling net around China."

Bush administration officials communicated similar views on China to visiting senior Japanese political leaders. Deputy Secretary of State Richard Armitage and Deputy Secretary of Defense Paul Wolfowitz were reported to have told a delegation led by LDP Secretary General Yamazaki Taku that China, not the Korean Peninsula, was the problem in Asia. On his return to Tokyo, Yamazaki reported to the prime minister that the Bush administration will be very interested in learning his government's views on China when he visits Washington. That's where next quarter's reporting will begin.

Chronology of Japan-China Relations

April – June 2001

Apr. 3, 2001: Japan authorizes new history textbooks.

Apr. 4, 2001: China's foreign minister protests textbook decision to Japanese ambassador.

Apr. 20, 2001: Japan announces visa for Taiwan's former President Lee Teng-hui on humanitarian grounds.

Apr. 20, 2001: China's vice minister for foreign affairs protests visa to Japanese ambassador.

Apr. 22-26, 2001: Lee Teng-hui visits Japan; he is not allowed to use the visit for political ends.

Apr. 23, 2001: Japan imposes temporary safeguards on Chinese agricultural products.

End of Apr. 2001: Chinese maritime research ships return to Japanese waters.

May 7, 2001: Foreign Ministers Tanaka and Tang hold telephone conversation on textbooks, history, Taiwan, and Lee visa.

May 10, 2001: Prime Minister Koizumi announces his intention to visit Yasukuni Shrine.

May 11, 2001: China's Foreign Ministry spokesperson protests the pending Yasukuni visit.

May 17, 2001: China's vice minister of foreign affairs protests Yasukuni visit to Japanese ambassador.

May 24, 2001: Foreign Ministers Tanaka and Tang meet in Beijing to review outstanding issues in Japan-China relations.

June 1, 2001: New history textbooks go on sale in Japan.

June 5, 2001: China warns that it will retaliate if Japan refuses to reverse safeguards decision.

June 19, 2001: China announces decision to raise tariff rates on Japanese automobiles, cell phones, and air-conditioners.

June 21, 2001: China announces the new tariff rate, 100 percent, for Japanese automobiles, cell phones, and air conditioners.

Japan-Korea Relations: Questions, Questions, and More Questions...

by Victor D. Cha
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Three questions drive this quarter's analysis of Japan-Korea relations. First, how does one explain the downturn in Seoul-Tokyo relations? Second, what is the likelihood of any new movement in Japan-DPRK normalization dialogue? And third, what is the status of trilateral coordination with Seoul and Tokyo vis-à-vis the new Bush administration?

The Perplexing Nature of Seoul-Tokyo Relations: Same as It Ever Was?

A basic puzzle emerges with regard to the row between Japan and South Korea over textbooks: how does a relationship backslide so dramatically after having been solidly on the path to reconciliation and cooperation since the Kim Dae-jung-Obuchi Keizo summit in October 1998? Less than nine months ago, Seoul-Tokyo relations were humming along with new political commitments to put history behind, improving security dialogue and coordination, and opening a new era in this troubled relationship. In stark contrast this quarter witnessed, among other events, Seoul's recall of its ambassador (April 10), filing of formal diplomatic protests, postponement of joint maritime exercises (May 8), and postponement of joint parliamentarians meetings . . . all because of textbooks. How does one explain this about-face in the relationship?

The pedestrian answer is that things are the same as they ever were. The 2001 textbook controversy destined the Kim-Obuchi summit to the historical trash heap of initiatives dating back to those of Kim Young-sam and Hashimoto Ryutaro in the 1990s, Chun Doo-hwan and Nakasone Yasuhiro in the 1980s, and Park Chung-hee and Sato Eisaku in the 1970s. Talk of a "new era" in relations, sooner or later, succumbs to the demons of history. Not helping matters in this instance was the fact that the Japanese Education Ministry actually approved the controversial textbook revisions that allegedly whitewashed Japan's wartime history (April 3), which had not been the case in other instances of this recurring problem (see "History Haunts, Engagement Dilemmas" *Comparative Connections* Vol. 3, No. 1).

Yet such a response denies that any substantial and positive changes have taken place in Japan-ROK relations. As argued in past issues (see "The Roller Coaster of Expectations" *Comparative Connections* Vol. 2 No. 2), this assessment is wholly untrue and overlooks

important advances in relations. What happened in Seoul-Tokyo relations this past quarter was as much about domestic politics as it was about history and textbooks. In short, it was the wrong issue at the wrong time.

The controversy arose at a time of extreme weakness for the Kim Dae-jung government. Beleaguered by a weak economy, stagnation in North-South relations (as the Bush policy review took place), and an increasingly critical political opposition (smelling lame duck status), Kim Dae-jung's popularity ratings were at their lowest point in his presidency. Given these circumstances, the government could not help but take the hard line on textbooks, recalling its ambassador (April 10) and filing formal protests. Media reports questioned this act as a premature escalation of the dispute that went against Seoul's previous commitments not to allow the issue to spin out of control, but arguably there was a strategy behind this action wholly in line with earlier commitments. Kim sought to appease domestic sentiment with decisive action, take it off the front pages, and work quietly behind the scenes for a resolution. Unfortunately, the absence of other issues kept the national spotlight focused on textbooks and made Kim a prisoner of his own strategy. Having already set the bar high by recalling the ambassador, he could not afford more moderate measures when Tokyo did not respond promptly to ROK entreaties.

Domestic politics factored into Japan's behavior as well. The issue broke well in the midst of a lame duck Mori government and the key decision point in the dispute (i.e., approval of the textbook revisions) came during a transition in the Japanese government. Then Prime Minister Mori Yoshiro was not only on his way out (he announced his resignation three days after the textbook approval), but Koizumi Junichiro was not in place until a good three weeks thereafter. Moreover, once in office and enamored with very high popularity ratings, the new premier arguably had little incentive to draw on this reservoir of goodwill when there clearly are other unpopular issues down the road (i.e., missile defense, and economic packages).

Thus, there is no denying that historical animosity still lives in Seoul-Tokyo relations, but its current negative imprint is the result of an unfortunate confluence of timing and domestic politics (not to mention the Bush "time-out" on North Korea, which robbed Seoul and Tokyo of an overarching imperative for the two countries to work toward). Any skeptics of this viewpoint are reminded of the quarter's events that reinforced the overall positive direction in relations. Despite the friction over textbooks, the two countries stuck to most of their diplomatic schedule, including high-level economic talks on a free trade agreement (June); on the environment (trilaterally with China in April); on the removal of visa requirements for travel (May); on inclusion of Japan in the Tumen River project (April 6); on steel (April); and on preparations for the World Cup. Japanese Foreign Minister Kono Yohei admitted in correspondence with South Korean counterparts that the viewpoints in the textbook do not necessarily reflect those of the government (April 16). His successor, Tanaka Makiko, in meetings with Foreign Minister Han Seung-soo (May 26) reaffirmed Japan's earnest view on history as set forth in 1995 by Prime Minister Murayama Tomiichi. Informed American observers also note a sensitivity and sense of urgency informing Japan-ROK discussions on this issue in a

manner less evident in Japan-China interaction, attesting to the common values and visions that underlie the former relationship.

Japan-DPRK Relations: Going to Disneyland

There was no movement on the Japan-DPRK front this past quarter. The one development was the bizarre deportation case of a man believed to be Kim Jong-il's eldest son, Kim Jong-nam (born to Kim's second wife Song Hye-rim in 1971). Immigration officers detained the man and his party of three at Narita airport for fraudulent travel documents. Although the papers reported on the man's identity and how his alleged itinerary in Japan included a trip to Disneyworld, of more interest was the intense behind-the-scenes deliberations between the Foreign Ministry and National Police Agency (as well as the Justice Ministry and Prime Minister's Office) about how to deal with the case. The police agency called for the arrest and interrogation of Kim, among other reasons, for the purpose of positively identifying the detainees. The Foreign Ministry intervened, however, calling for immediate deportation to avoid an international and domestic crisis that might only further irritate Japan-DPRK relations. Matters were further complicated by the fact that Japan could not return Kim directly to the North (as Japan has no diplomatic relations with the DPRK) without entering into extraordinary negotiations. As a result, Kim eventually was sent to China. Optimists might see this incident as an opportunity for an improvement of relations as Tokyo's proactive decisions saved Kim Jong-il from a potentially embarrassing situation. Wishful thinking. It will take more than a little face-saving to get the truculent North Koreans to the bargaining table (see below).

Trilateral Coordination: Small Victories

The quarter saw one formal Trilateral Coordination and Oversight Group (TCOG) meeting but there were other forms of trilateral policy coordination as well (e.g., Deputy Secretary of State Richard Armitage's visits to Tokyo and Seoul May 9-11 and former Defense Secretary William Perry's track two dialogues in Honolulu). While the meetings themselves reflect the importance of continuing this institution for the Bush administration, perhaps of most significance was what did *not* happen as a result of these meetings. Press reports and the buzz in Washington prior to Armitage's trip in particular suggested that the U.S. was going to the region to "consult" with allies on opening a discussion on revision of the Agreed Framework.

There are two types of silence the U.S. experiences from its Asian allies. One type signals the quiet but confident support of U.S. policies and presence in the region. The other type of silence is more uneasy, signaling doubts and even opposition to U.S. plans. Individuals in Tokyo and Seoul in official and unofficial venues were uncharacteristically direct and unambiguous in "communicating" to U.S. counterparts the latter silence about their opposition to U.S. attempts at unilaterally leading a discussion on revision of the Agreed Framework. That the U.S. was bound by these views and has not blazed down this alternate path (often discussed during the transition), is testament to the resilience of trilateral coordination.

Outlook

One very negative effect of the textbook row was the postponement of scheduled Japan-ROK maritime search and rescue exercises (May 8). This was to be the second of these exercises (scheduled for early June) that represented an important step forward in Japan-ROK security cooperation. The next slated event is visits in July by Japanese defense officials. If the textbook issue further inflames relations, this could be the next casualty. Also of concern will be how much the current atmosphere of historical friction in South Korea will influence Korean perceptions of Koizumi's statements about re-evaluating the traditional interpretation of Japan's right of collective self-defense.

Stay tuned in Tokyo-Pyongyang relations for a proposal by Japan to deal with the DPRK's Nodong missile exports. There was some speculation this past quarter that the Foreign Ministry has been putting together draft plans to "purchase" all of the North's missile exports to the Middle East. Whether this surfaces formally in the next quarter is hard to tell, but if money talks with the North, then this certainly adds more of it to the normalization equation.

Chronology of Japan-Korea Relations April-June 2001¹

Apr. 3, 2001: Japanese Education Ministry approves the controversial new junior high school history textbook that contains/omits passages allegedly whitewashing past actions during World War II.

Apr. 4, 2001: South Korean FM Han Seung-soo files formal protest over the controversial textbooks.

Apr. 5, 2001: Japanese Supreme Court rejects demands by two ROK citizens for wartime disability pensions while fighting for the Japanese Imperial Army during World War II.

Apr. 6, 2001: The ROK, China, Russia, and Mongolia agree to invite Japan to join the Tumen River Area Development Project.

1. Chronology compiled with research assistance of Ouchi Miyuki.

Apr. 8, 2001: Environment ministers from Japan, South Korea, and China release a joint statement requesting the U.S. positive commitment toward the Kyoto Protocol.

Apr., 8, 2001: ASEAN Plus Three vice finance ministers meet in Kuala Lumpur to discuss measures to stabilize Asia's financial markets hit by dollar's rise versus the yen.

Apr. 9, 2001: The 4th Korea-Japan Steel Dialogue is held.

Apr. 9, 2001: Seoul leaders of the Korea-Japan Parliamentarians Union (KJPU) indefinitely postpone the annual KJPU general assembly slated for May 4-6 in Seoul due to the textbook issue.

Apr. 10, 2001: South Korean Ambassador to Japan Choi Sang-yong temporarily returns home to protest Japan's authorization of controversial textbooks.

Apr. 11, 2001: The Korean Education Ministry establishes a working group to deal with the textbook controversy.

Apr. 15, 2001: *Japan Times* reports that pro-DPRK General Association of Korean Residents in Japan (Chongryon) and pro-ROK Korean Residents Union in Japan (Mindan) have reached agreements with cities of Nagasaki and Hiroshima to jointly build memorials for Korean A-bomb victims.

April 16, 2001: Japanese FM Kono Yohei sends a letter to the ROK FM suggesting that the historical viewpoint of some controversial textbooks is independent from that of the Japanese government.

Apr. 19, 2001: Ambassador Choi returns to Japan.

Apr. 20, 2001: Ambassador Choi meets with Minister of Education Nobutaka Machimura on the textbook issue.

Apr. 21, 2001: DPRK official media criticizes Japan for inordinate delay in normalization talks since October.

Apr. 27, 2001: Japan's new Prime Minister Koizumi Junichiro has a phone conversation with President Kim Dae-jung. The two agree to closely cooperate in seeking ways to prevent the textbook issue from spoiling bilateral relations.

May 1, 2001: Hatoyama Yukio, leader of the Democratic Party of Japan, visits Seoul.

May 1, 2001: A man believed to be the son and heir-apparent of North Korean leader Kim Jong-il, Kim Jong-Nam, is caught trying to enter Japan on a false passport.

May 1, 2001: Japanese FM Tanaka states that she will seek a resolution to the textbook dispute.

May 2, 2001: ROK Culture Minister Kim Han-gill meets with Japanese Minister of Education Atsuko Toyama on the textbook issue in Japan.

May 2, 2001: South Korean daily *JoongAng Ilbo* reports that the DPRK asked Japan for 4 billion yen in compensation for victims of the atomic bomb attacks on Hiroshima and Nagasaki and a hospital to treat survivors.

May 3, 2001: Hatoyama Yukio meets President Kim Dae-jung in Seoul and shows deep concerns on the textbook issue.

May 4, 2001: The third economic ASEAN Plus Three ministerial meeting is held in Siem Reap, Cambodia, to discuss ways to further strengthen economic relations.

May 5, 2001: The Japanese government deports a man believed to be the son of Kim Jong-il from Japan.

May 8, 2001: South Korean FM officially demands revisions of the Japanese junior high school history textbooks, pointing out 35 sections that should be revised.

May 8, 2001: The South Korean Defense Ministry announces that it has decided to put off the second Korea-Japan joint maritime search and rescue drills slated for early June to protest Japan's approval of history textbooks.

May 9, 2001: South Korea and Japan agree to cooperate closely with the transport of spectators for 2002 FIFA World Cup matches.

May 10, 2001: Deputy Secretary of State Armitage arrives in Seoul from Tokyo for high-level consultations. *JoongAng Ilbo* reports that the Armitage agenda includes possible revision of the Agreed Framework

May 23, 2001: Four ROK lawmakers apply to a Tokyo court for an injunction against distribution of the controversial history textbooks.

May 26, 2001: TCOG meeting in Honolulu; the three countries reaffirm their commitment to maintaining the 1994 Agreed Framework and support the ROK policy of reconciliation with the North.

May 26, 2001: Japanese FM Tanaka meets with South Korean FM Han in Beijing. The two reaffirm that the tripartite alliance of Japan, the U.S., and the ROK was crucial to the success of DPRK policy.

May 29, 2001: President Kim, in a letter to Japanese PM Koizumi Junichiro, urges the Japanese government to respond swiftly to Seoul's demands for textbook revisions.

May 30, 2001: Ambassador Choi expresses concern over PM Koizumi's plan to visit Yasukuni Shrine on August 15, the anniversary of Japan's surrender in WWII.

June 1, 2001: The Osaka District Court orders the Osaka prefectural government to pay a 34,000 yen monthly medical allowance to a 76-year-old South Korean atomic victim.

June 4, 2001: *Tokyo Shimbun* reports that Japan is pushing for the purchase of all North Korea Rodong missiles produced for export to Middle Eastern countries.

June 7, 2001: Japan officials announce that they will deny visas to DPRK party officials seeking to enter Japan to attend protests against the publication of history textbooks.

June 11-12 2001: The First Tripartite Round Table on Environmental Industry (China, Japan, and South Korea) is held in Seoul.

June 12, 2001: South Korea and Japan hold high-level economic talks in Seoul, covering negotiations aimed at concluding an investment pact and consideration of a free trade agreement.

June 16, 2001: *AP* reports that Tsuda Gakuen Junior High School, a private school in Mie Prefecture, is the first school that intends to adopt the controversial history textbook.

June 19, 2001: Japanese government bans South Korean ships from fishing for sanma (saury) off the Sanriku coast in retaliation for an agreement between Russia and South Korea that allows South Korea to fish near the four disputed Russian-held islands that make up the Northern Territories. South Korea strongly urges Japan to withdraw this decision immediately.

June 25, 2001: South Korean FM Han summons the Japanese ambassador, Terada Terusuke, to demand the lifting of a ban on South Korean fishing boats from waters claimed by Japan.

China-Russia Relations: Treaties Scrapped, Treaties Signed

by Yu Bin

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A specter is haunting the world – the specter of breaking and making treaties. From Washington to Brussels and from Moscow to Beijing, treaties are being scrapped (Kyoto Protocol and Anti-Ballistic Missile Treaty) and signed (Shanghai Cooperation Organization and Russian-Chinese friendship treaty) in such a way that the post-Cold War order is rapidly being shaped into a brave and perhaps not-so-certain new world with consequences that may not be anticipated or liked by anyone.

During the second quarter of 2001, there were at least three major treaty-making activities in bilateral relations between Moscow and Beijing, partially or largely in reaction to the threatened U.S. departure from the Anti-Ballistic Missile Treaty (ABM) and other arms control treaties. First, the final wording of a historical friendship treaty was hammered out and is ready to be signed at the onset of the third quarter (the July Moscow summit). Second, the joint effort to stabilize central Asian states led to the debut of an enlarged and reshaped Shanghai Cooperation Organization (SCO), formerly known as the Shanghai Five. Third, Chinese and Russian heads of state (Jiang Zemin and Vladimir Putin) met in Shanghai for the first of three summit meetings in the year 2001.

Living with the Not-So-Humble Superpower

Washington's perceived "unilateralism" was the main concern for the two continental powers (Russia and China). By maximizing the missile threat from so-called "rogue states" and minimizing the danger of global warming, the Bush administration is viewed as departing from a series of international treaties that constitute the bedrock of global strategic stability and harmony, causing considerable uncertainty in both Moscow and Beijing with regard to bilateral relations with Washington.

In bilateral relations, the Bush administration also played hardball with Moscow and Beijing. Top U.S. officials called Russia an "active proliferator" and "a possible threat." The U.S. put on hold (in the name of a comprehensive review) all U.S. aid for dismantling of Russian nuclear, biological, and chemical complexes. Fifty-one Russian diplomats were expelled from the U.S. (a favor returned by Moscow) while investigations began on former FBI agent Robert Hanssen, accused of espionage. Finally, Russia was not pleased when the Chechen "minister of foreign affairs" was allowed to visit the U.S.

State Department. It was as if everything the previous administration did with Moscow was wrong and needed to be reversed.

This new “rhetorical” Cold War with Russia, in the words of both U.S. Russianologists and Russia’s Americanologists, was deflected, ironically, on April Fool’s Day (April 1), when a U.S. EP-3 surveillance plane collided with a Chinese Air Force jet in airspace close to China’s Hainan Island. As a result, Beijing replaced Moscow as Washington’s primary national security concern for the second quarter.

Following the collision, the Bush administration authorized a \$5 billion sale of arms to Taiwan, the largest in history. Shortly after this, both President Bush and Vice President Dick Cheney stated publicly and forcefully that the United States would defend Taiwan, a significant departure from the policy of ambiguity and “one China” pursued by the previous six U.S. presidents.

Even before the midair collision, Washington began to shift its focus to Beijing. Shortly after Bush’s inauguration in late January 2001, the U.S. Air Force conducted its first space-war exercise in Colorado with China as the target and the Taiwan Strait as the anticipated theater of operations. Meanwhile, the new administration quickly affirmed its new definition of China as a “strategic competitor.” In late March, Secretary of Defense Donald Rumsfeld officially submitted to the president a review of the U.S. military in the post-Cold War era, reportedly suggesting that the U.S. shift the focus of its military power from Europe to the Asia Pacific. The EP-3 accident further confirmed Beijing’s worst fear: the U.S. is making China a target.

For Moscow and Beijing, the “humble” superpower, as promised by Bush the presidential candidate a few months before, was anything but humble. On a host of issues ranging from the Comprehensive Test Ban Treaty, global warming, the ABM Treaty, and the 30-year “one China” policy, Beijing and Moscow were sufficiently alarmed by Bush’s pursuit, with religious devotion, of policies hatched in conservative think tanks in the previous eight years. Meanwhile, Moscow and Beijing were also puzzled by the sudden enthusiasm of Bush’s foreign and defense policy team for trashing parts of the Cold War architecture as “relics of the past” (such as the ABM Treaty and “one China” policy). At the same time, Washington is seen as having tightly held on to and even expanded other Cold War “relics” such as NATO and the U.S.-Japan security alliance at the expense of Moscow and Beijing’s security interests. *[Editors’ note: Despite Bush’s comments about defending Taiwan, the administration maintains that the U.S. “one China” policy has not changed.]*

Bush’s actual and attempted exit from international treaties and commitments as well as Washington’s seemingly unrestrained policies toward Moscow and Beijing drove the two powers to speed up efforts to produce a major treaty of friendship and cooperation. Ironically this happens at a time when neither expects such a treaty to come into complete effect at the expense of their respective relations with Washington.

A Treaty “Just to be Nice”

The Sino-Russian Treaty of Good-Neighborly and Friendly Cooperation to be signed by Putin and Jiang in July means a lot for the two continental giants. Fifty years ago, the Sino-Soviet treaty of alliance signed by Stalin and Mao carried the two countries to the best and perhaps the worst of their bilateral relations in the 20th century. Although the two sides were determined to avoid that experience, it was the not-so-friendly peace (“cold peace” for Yeltsin and “hot peace” for Chinese Americanologist Wang Jisi) in the post-Cold War world that prompts Moscow and Beijing to sign another treaty. By the end of April, Moscow and Beijing essentially completed all the preliminary work and the treaty is ready to be signed by the two heads of state during their July summit in Moscow.

The exact content of the treaty has been closely guarded by both sides. Several main features, however, were publicly stated by both sides in the past few months. First, perhaps the biggest surprise of the treaty is that it has “no sharp or unexpected points” and “no hard-line formulations.” Instead, it will be “a well-considered, balanced document” based on the positive aspects of bilateral relations in the past decade. In Putin’s words, the document is to “define principles of interaction between China and Russia as friendly countries” in areas including: borders, economics and trade, foreign and security policies, social and cultural issues, and military cooperation.

It is intended for “the long-term” and avoids “a momentary character.” It will determine “the basic principles that will govern the relations between the two countries in the 21st century.” Finally, the treaty is said to be based on a partnership of equality, mutual confidence, and respect, rather than on the hierarchical relationship exemplified by the previous, Moscow-centered alliance treaty.

Soft-Peddling a Strategic Partnership

The nonbinding features of the treaty represent a culmination of *two* significant characteristics in Beijing-Moscow relations in the past decade. One is close coordination on a range of major issues, particularly in foreign and defense areas, in order to safeguard sovereignty at a minimum and to promote a multipolar world at maximum. This includes collective opposition to the U.S. missile defense plan, coordination at the United Nations and other multilateral diplomacy, regional security, border stability, and anti-terrorism/separatism (Taiwan and Chechnya).

Throughout the second quarter, the two sides interacted at almost all levels in the areas of foreign policy, defense policy, culture, and education. While China continued to support Russia’s effort to maintain “strategic stability,” Putin reminded the U.S., right after his meeting with President Bush in Slovenia, that China should not be overlooked or kept in the dark during the U.S. pursuit of missile defense. This was the first such warning by a Russian president. According to Putin, Russia had taken an interest in ensuring that China’s strategic concerns are addressed in the debate. “The transparency of our action is very important, lest none of the nuclear powers would feel abandoned or that two countries are making agreements behind their backs,” insisted Putin.

The second and perhaps more important characteristic of their strategic partnership is the desire and effort by both sides to maintain maximum flexibility and freedom of action in their relations with other countries. Upon initialing the draft treaty in Moscow on April 29, both Chinese and Russian foreign ministers reiterated that the treaty did not target any third country, which has been a long-standing and declared guideline for their strategic partnership since the mid-1990s.

This is particularly true with regard to relations with the United States. Aside from issues such as sovereignty and missile defense, Moscow and Beijing seem to have reached a point where they will not overreact to the other's relations with Washington, at least not publicly. In the aftermath of the EP-3 collision with the Chinese Air Force jet in the South China Sea, Russia expressed "regret" over the accident and maintained a rather neutral position. The Russian foreign minister depicted the incident as "an accident which brought to the verge of crisis the bilateral relations of the two big countries in Asia Pacific." Russia, however, was quick to bid on and win the right to transport the damaged U.S. spy plane out of China. After the massive U.S. arms sale package to Taiwan in late April, the Russian Foreign Ministry referred to the sale as a "question of bilateral relations."

Curiously and ironically, worsening relations with Washington during the first few months of the Bush administration actually led to joint efforts by Beijing and Moscow to improve relations with Washington. During the mid-June "Shanghai Five" annual summit, President Jiang asked President Putin to convey a verbal message to President Bush to the effect that China "is willing to pursue a constructive, predictable, and positive policy vis-à-vis all its partners, including the United States." Russian Foreign Minister Igor Ivanov later stated that "[T]he Chinese side attaches great importance to its relations with the United States for international stability," and "the Chinese leadership intends to pursue a constructive policy in its relations with Washington." In their June 18 telephone conversation during which Putin briefed Jiang on his summit meeting with President Bush in Slovenia, President Jiang went as far as to state that "I believe that Russian-U.S. dialogue and cooperation are conducive to maintaining world peace, security, and stability." Toward the end of June, the Russian foreign minister stressed that Russia will do "everything to prevent confrontation between the U.S. and China, because it will not lead to anything good." No problems in the world can be solved without Russia, the U.S., China, and Europe working together, said Ivanov.

If anything, Moscow and Beijing seem to work closely to help softly land the "800-pound gorilla" and at the same time, to smooth their respective rocky relations with Washington, though for their own interests. Some influential Chinese analysts go so far as to describe relations between the U.S., China, and Russia as a "strategic triangle," a far cry from a typical, normal but rigid alliance treaty. Managing relations with the sole superpower is in the ultimate interests of both countries' political transformation and economic modernization. For that purpose, Moscow and Beijing's long-articulated non-zero-sum and no-enemy-and-no-alliance approach to their strategic partnership should not be interpreted as mere lip service.

Perhaps one of China's key motivations in drafting the treaty was institutionalizing relations with Russia's young president. This was particularly needed in the first few months of the post-Yeltsin era when Russia's new head of state did not appear eager to develop relations with Beijing. For Moscow, Russia's historically weak position requires a safety net to deal with a rising China.

Over time, however, Putin seems to have convinced his Chinese counterpart that he can be trusted and is as capable as his predecessor in developing bilateral relations with Beijing. In the past year or so, Chinese leaders seem to have developed more confidence and trust in Putin. With the exception of a few issues such as Russian arms sales to India, the Chinese media has had largely positive, even glowing, reports about Putin's Russia. China, at both official and popular levels, seems to be fascinated by the charisma of the Russian president. After meeting Putin in the Kremlin in late April, Chinese Foreign Minister Tang Jiaxuan went as far as to say that he had been amazed at the "objectiveness, composure, and sensibility" of Putin. Putin, in return, described bilateral relations as "practically no problems" and "are developing intensively and in a positive way . . . and with very good dynamics."

The seemingly contradictory characteristics of the Sino-Russian strategic partnership and the upcoming friendship treaty – close coordination and maximum flexibility – can be possible only if officials in both countries develop high levels of confidence and trust in each other. Their interactions, therefore, will focus on bigger and strategic pictures; they will not be hampered by minor issues and irritants such as the occasional spying cases. Indeed, after a decade of carefully cultivating bilateral relations, Russian and Chinese leaders seem to be able to conduct real, informal but substantive "strategic dialogues" whenever they meet. Some Chinese analysts compare the current Russian-Chinese summit meetings with Mao and Zhou Enlai's meetings with Nixon and Kissinger in the early days of Sino-U.S. strategic partnership, when top leaders of the two countries roamed over philosophic and strategic issues, while leaving secondary problems for their assistants or to the future. In contrast, recent high-level contacts between Chinese and Russians with their U.S. counterparts always take the format of long "to-do" lists from the U.S. side which are followed by hard and bitter bargaining.

A Face-lift for the "Shanghai Five"

While finalizing their basic treaty, Moscow and Beijing in the second quarter also sped up treaty-making efforts promoting the "Shanghai Five," a regional forum established in 1996, to a new height. Several "firsts" were made in the sixth annual session of the Shanghai Five: It was given a new name, the "Shanghai Cooperation Organization (SCO)," a new member (Uzbekistan) was added, and efforts were initiated to make Central Asia a nuclear-free zone. The heads of state signed "The Shanghai Convention on Fighting Terrorism, Separatism, and Extremism," which consists of 21 articles. The defense ministers of the six countries also signed a communiqué on arms control with a clear goal to defend the ABM Treaty. Meanwhile, members agreed to speed up institutionalization of their cooperative mechanism in the areas of border security,

confidence building, anti-terrorist-separatist-extremist activities, economic cooperation, and socio-cultural exchanges.

The transition of the forum to the SCO was played up with a media fanfare and heightened security measures that brought Shanghai, China's financial center, to a halt. The summit was also attended by defense ministers of all six member states to discuss security cooperation, joint exercises, weapon's research and development, etc. Leaders of the member states, however, tried to downplay the military/security aspects of their forum. President Putin called stronger economic ties a key aim of SCO. "Cooperation in economics, trade, and culture is far more important than military cooperation," said Putin. The Chinese side proposed adding a regular meeting between trade and economic ministers and the drafting of a 10-year economic cooperative plan (2001–2010) in the areas of tariff reduction, custom streamlining, standardization of commodity certification and exchange, coordinating infrastructure for trade and investment environment, etc. During the summit, Jiang Zemin also suggested that an annual meeting of cultural ministers be added to the growing list of sub-commissions. Energy development, transportation, and environmental issues were also at the top of the agenda for the SCO summit. The next annual SCO summit would be held in St. Petersburg, Russia, as suggested by Jiang in Shanghai. By then, SCO's charter will be approved and signed by member states.

"Shanghai Five" is a name invented by Western journalists for their own convenience and was accepted by all parties concerned. Later, the Chinese side justified the location for such a regional forum in Shanghai and not in Beijing as a decision that reflects the spirit of equality among member states. It started out as a multilateral summit in Shanghai in 1996 with the purpose of military force reduction, confidence building, and transparency in the 7,400-kilometer (4,598 miles) border areas of the original five member states. Gradually, the organization developed sub-commissions for annual talks between foreign ministers, defense ministers, and policy chiefs. More recently, emphasis was put on economic cooperation, border trade, and energy development. In 2000, the Shanghai Five agreed to create an anti-terrorist center in the Kyrgyzstan capital, Bishkek. With the new upgrade, SCO now boasts three-fifths of the huge Eurasian landscape (nearly 30 million sq.-kilometers) and a quarter of the world's population (1.5 billion people). More important, SCO laid the institutional foundation for future enlargement. Mongolia could be the next new recruit. Also, Russia's foreign minister proposed institutional linkage of SCO's antiterrorist mechanism with the CIS Collective Security Treaty.

The organization underscores Beijing and Moscow's concern over the growing pull of Islamic fundamentalism in the region and the potentially destabilizing role played by the Taliban government in Afghanistan. It is also part of a reaction to the growing influence of NATO and the United States in Central Asia. Already, there are more than 60 cooperative arrangements and regimes between the West and Central Asian states, and many of them are concerned with military and security issues. With unremitting pressure from NATO in the west and the U.S.-Japan alliance in the east, Moscow and Beijing have been working hard to keep their influence in this important and volatile "backyard." At a

minimum, the two countries expect SCO to provide the needed security for their own domestic stability and to be free from infiltration by rising Islamic fundamentalism. At maximum, a cooperative and friendly Central Asia constitutes a vital part of efforts by Moscow and Beijing to create a multipolar world.

Like the pending Sino-Russian friendship treaty, SCO is said to not be directed against any third country. The evolution of the forum, however, clearly shows an outward-looking posture. Six years ago, its debut aimed at issues either within or between these states. Over time, the SCO members began to coordinate policies on issues of regional and global importance. These include promoting a multipolar world, opposition to U.S. missile defense, supporting the “one China” policy, etc. As the first international organization named after China’s largest city, SCO is one of the few international organizations without any direct U.S. participation. And it is unlikely that Washington would even have any indirect or unofficial role in the SCO in the near future due to SCO’s rather strict rules.

The Outlook

At the beginning of the third quarter, President Jiang will find himself in Moscow for the signing of the historic friendship treaty with President Putin. In response to reporters’ questions regarding the possibility of forming an alliance with Russia in late April after initialing the draft treaty, Chinese Foreign Minister Tang Jiaxuan stated, “China and Russia did not plan to form an alliance now . . . the time has not come for that.” The current paradoxical nature of the Sino-Russian strategic partnership and the pending friendship treaty – close coordination and maximum flexibility – will be subjected to severe tests should the U.S. decide to actively bypass or depart from the ABM Treaty and other international arrangements vital to the security and interests of Moscow and Beijing.

Chronology of China-Russia Relations

April – June 2001

Apr. 3, 2001: The “Shanghai Five” (Kazakhstan, Kyrgyzstan, China, Russia, and Tajikistan) conclude a week-long, expert-level session on military confidence building measures.

Apr. 4, 2001: China’s Deputy Foreign Minister Zhang Deguang and his Russian counterpart G. Mamedov holds talks in Beijing and reach a broad consensus on issues related to strategic stability, including missile defense, disarmament, and arms control. Both sides reaffirm their opposition to the deployment of the NMD system and development of the TMD system of a military bloc nature for the Asia Pacific region.

Apr. 19, 2001: Representatives of the General Staffs of the Shanghai Five countries meet in Bishkek to discuss cooperation in antiterrorism and religious extremism.

Apr. 24, 2001: Russian space engineer Valentin Danilov is arrested in Krasnoyarsk on suspicion of passing to China technology for new-generation radiation shielding for satellite constellations, according to the regional Federal Security Service department.

Apr. 24-27, 2001: The 10th Northeast Asia Economic Forum opens in Changchun, China's Jilin Province, with representatives from China, Russia, North and South Korea, Japan, and the U.S.

Apr. 27-May 2, 2001: Chinese FM Tang Jiaxuan visits the Czech Republic, Ukraine, and Russia. In Russia, Tang joins the Shanghai Five foreign minister meeting and holds talks on the upcoming visit to Russia by President Jiang Zemin and finalizing the text of the Russo-Chinese friendship treaty.

Apr. 28, 2001: Foreign ministers of the Shanghai Five meet in Moscow for annual ministerial talks.

Apr. 29, 2001: FM Tang meets with President Putin in Moscow.

May 10, 2001: A PLA delegation leaves Beijing on a friendly visit to Russia and Croatia. The delegation is headed by Gen. Tao Bojun, commander of PLA Guangzhou Military Area Command.

May 13, 2001: China and Russia sign a protocol document on cooperation between the two countries' prosecutors in border regions, cities, and districts in order to boost efforts against crime.

May 17, 2001: Russian Education Minister Vladimir Filippov and his Chinese counterpart Chen Zhili meet in Beijing.

May 21, 2001: A Chinese delegation visits Moscow to discuss the missile defense issue; the two sides confirmed opposition to U.S. plans to deploy a global missile defense system and did not consider the reasons and arguments for these plans to be convincing.

May 28-June 9, 2001: Former Russian President Boris Yeltsin takes a "comprehensive trip" to China, meets with President Jiang Zemin.

June 1, 2001: Chinese Embassy in Moscow holds a party for the 50th anniversary of the peaceful liberation of Tibet.

June 9, 2001: Polet, a Russia company, wins the international tender for transporting the U.S. spy plane from Hainan Island to Okinawa, Japan.

June 12, 2001: Taiwanese business delegation led by Taipei-based Taiwan Institute of Economic Research (TIER) President Wu Rong-i begins visit to Russia. Taiwan delegation sets date for the first Taiwan-Russia forum concerning bilateral economic affairs to be held in Taipei in October.

June 13-14, 2001: A delegation of the Chinese-Russian Committee of Friendship, Peace, and Development, led by the chairman Huang Yichen, visits Vladivostok and holds talks with officials of the Maritime Territory and the command of the Pacific regional agency of Russia's Federal Border Service. The group also visits Irkutsk, Moscow, and Bryansk.

June 13-15, 2001: A group of Chinese Tibetologists visits Russia and meets with Russian counterparts.

June 14-15, 2001: Russian President Vladimir Putin visits Shanghai for the sixth summit meeting of the Shanghai Five, meets with Jiang.

June 17, 2001: Russia and China sign a \$5 million deal to equip China's F-8 fighter jets with radars from Russia's Fazotron-NIIR research institute. Another contract of \$25 million will be signed soon for a total of 100 systems including finished products and segments for assembly in China, according to *Itar-Tass* at the 44th international aerospace show in France.

June 18, 2001: President Putin telephones President Jiang and briefs him on his summit meeting with President Bush on June 16 in Slovenia.

June 26, 2001: Russian *Itar-Tass* news agency reports that Tibetan spiritual leader in exile Dalai Lama will visit the Russian republic of Kalmykia in late August.

June 27, 2001: The second meeting of Sino-Russian central bankers is held in Moscow.

June 27, 2001: Russian Foreign Ministry spokesman Aleksandr Yakovenko denies British and Hong Kong press reports that Russia is helping organize the production of Kilo-class submarines in Taiwan.

June 29, 2001: Chinese official media reports that Russian Defense Ministry officials are quoted as saying that Russia did not rule out possible revision of ABM Treaty.

June 30, 2001: China resumes beef and pork exports to Russia.

About The Contributors

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Bonnie S. Glaser has been a consultant to the U.S. government on Asian affairs since 1982 and is currently a consultant to the Office of the Secretary of Defense, Sandia National Laboratories and other agencies of the U.S. government. Ms. Glaser also served as a member of the Defense Policy Board China Panel in 1997. Her recent publications include "China's Pragmatic Posture toward the Korean Peninsula" in *The Korean Journal of Defense Analysis*, "Chinese Apprehensions About Revitalization of the U.S.-Japan Alliance," in *Asian Survey* and "Chinese Perspectives on Nuclear Arms Control" in *International Security*. Bonnie Glaser received her B.A. from Boston University in political science and her M.A. from The Johns Hopkins School of Advanced International Studies with a concentration in international economics and Chinese studies.

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